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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 ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021

HIGHLIGHTS

- For the year ended 31 December 2021, the Group recorded total revenue of approximately RMB3,123.3 million, gross profit of approximately RMB839.3 million, net profit of approximately RMB18.8 million and the net profit attributable to the owners of the Company of approximately RMB17.7 million.
- As at 31 December 2021, the Group's liabilities to assets ratio was approximately 23.2%, representing a significant decrease from approximately 55.8% as at 31 December 2020.
- At 31 December 2021, the interest-bearing liabilities of the Group was approximately RMB184.8 million, representing a decrease of approximately 92.7% as compared to the interest-bearing liabilities of the Group of approximately RMB2,529.6 million at 31 December 2020.
- As at 31 December 2021, the contracted GFA managed by the Group and the contracted GFA under the Group's consultancy agreement amounted to approximately 414.6 million sq.m. and 8.9 million sq.m. respectively.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

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 audited financial results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

		2021	2020
	<i>NOTES</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from services	<i>3 & 4</i>	3,123,274	3,596,450
Cost of services		(2,283,944)	(2,388,688)
Gross profit		839,330	1,207,762
Other income	<i>5</i>	60,770	69,744
Other gains and losses	<i>5</i>	340,667	81,165
Impairment losses under expected credit loss model, net of reversal	<i>6</i>	(544,814)	(89,309)
Selling and distribution expenses		(25,779)	(16,944)
Administrative expenses		(396,411)	(421,843)
Expenses recharged to residential communities under commission basis		82,947	78,072
Finance costs	<i>7</i>	(281,687)	(210,387)
Change in fair value of investment properties		(12,935)	(2,461)
Share of results of associates		928	3,937
Share of results of joint ventures		(9,154)	996
Profit before tax		53,862	700,732
Income tax expense	<i>8</i>	(35,046)	(158,677)
Profit for the year	<i>9</i>	18,816	542,055

		2021	2020
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
Other comprehensive (expense) income			
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”)		(2,125)	1,793
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		<u>531</u>	<u>(448)</u>
Other comprehensive (expense) income for the year, net of income tax		<u>(1,594)</u>	<u>1,345</u>
Total comprehensive income for the year		<u><u>17,222</u></u>	<u><u>543,400</u></u>
Profit for the year attributable to:			
Owners of the Company		17,656	501,721
Non-controlling interests		<u>1,160</u>	<u>40,334</u>
		<u><u>18,816</u></u>	<u><u>542,055</u></u>
Total comprehensive income for the year attributable to:			
Owners of the Company		16,062	503,066
Non-controlling interests		<u>1,160</u>	<u>40,334</u>
		<u><u>17,222</u></u>	<u><u>543,400</u></u>
Earnings per share – basic (RMB cents)	<i>11</i>	<u><u>1.19</u></u>	<u><u>34.90</u></u>
Earnings per share – diluted (RMB cents)	<i>11</i>	<u><u>1.19</u></u>	<u><u>34.90</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	<i>NOTE</i>	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
Non-current Assets			
Property, plant and equipment		35,485	181,905
Right-of-use assets		283,441	95,204
Investment properties		26,504	147,351
Interests in associates		40,573	61,046
Interests in joint ventures		123,431	103,862
Equity instruments designated at FVTOCI		113,043	115,168
Goodwill		886,270	2,317,252
Intangible assets		9,806	953,461
Contract assets		–	14,572
Other receivables		86,854	4,986
Loan receivables		–	1,761
Deferred tax assets		105,897	85,932
Amount due from a related party		–	68,889
Deposits paid for potential acquisition of subsidiaries		122,262	10,653
		<u>1,833,566</u>	<u>4,162,042</u>
Current Assets			
Contract assets		90,483	48,986
Trade receivables	<i>12</i>	497,894	546,989
Other receivables and prepayments		1,512,816	751,151
Loan receivables		101,841	224,188
Payments on behalf of residents		954,514	1,050,618
Amounts due from related parties		89,353	899,766
Pledged/restricted bank deposits		64,343	154,118
Bank balances and cash		600,079	2,458,579
		<u>3,911,323</u>	<u>6,134,395</u>

	<i>NOTE</i>	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current Liabilities			
Trade payables	13	190,240	405,567
Other payables and accruals		118,548	804,521
Contract liabilities		159,200	516,500
Receipts on behalf of residents		313,972	362,189
Lease liabilities due within one year		7,078	7,898
Amounts due to related parties		69,262	604,003
Tax liabilities		272,038	239,896
Borrowings due within one year		184,834	436,181
Senior note and bond		–	1,552,688
Asset-backed securities issued due within one year		–	20,206
		<u>1,315,172</u>	<u>4,949,649</u>
Net Current Assets		<u>2,596,151</u>	<u>1,184,746</u>
Total Assets Less Current Liabilities		<u>4,429,717</u>	<u>5,346,788</u>
Non-current Liabilities			
Deferred tax liabilities		8,848	252,937
Lease liabilities due after one year		11,270	18,929
Borrowings due after one year		–	520,500
		<u>20,118</u>	<u>792,366</u>
Net Assets		<u>4,409,599</u>	<u>4,554,422</u>
Capital and Reserves			
Share capital		120,750	118,036
Reserves		4,098,676	4,231,605
Equity attributable to owners of the Company		4,219,426	4,349,641
Non-controlling interests		190,173	204,781
Total Equity		<u>4,409,599</u>	<u>4,554,422</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

1. GENERAL

Colour Life Services Group Co., Limited (the “**Company**”) is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited (the “**SEHK**”). Its immediate holding company is Fantasia Holdings Group Co., Limited (“**Fantasia Holdings**”), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the “**BVI**”). Its ultimate controlling party is Ms. Zeng Jie, Baby. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company.

