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COLOUR LIFE SERVICES GROUP CO., LIMITED
彩生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1778)

**ANNOUNCEMENT OF UNAUDITED INTERIM RESULTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024**

HIGHLIGHTS

For the six months ended 30 June 2024:

- The Group recorded total revenue of approximately RMB974.5 million, gross profit of approximately RMB220.3 million, net profit of approximately RMB33.1 million and the net profit attributable to the owners of the Company of approximately RMB24.4 million.
- As at 30 June 2024, the Group's liabilities to assets ratio was approximately 23.8%, which remained steady as compared to that of approximately 23.7% as at 31 December 2023.
- As at 30 June 2024, the Group's total interest-bearing debt balance was nil.

The board (the “**Board**”) of directors (the “**Directors**”) of Colour Life Services Group Co., Limited 彩生活服務集團有限公司 (the “**Company**” or “**Colour Life**”) announces the unaudited financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2024 (the “**Period**”) as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024

	<i>NOTES</i>	Six months ended 30 June	
		2024	2023
		RMB’000	RMB’000
		(Unaudited)	(Unaudited)
Revenue from services	<i>3 & 4</i>	974,488	758,332
Cost of services		(754,141)	(539,797)
Gross profit		220,347	218,535
Other income		10,992	11,514
Other gains and losses		(2,511)	(41,451)
Impairment losses under expected credit loss model, net of reversal		(33,214)	(46,766)
Selling and distribution expenses		(1,976)	(1,718)
Administrative expenses		(113,105)	(98,565)
Finance costs		(1,237)	(816)
Change in fair value of investment properties		(1,385)	(787)
Share of results of associates		105	700
Share of results of joint ventures		(31,599)	5,027
Profit before tax		46,417	45,673
Income tax expense	<i>5</i>	(13,314)	(12,075)
Profit for the period	<i>6</i>	33,103	33,598

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024 (Continued)

	<i>NOTES</i>	Six months ended 30 June	
		2024 <i>RMB'000</i> (Unaudited)	2023 <i>RMB'000</i> (Unaudited)
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income (“FVTOCI”)		602	(4,473)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		<u>(151)</u>	<u>1,118</u>
Other comprehensive income (expense) for the period, net of income tax		<u>451</u>	<u>(3,355)</u>
Total comprehensive income for the period		<u>33,554</u>	<u>30,243</u>
Profit for the period attributable to:			
Owners of the Company		24,380	30,719
Other non-controlling interests		<u>8,723</u>	<u>2,879</u>
		<u>33,103</u>	<u>33,598</u>
Total comprehensive income for the period attributable to:			
Owners of the Company		24,831	27,364
Other non-controlling interests		<u>8,723</u>	<u>2,879</u>
		<u>33,554</u>	<u>30,243</u>
Earnings per share – basic (RMB cents)	8	<u>1.64</u>	<u>2.07</u>
Earnings per share – diluted (RMB cents)	8	<u>1.64</u>	<u>2.07</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	30 June	31 December
	2024	2023
<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Audited)
Non-Current Assets		
Property, plant and equipment	56,875	42,940
Right-of-use assets	205,450	207,109
Investment properties	18,241	19,561
Interests in associates	39,902	42,526
Interests in joint ventures	84,391	115,990
Equity instruments designated at FVTOCI	13,884	13,282
Goodwill	905,925	906,944
Other receivables	5,749	6,007
Deferred tax assets	130,094	129,421
Deposits paid for potential acquisition of subsidiaries	123,475	121,776
	1,583,986	1,605,556
Current Assets		
Contract assets	21,496	32,328
Trade receivables	9	910,461
Other receivables and prepayments	1,591,879	1,454,450
Loan receivables	126,864	141,939
Payments on behalf of residents	769,528	756,830
Amounts due from related parties	96,757	208,286
Pledged/restricted bank deposits	60,595	50,269
Bank balances and cash	728,701	947,904
	4,306,281	4,243,814

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024 (Continued)

	<i>NOTES</i>	30 June 2024 RMB'000 (Unaudited)	31 December 2023 RMB'000 (Audited)
Current Liabilities			
Trade payables	<i>10</i>	500,260	378,876
Other payables and accruals		193,343	211,003
Contract liabilities		314,966	253,342
Receipts on behalf of residents		43,960	180,185
Lease liabilities due within one year		9,712	8,093
Amounts due to related parties		39,380	40,501
Tax liabilities		276,143	294,141
		<u>1,377,764</u>	<u>1,366,141</u>
Net Current Assets		<u>2,928,517</u>	<u>2,877,673</u>
Total Assets Less Current Liabilities		<u>4,512,503</u>	<u>4,483,229</u>
Non-current Liabilities			
Deferred tax liabilities		14	248
Lease liabilities due after one year		23,331	19,658
		<u>23,345</u>	<u>19,906</u>
Total Non-current Liabilities		<u>23,345</u>	<u>19,906</u>
Net Assets		<u><u>4,489,158</u></u>	<u><u>4,463,323</u></u>
Capital and Reserves			
Share capital		120,750	120,750
Reserves		4,171,713	4,150,390
		<u>4,292,463</u>	<u>4,271,140</u>
Equity attributable to owners of the Company		<u>4,292,463</u>	4,271,140
Non-controlling interests		196,695	192,183
		<u><u>4,489,158</u></u>	<u><u>4,463,323</u></u>
Total Equity		<u><u>4,489,158</u></u>	<u><u>4,463,323</u></u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as well as the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for investment properties and certain financial instruments that are measured at fair values, as appropriate.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2023.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by HKICPA, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>
Amendments to HKFRS 16	<i>Lease liability in Sale and leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i>

The application of the amendments to HKFRSs in the current interim period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	For the period ended 30 June 2024		
	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Types of goods and services			
<i>Property management services</i>			
Lump sum basis	906,129	–	906,129
Pre-delivery services	3,950	–	3,950
Commission basis	19,634	–	19,634
Consultancy services	129	–	129
	<u>929,842</u>	<u>–</u>	<u>929,842</u>
 <i>Value-added services</i>			
Online promotion services	–	8,429	8,429
Sales and rental assistance	–	24,647	24,647
Engineering services	–	3,713	3,713
Other value-added services	–	7,857	7,857
	<u>–</u>	<u>44,646</u>	<u>44,646</u>
	<u>929,842</u>	<u>44,646</u>	<u>974,488</u>
 Timing of revenue recognition			
A point in time	–	5,784	5,784
Over time	929,842	38,862	968,704
	<u>929,842</u>	<u>44,646</u>	<u>974,488</u>

3. REVENUE AND SEGMENT INFORMATION (Continued)

Disaggregation of revenue from contracts with customers (Continued)

	For the period ended 30 June 2023		
	Property management services <i>RMB'000</i> (Unaudited)	Value-added services <i>RMB'000</i> (Unaudited) (Represented)	Total <i>RMB'000</i> (Unaudited) (Represented)
Types of goods and services			
<i>Property management services</i>			
Lump sum basis	672,135	–	672,135
Pre-delivery services	3,870	–	3,870
Commission basis	50,729	–	50,729
Consultancy services	1,369	–	1,369
	<u>728,103</u>	<u>–</u>	<u>728,103</u>
<i>Value-added services</i>			
Online promotion services	–	21,716	21,716
Sales and rental assistance	–	5,518	5,518
Engineering services	–	1,465	1,465
Other value-added services	–	1,530	1,530
	<u>–</u>	<u>30,229</u>	<u>30,229</u>
	<u>728,103</u>	<u>30,229</u>	<u>758,332</u>
Timing of revenue recognition			
A point in time	–	5,518	5,518
Over time	728,103	24,711	752,814
	<u>728,103</u>	<u>30,229</u>	<u>758,332</u>
	<u><u>728,103</u></u>	<u><u>30,229</u></u>	<u><u>758,332</u></u>

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (the “CODM”).

During the period ended 30 June 2024 and 2023, the Group is principally engaged in the provision of property management services and related services in the PRC. Management reviews the operating results of the business as a single operating segment as the nature of services, the type of customers for services, the method used to provide their services and the nature of regulatory environment is the same in different regions.

Information about major customer

There were no sales to a single customer which amounted to 10% or more of the Group’s revenue during the period ended 30 June 2024 and 2023.

Information about geographical areas

The principal operating entities of the Group are domiciled in the PRC and the majority of the revenue was derived in the PRC during the period ended 30 June 2024 and 2023.

As at 30 June 2024 and 31 December 2023, the majority of the non-current assets of the Group was located in the PRC.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Current tax		
PRC Enterprise Income Tax	(14,372)	(13,820)
Deferred tax		
Credit to profit and loss	<u>1,058</u>	<u>1,745</u>
	<u>(13,314)</u>	<u>(12,075)</u>

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Profit for the period has been arrived at after charging (crediting):		
Staff costs	314,889	244,670
Government grant	(2,560)	(3,626)
Partial exemption of PRC Value-added tax	(1,243)	(2,243)
Exchange gains	(85)	(444)
Loss on disposal of subsidiaries, net	3,055	15,752
Loss on disposal of right-of-use assets, net	–	21,984
Amortisation of intangible assets	–	689
Depreciation of property, plant and equipment	11,342	7,438
Depreciation of right-of-use assets	9,980	9,563

Note:

During the period ended 30 June 2024, the Group disposed of certain subsidiaries at insignificant considerations in aggregate, after consideration of the impact of net assets disposed of and non-controlling interests, the net losses on disposal of the aforesaid subsidiaries were approximately RMB3,055,000.

7. DIVIDENDS

The directors of the Company do not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	<u><u>24,380</u></u>	<u><u>30,719</u></u>
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	<u><u>1,487,526</u></u>	<u><u>1,487,526</u></u>

For the periods ended 30 June 2024 and 2023, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

9. TRADE RECEIVABLES

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
Trade receivables	1,111,483	858,322
Less: allowance for credit losses	<u>(201,022)</u>	<u>(206,514)</u>
	<u>910,461</u>	<u>651,808</u>

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which the invoice date or the date of demand note represented the payment due date:

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
0 to 30 days	148,317	122,044
31 to 90 days	179,382	101,165
91 to 180 days	150,373	117,186
181 to 365 days	206,222	119,626
Over 1 year	<u>226,167</u>	<u>191,787</u>
	<u>910,461</u>	<u>651,808</u>

10. TRADE PAYABLES

	30 June 2024 <i>RMB'000</i> (Unaudited)	31 December 2023 <i>RMB'000</i> (Audited)
0-60 days	214,244	166,870
61-180 days	201,674	156,228
181-365 days	74,039	45,885
Over 1 year	<u>10,303</u>	<u>9,893</u>
	<u>500,260</u>	<u>378,876</u>

11. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to confirm with the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

The Group is a leading property management and community services provider in China, with a focus on setting up offline and online service platform via the internet technology and effectively connecting the residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

As communities constitute the most fundamental social units within a city, the services provided by the property management companies are essential in creating a stable and convenient living environment for the residents of the community and promoting the development of the society. The Group strives to meet the basic living needs of the property owners through providing Four Basic Guarantees services (defined as cleaning, greening, security and maintenance services), which constitute the solid cornerstone of community services system.

While meeting the basic living needs of the residents of the community, the Group also promotes smart community construction by proactively utilising emerging technologies such as the Internet of Things, big data and artificial intelligence, and introducing the application of intelligent equipment, so as to enhance the Group's service efficiency in providing high quality property management services for the residents. The Group has established a powerful digitalized "cloud" system in the head office, which minimised the dependency on function and scope of "management" and strengthened the service capacity of the "terminal", so as to organise effective community services. For instance, the Group has upgraded the existing Big Dipper system to a "digital property management platform" by adding an intelligent customer service feature that covers the five basic services including security, cleaning, greening, maintenance and engineering, the order-oriented operation system of the lift, energy and decoration services, as well as the customer complaint platform comprising complaint, repair application, parking, payment, decoration and other services. The Group has divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

In addition to its efforts in refining the basic businesses, the Group has classified its management projects into various service levels based on different charging standards, set standards for equipment modification and services and provided well-oriented service experiences, so as to satisfy customers' demand for performance-price ratio in different projects and lay a solid foundation for the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of securing customer satisfaction.

While focusing on improving service efficiency, the Group is dedicated to building prosperous communities. The Group has taken the initiative to organise a wide range of community activities and proactively established communication channels with property owners to strengthen the relationship between the property owners as well as between the property owners and the property management staff and enrich the residents' off-work life and spiritual culture, with the ultimate goal of building a better and more caring community. By providing such services, we are able to create a harmonious environment for the property owners, and push forward the establishment of the Group's unique community culture brand, so as to enhance the property owners' trust in the Group. The improvement of service relationship also laid a solid foundation for the Group's effort to further expand community consumption scenarios.

The Group is actively building an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions between the Group and the community property owners. In addition, the Group designates a proportional number of customer managers to serve the communities based on the number of residents in such communities. The customer managers will carry out following up work and seek feedback relating to customer satisfaction in a timely manner. On one hand, it ensures the quality of basic services in the offline community, and on the other hand, it can efficiently understand the needs of the community property owners so as to promote the development of value-added business. By organically combining the online and offline operations of the community, the Group further extends its competitive advantage.

BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group's "Contracted Managed GFA". Property developers will issue an occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of the Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Contracted Managed GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service contracts with regional property management companies. The area agreed in the contracts will be incorporated into "Consultancy GFA". The aforementioned Managed GFA and the Consultancy GFA are collectively referred to as "Contracted Managed GFA" of the Group.

The Group focused on driving its organic expansion for new engagements through reputation and branding. With our outstanding property management experience and expansion capability, as at 30 June 2024, the Contracted Managed GFA of the Group had reached 328.34 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 1,931. In which, as at 30 June 2024, the Group's revenue-bearing Contracted Managed GFA reached 168.42 million sq.m.

While proactively expanding service area, the Group made great efforts to establish and upgrade its community service platform, in an effort to meet the daily needs of the property owners and provide them with quality and efficient property management services. In addition to building caring communities, the Group explored various consumption scenarios, product innovation and new business models, with an aim to provide property owners with various value-added services, truly incorporating property management services into the property owners' life.

The Group also continued to explore various value-added services under the community scenario, go deep into the property management scenario, and provide customised products and services for the property owners based on market demands and property owner needs. For instance, based on the extensive property owner base of the Group and the parking lot management scenario, the Group proactively explored the auto insurance sales business. By establishing the headquarters-to-headquarters communication mechanism with the insurance companies, the Group strived to improve service efficiency and reduce the selection costs and purchase costs of the property owners. In addition, the Group continued to develop and strengthen its online platform technology, paving the path for connection with the system of the insurance companies, which enabled the Group to have real-time understanding of the business development and claim settlement data and monitor the quality of community-based products in a dynamic manner, so as to provide property owners with quality customer services and claim settlement services. Also, the Group has built a community online shopping platform Colour Life Select, which offers property owners all sorts of goods and services and a platform for light entrepreneurship. In doing so, the Group was able to increase the interaction frequency between the property management company and the property owners, enhance the loyalty between the property management company and the property owners, and improve the recognition of the property owners towards its basic property management services and value-added services.

As at 30 June 2024, the locations of communities where the Group provided management and consultancy services are set out as follows:



Northeastern China	25 Jingdezhen	Southern China	83 Nanyang	Southwestern China
1 Tieling	26 Jiujiang	56 Chongzuo	84 Shaoyang	103 Chengdu
	27 Jurong	57 Dongguan	85 Shiyan	104 Dali
	28 Kunshan	58 Foshan	86 Suizhou	105 Deyang
Northern China	29 Linyi	59 Guangzhou	87 Wuhan	106 Duyun
2 Langfang	30 Longyan	60 Guigang	88 Xiangtan	107 Guang'an
3 Beijing	31 Nanchang	61 Guilin	89 Xiangyang	108 Guangyuan
4 Cangzhou	32 Nantong	62 Heyuan	90 Yichang	109 Guiyang
5 Chengde	33 Qingdao	63 Huizhou	91 Zhangjiajie	110 Kunming
6 Qinhuangdao	34 Quanzhou	64 Liuzhou	92 Changsha	111 Mianyang
7 Shijiazhuang	35 Sanming	65 Nanning	93 Zhengzhou	112 Neijiang
8 Taiyuan	36 Xiamen	66 Qingyuan	94 Luoyang	113 Qiannanzhou
9 Tianjin	37 Shanghai	67 Shantou		114 Qingzhen
10 Xingtai	38 Shangrao	68 Shaoguan	Shenzhen	115 Chongqing
11 Hohhot	39 Suzhou	69 Yangjiang	95 Shenzhen	116 Ziyang
12 Baotou	40 Suqian	70 Zhaoqing		117 Zunyi
	41 Tai'an	71 Zhongshan	Northwestern China	118 Gejiu
Eastern China	42 Taizhou	72 Zhuhai	China	119 Nanchong
13 Dongying	43 Weifang	73 Beihai	96 Baoji	120 Suining
14 Fuzhou	44 Wuxi	74 Wuzhou	97 Lanzhou	
15 Fuzhou	45 Xinyu		98 Xi'an	
16 Fuyang	46 Xuzhou	Central China	99 Xianyang	
17 Ganzhou	47 Yancheng	75 Chenzhou	100 Yinchuan	
18 Gaoyou	48 Yichun	76 Ezhou	101 Yulin	
19 Hangzhou	49 Changzhou	77 Enshizhou	102 Hanzhong	
20 Huai'an	50 Yingtan	78 Huanggang		
21 Ji'an	51 Zaozhuang	79 Huangshi		
22 Jinan	52 Zhangzhou	80 Jingzhou		
23 Jiaxing	53 Zhenjiang	81 Liuyang		
24 Jiangyin	54 Nanjing	82 Loudi		
	55 Changshu			

As at 30 June 2024, the following table sets out GFA and the number of communities where the Group provided management and consultancy services in different regions as at the dates indicated below:

	As at 30 June 2024				As at 31 December 2023			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Number of GFA communities	Number of GFA communities	Number of GFA communities	Number of GFA communities	Number of GFA communities	Number of GFA communities	Number of GFA communities	
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	
Shenzhen	5,124	83	41	1	5,211	84	41	1
Southern China (excluding Shenzhen)	56,601	404	-	-	61,360	420	-	-
Eastern China	98,487	642	-	-	99,836	660	-	-
Southwestern China	54,429	260	-	-	61,345	267	-	-
Northeastern China	7,953	50	-	-	9,100	53	-	-
Northwestern China	12,328	62	-	-	13,024	64	-	-
Northern China	17,354	89	-	-	19,378	87	-	-
Central China	76,021	340	-	-	86,730	351	-	-
Total	328,297	1,930	41	1	355,984	1,986	41	1

Note:

(1) As at 30 June 2024, the Group's Contracted Managed GFA reached 328.34 million sq.m.

As at 30 June 2024, the Group managed 1,930 communities with an aggregate contracted GFA of approximately 328.30 million sq.m. and entered into consultancy service contracts with 1 community with an aggregate GFA of consultancy service arrangements of approximately 0.041 million sq.m. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the changes in the GFA and the number of communities where the Group provided management and consultancy services during the reporting period:

	As at 30 June 2024				As at 31 December 2023			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted	Number of	Contracted	Number of	Contracted	Number of	Contracted	Number of
	Managed GFA ('000 sq.m.)	communities	Managed GFA ('000 sq.m.)	communities	Managed GFA ('000 sq.m.)	communities	Managed GFA ('000 sq.m.)	communities
As at the beginning of the year	355,984	1,986	41	1	399,886	2,105	133	2
New engagements ⁽¹⁾	1,169	35	-	-	15,086	93	-	-
Acquisition ⁽²⁾	45	1	-	-	274	7	-	-
Termination ⁽³⁾	(28,901)	(92)	-	-	(59,262)	(219)	(92)	(1)
As at the end of the year	328,297	1,930	41	1	355,984	1,986	41	1

Notes:

- (1) In relation to communities the Group managed, the new engagements mainly included service engagements for new property development projects built by property developers, and a small part was service engagements for residential communities that replaced the previous property management company. In relation to communities the Group provided consultancy services for, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.
- (2) The Group expanded its Managed GFA through acquisitions and gained synergy after the acquisition.
- (3) The Contracted Managed GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

BUSINESS OVERVIEW

The Group has two main businesses:

- Property management services, which primarily include: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and
- Value-added services, which primarily include: (i) online promotion services; (ii) sales and rental assistance services; (iii) engineering services; (iv) other value-added services.

Scope of Services for Property Management Services

As at 30 June 2024, the Group employed over 26,075 on-site personnel (including staffs employed by the Group and the staffs outsourced from third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 30 June 2024		As at 31 December 2023	
	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)	Under commission basis (RMB/sq.m./ month)	Under lump sum basis (RMB/sq.m./ month)
Shenzhen	0.4-11.4	1.8-16.9	0.4-11.4	1.8-16.9
Southern China (excluding Shenzhen)	0.5-6.0	0.7-16.9	0.5-6.0	0.7-16.9
Eastern China	0.4-17.0	1.1-16.0	0.4-17.0	1.1-16.0
Southwestern China	0.5-6.1	0.3-25.0	0.5-6.1	0.3-25.0
Northeastern China	0.4-3.3	2.0-18.0	0.4-3.3	2.0-18.0
Northwestern China	0.5-4.0	1.4-22.7	0.5-4.0	1.4-22.7
Northern China	0.7-5.5	1.2-25.0	0.7-5.5	1.2-25.0
Central China	0.6-5.3	0.9-16.9	0.6-5.3	0.9-16.9

Property management services, which primarily include: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for regional property management companies.

Property Management Services under Lump Sum Basis

Under the lump sum basis, the Group is entitled to recognise all property management fees charged from the property owners as revenue and pay the expenses related to property management from the property management fees. Accordingly, the related costs are recognised as the Group's cost of sales.

Property Management Services under Commission Basis

Under the commission basis, the Group is essentially acting as an agent of the property owners. The Group reserves the right to retain the specified percentage (usually 10%) of the owner's property management fees as required by the relevant local authorities as the Group's revenue. The remaining property management fees will be used as operating funds to cover the expenses associated with the management of the property.

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services for the property developers in preparation for the pre-sale activities and recognises the proceeds based on the fees charged. The relevant expenses are calculated based on the number of employees and positions deployed by the Group, and the related staff costs incurred are the sales costs incurred in providing the services.

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience and making its brand more widely known, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, property management companies contracted with the Group to provide property management services in relevant communities. The Group provides consultation and advice to these regional property management companies such that they can leverage the Group's experience and platform to improve various aspects of services such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future.

Scope of Services for Value-added Services

Adhering to the value and concept of "Service to Your Family", the Group has been focusing on providing diversified value-added services for community property owners. With over 22 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with property owners by customer managers, the Group has built up trust with residents in communities and has a more comprehensive understanding of their demands. Leveraging the in-depth understanding of the residents of the communities for which the Group provides management and consultancy services, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

The Group's value-added services primarily include (i) online promotion services; (ii) sales and rental assistance; (iii) engineering services; and (iv) other value-added services.

Online promotion services

The Group collaborates with providers of various products and services and promotes products or services to property owners through Caizhiyun, the online platform run by the Group. Product and service providers pay certain amount of commission according to their sales ordered through the Caizhiyun platform to the Group. Furthermore, the Group provides system or software for projects that it provides management and consultancy services for, and charges a certain fee for using information system software.

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges the agent on every successful referral and generates revenue from authorizing property agent's rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Engineering Services

The Group provides engineering services for property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and collaborating with qualified third-party contractors and through its subsidiaries that are mainly engaged in engineering services and energy management services, namely Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("**Shenzhen Kaiyuan Tongji**") and Shenzhen Ancaihua Energy Investment Co., Ltd. ("**Shenzhen Ancaihua**").

Engineering services provide a safe and comfortable environment for property owners of the communities. It also laid the hardware foundation for accelerating the smart transformation of communities which the Group serves and implementing the "digital property management platform".

In recent years, the Group continued to carry out the internet-based smart transformation to the projects under its management. Focusing on the property owners' multi-dimension needs for easy community life, we strengthened the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR code/face recognition access control, vehicle license recognition system in car park etc., so as to realise central management control, replace labour with equipment, save energy and posts, and enhance efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group's cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group's management will be sent to its head office using remote monitoring technology, and it will promptly assign rectification tasks for areas with potential problem and follow up on the results.

Other value-added services

Other value-added services include (i) purchase assistance; (ii) energy management services; (iii) insurance brokerage services; and (iv) other value-added services.

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; and (ii) value-added services. For the Period, total revenue increased by 28.5% from approximately RMB758.3 million for the corresponding period of 2023 to approximately RMB974.5 million.

	For the six months ended 30 June					
	2024		2023		Variance	
	Amount	% of total	Amount	% of total	Amount	%
	<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue	<i>RMB'000</i>	
Revenue						
Property management services	929,842	95.4%	728,103	96.0%	201,739	27.7%
Value-added services	44,646	4.6%	30,229	4.0%	14,417	47.7%
Total revenue	974,488	100%	758,332	100.0%	216,156	28.5%

Property Management Services

For the Period, revenue from property management services increased by approximately 27.7% from approximately RMB728.1 million for the corresponding period of 2023 to approximately RMB929.8 million for the Period. Breakdown of revenue from property management services are as below:

	For the six months ended 30 June					
	2024		2023		Variance	
	% of total		% of total			
	Amount <i>RMB'000</i>	revenue	Amount <i>RMB'000</i>	revenue	Amount <i>RMB'000</i>	%
Revenue						
Property management service fees under lump sum basis	906,129	93.0%	672,135	88.6%	233,994	34.8%
Pre-delivery services	3,950	0.4%	3,870	0.5%	80	2.1%
Property management service fees under commission basis	19,634	2.0%	50,729	6.7%	(31,095)	(61.3%)
Property management consultancy service fees	129	0.0%	1,369	0.2%	(1,240)	(90.6%)
Total of property management service fees	<u>929,842</u>	<u>95.4%</u>	<u>728,103</u>	<u>96.0%</u>	<u>201,739</u>	<u>27.7%</u>

The changes were mainly due to:

- (a) An increase in revenue from property management services under lump sum basis by approximately RMB234.0 million, which was mainly due to the increase in the number of communities managed under lump sum basis and the newly commissioned communities from business expansion during the Period;
- (b) Revenue from property management services under commission basis and revenue from consultancy services decreased by approximately RMB31.1 million and RMB1.2 million respectively, mainly due to the termination of certain commission basis service contracts and consulting service contracts;
- (c) A slight increase in revenue from pre-delivery services by approximately RMB0.1 million.

Value-added Services

For the Period, revenue from value-added services increased by 47.7% from approximately RMB30.2 million for the corresponding period of 2023 to approximately RMB44.6 million. Breakdown of revenue from value-added services are as below:

	For the six months ended 30 June					
	2024		2023		Variance	
	% of total		% of total			
	Amount	revenue	Amount	revenue	Amount	%
<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>		
Revenue						
Online promotion services	8,429	0.9%	21,716	2.9%	(13,287)	(61.2%)
Sales and rental assistance	24,647	2.5%	5,518	0.7%	19,129	346.7%
Engineering services	3,713	0.4%	1,465	0.2%	2,248	153.4%
Other value-added services	7,857	0.8%	1,530	0.2%	6,327	413.5%
Total of value-added service fees	<u>44,646</u>	<u>4.6%</u>	<u>30,229</u>	<u>4.0%</u>	<u>14,417</u>	<u>47.7%</u>

The increase in revenue from value-added service was mainly due to:

- (a) A decrease in revenue from online promotion services by approximately RMB13.3 million;
- (b) An increase in revenue from sales and rental assistance by approximately RMB19.1 million;
- (c) An increase in revenue from engineering services by approximately RMB2.2 million;
- (d) An increase in revenue from other value-added services by approximately RMB6.3 million.

Cost of Services

Cost of services primarily comprises labour costs, sub-contracting costs, costs of raw materials (which mainly consist of energy-saving light bulbs, inter-communication devices, security camera wires, pipes and others), utility costs, depreciation and amortisation, rental cost and others. For the Period, cost of services increased by approximately RMB214.3 million or approximately 39.7% from approximately RMB539.8 million for the corresponding period of 2023 to approximately RMB754.1 million. The increase in cost of services was mainly due to the increase in the number of the communities managed under lump sum basis during the Period and the newly commissioned communities from business expansion.

Gross Profit and Gross Profit Margin

For the Period, the overall gross profit was approximately RMB220.3 million, representing an increase of approximately 0.8% as compared to approximately RMB218.5 million for the corresponding period of 2023.

The overall gross profit margin for the Period was 22.6%, representing a decrease of 6.2 percentage points as compared to 28.8% for the corresponding period of 2023.

(i) Property Management Services

For the Period, the gross profit of property management services was approximately RMB183.9 million, representing a decrease of approximately 4.8% or approximately RMB9.2 million as compared to approximately RMB193.1 million for the corresponding period of 2023. Gross profit margin decreased from 26.4% for the corresponding period of 2023 to 19.8% for the Period. This was mainly attributable to the increased proportion of income from property management services under lump sum basis with lower gross profit margin, while the proportion of income from property management services under commission basis with higher gross profit margin decreased, resulting in a decrease in gross profit margin from property management services income.

(ii) Value-added Services

For the Period, the gross profit of value-added services was approximately RMB36.4 million, representing an increase of approximately RMB11.0 million or approximately 43.3% as compared to approximately RMB25.4 million for the corresponding period of 2023. Gross profit margin decreased from 83.9% for the corresponding period of 2023 to 81.5% for the Period.

Other Gains and Losses

For the Period, the Group recorded other losses of approximately RMB2.5 million, representing a decrease in losses of approximately RMB39.0 million from approximately RMB41.5 million in losses for the corresponding period of 2023. Other losses for the Period arose from loss on disposal of equity interests in subsidiaries and transactions of approximately RMB3.1 million during the Period.

Other Income

For the Period, the Group's other income amounted to approximately RMB11.0 million, representing a decrease of approximately RMB0.5 million from approximately RMB11.5 million for the corresponding period of 2023.

Selling and Distribution Expenses

For the Period, the Group's selling and distribution expenses amounted to approximately RMB2.0 million, representing an increase of approximately RMB0.3 million as compared to approximately RMB1.7 million for the corresponding period of 2023.

Administrative Expenses

For the Period, the Group's administrative expenses amounted to approximately RMB113.1 million, representing an increase of approximately RMB14.5 million or approximately 14.7% as compared to approximately RMB98.6 million for the corresponding period of 2023.

Finance Costs

For the Period, the Group's finance costs amounted to approximately RMB1.2 million, representing an increase of approximately RMB0.4 million as compared to approximately RMB0.8 million for the corresponding period of 2023. The finance costs for the Period arose from the lease liabilities.

Income Tax Expenses

For the Period, the Group's income tax expenses amounted to approximately RMB13.3 million, representing an increase of approximately RMB1.2 million from approximately RMB12.1 million for the corresponding period of 2023.

Goodwill

As at 30 June 2024, the carrying amount of goodwill was approximately RMB905.9 million, representing a decrease of approximately RMB1.0 million from approximately RMB906.9 million as at 31 December 2023. The change was attributable to (i) a decrease of RMB3.5 million for the disposal of subsidiaries by the Group during the Period; and (ii) an increase of RMB2.5 million for the acquisition of subsidiaries by the Group during the Period.

Bank Balances and Cash

As at 30 June 2024, the Group's total cash balance amounted to approximately RMB728.7 million (31 December 2023: approximately RMB947.9 million).

Trade and Other Receivables and Prepayments

Trade receivables mainly arise from property management services income under lump sum basis, property management services income from pre-sale services, property management service income from consultancy services, engineering services income and value-added services income.

As at 30 June 2024, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB910.5 million, representing an increase of RMB258.7 million or 39.7% as compared to approximately RMB651.8 million as at 31 December 2023. Such increase was mainly due to: the increase in the number of communities managed under the lump sum basis during the Period, and the increase in unsettled property management fees arising from the seasonality of the property management industry that the collection record of the unsettled property management fees is usually better in the second half of the year than the first half of the year.

As at 30 June 2024, other receivables and prepayments of the Group amounted to approximately RMB1,597.6 million, representing an increase of approximately RMB137.1 million or approximately 9.4% as compared to approximately RMB1,460.5 million as at 31 December 2023.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under commission basis. These property management offices of residential communities usually have no separate bank accounts because they have no separate legal entity status. For the daily management of these property management offices of residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenses, are settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenses paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of the residential community. A net payable balance to the property management office of the residential community represents property management fees collected from residents of the residential community in excess of the expenses paid by the Group on behalf of the residential community.

Trade and Other Payables and Accruals

Trade and other payables primarily comprise of payables for sub-contracted services, deposits received, accrued staff costs, other tax payables and other payables and accruals.

- (1) As at 30 June 2024, trade payables amounted to approximately RMB500.3 million (31 December 2023: RMB378.9 million), representing an increase of approximately RMB121.4 million, which was mainly attributable to the increase in communities managed under the lump sum basis.
- (2) As at 30 June 2024, other payables and accruals amounted to approximately RMB193.3 million (31 December 2023: approximately RMB211.0 million).

Share Capital

As at 30 June 2024, the total number of issued shares of the Company was approximately 1,487,526,000 (31 December 2023: approximately 1,487,526,000) and the share capital was approximately RMB120.8 million (31 December 2023: approximately RMB120.8 million).

Cash Position

As at 30 June 2024, the Group's total cash (including pledged bank deposits) amounted to approximately RMB789.3 million (31 December 2023: approximately RMB998.2 million), among which approximately RMB60.6 million (31 December 2023: approximately RMB50.3 million) were pledged or restricted.

As at 30 June 2024, the current ratio (current assets/current liabilities) of the Group was approximately 3.1 (31 December 2023: approximately 3.0).

Net Gearing Ratio

The net gearing ratio was calculated by net debt (being the total of borrowings after deduction of bank balances and cash and pledged and restricted bank deposits) over the total equity. As at 30 June 2024, the total bank balances and cash and pledged/restricted bank deposits of the Group amounted to RMB789.3 million and the Group has no interest-bearing liabilities. Therefore, no net gearing ratio was presented as at 30 June 2024. There was also no net gearing ratio as at 31 December 2023.

Currency Risk

As the Group mainly operates its business in China, there is no material direct exposure to foreign exchange fluctuations risk.

Employees and Remuneration Policies

As at 30 June 2024, the Group had approximately 11,023 employees (31 December 2023: approximately 11,156 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has complied with all code provisions set out in the Corporate Governance Code (“**Corporate Governance Code**”) in Appendix C3 to the Listing Rules.

Effective from 19 December 2023, Mr. Xu Xinmin resigned as an independent non-executive director of the Company. Since his resignation, the Company has not complied with Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules. Since 15 March 2024, Ms. Yu Shan has been appointed as an independent non-executive director of the Company. The Company has re-complied with Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules.

Save as disclosed above, the Company has complied with all code provisions set out in the Corporate Governance Code for the six months ended 30 June 2024.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C1 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors.

The Company has made specific enquiry of all Directors and all Directors confirmed that they have complied with the Model Code during the six months ended 30 June 2024.

REVIEW OF INTERIM RESULTS

The interim results of the Company for the six months ended 30 June 2024 had been reviewed by the Audit Committee, which consists of three independent non-executive directors, namely Mr. Lee Yan Fai (chairman of the Audit Committee), Mr. Zhang Raymond Yue and Ms. Yu Shan.

PUBLICATION OF THE INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

This announcement is published on the website of the Stock Exchange (www.hkexnews.hk) as well as the website of the Company (www.colourlife.hk). The Company’s 2024 interim report will be published on the aforementioned websites and despatched to the Company’s shareholders in due course.

By Order of the Board
Colour Life Services Group Co., Limited
彩生活服務集團有限公司
ZHU Jindong
Chairman

Hong Kong, 29 August 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Liu Hongcai and Ms. Yang Lan as executive directors; Mr. Zhu Jindong, Mr. Timothy David Gildner and Mr. Chen Wenjian as non-executive directors; and Mr. Lee Yan Fai, Mr. Zhang Raymond Yue and Ms. Yu Shan as independent non-executive directors.