The consolidated financial statements is presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company and the major subsidiaries.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“**HKFRSs**”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concessions</i>

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

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	<i>Insurance Contracts and the related Amendments¹</i>
Amendments to HKFRS 3	<i>Reference to the Conceptual Framework²</i>
Amendments to HKFRS 10 and HKAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture⁴</i>
Amendments to HKFRS 16	<i>COVID-19-Related Rent Concession beyond 30 June 2021¹</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment – Proceeds before Intended Use²</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract²</i>
Amendments to HKFRSs	<i>Annual Improvements to HKFRSs 2018-2020¹</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies³</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current^{2, 4}</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates³</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction³</i>

¹ Effective for annual periods beginning on or after 1 April 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective for annual periods beginning on or after a date to be determined

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. REVENUE FROM SERVICES

Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	Property management services <i>RMB'000</i>	Value-added services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
<i>Property management services</i>				
Lump sum basis	2,683,596	–	–	2,683,596
Pre-delivery services	34,608	–	–	34,608
Commission basis	158,270	–	–	158,270
Consultancy services fee	9,307	–	–	9,307
	<u>2,885,781</u>	<u>–</u>	<u>–</u>	<u>2,885,781</u>
<i>Value-added services</i>				
Online promotion services	–	99,410	–	99,410
Sales and rental assistance	–	87,398	–	87,398
Other value-added services	–	18,135	–	18,135
	<u>–</u>	<u>204,943</u>	<u>–</u>	<u>204,943</u>
<i>Engineering services</i>				
Equipment installation services	–	–	18,616	18,616
Repair and maintenance services	–	–	6,167	6,167
Energy-saving service fees	–	–	7,767	7,767
	<u>–</u>	<u>–</u>	<u>32,550</u>	<u>32,550</u>
	<u>2,885,781</u>	<u>204,943</u>	<u>32,550</u>	<u>3,123,274</u>
Timing of revenue recognition				
A point in time	–	87,398	–	87,398
Over time	2,885,781	117,545	32,550	3,035,876
	<u>2,885,781</u>	<u>204,943</u>	<u>32,550</u>	<u>3,123,274</u>

For the year ended 31 December 2020

	Property management services <i>RMB'000</i>	Value-added services <i>RMB'000</i>	Engineering services <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
<i>Property management services</i>				
Lump sum basis	3,015,899	–	–	3,015,899
Pre-delivery services	48,987	–	–	48,987
Commission basis	202,187	–	–	202,187
Consultancy services fee	17,421	–	–	17,421
	<u>3,284,494</u>	<u>–</u>	<u>–</u>	<u>3,284,494</u>
<i>Value-added services</i>				
Online promotion services	–	85,692	–	85,692
Sales and rental assistance	–	111,238	–	111,238
Other value-added services	–	59,450	–	59,450
	<u>–</u>	<u>256,380</u>	<u>–</u>	<u>256,380</u>
<i>Engineering services</i>				
Equipment installation services	–	–	36,289	36,289
Repair and maintenance services	–	–	6,263	6,263
Energy-saving service fees	–	–	13,024	13,024
	<u>–</u>	<u>–</u>	<u>55,576</u>	<u>55,576</u>
	<u>3,284,494</u>	<u>256,380</u>	<u>55,576</u>	<u>3,596,450</u>
Timing of revenue recognition				
A point in time	–	111,238	–	111,238
Over time	3,284,494	145,142	55,576	3,485,212
	<u>3,284,494</u>	<u>256,380</u>	<u>55,576</u>	<u>3,596,450</u>

4. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker.

During the year ended 31 December 2021, 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 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 year ended 31 December 2021 and 2020.

Information about geographical areas

The principal operating entities of the Group are domiciled in the PRC and majority of revenue was derived in the PRC during the years ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020, the majority of the non-current assets of the Group was located in the PRC.

5. OTHER INCOME, GAINS AND LOSSES

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Other income		
Interest income from		
– loan receivables	294	1,672
– banks	28,566	22,641
– non-current advance to staffs	315	306
Refund of value-added tax	15,876	24,174
Unconditional government grants	13,556	18,809
Others	2,163	2,142
	<u>60,770</u>	<u>69,744</u>
Other gains and losses		
Gain on disposal of subsidiaries, net	332,286	–
Loss on disposal of property, plant and equipment	(22)	(37)
Exchange (loss) gain	(12,549)	84,407
Others	20,952	(3,205)
	<u>340,667</u>	<u>81,165</u>

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Impairment loss recognised on		
– trade receivables	(81,559)	(18,634)
– other receivables	(20,450)	–
– contract assets	(1,438)	(1,147)
– payments on behalf of residents	(152,746)	(48,918)
– amount due from joint venture	(258,535)	(4,010)
– loan receivables	(30,086)	(16,600)
	<u>(544,814)</u>	<u>(89,309)</u>

7. FINANCE COSTS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Interests on:		
– borrowings	(207,128)	(93,277)
– senior notes and bonds	(72,475)	(107,622)
– asset-backed securities issued	(408)	(7,715)
– amount due to a fellow subsidiary	–	(48)
– lease liabilities	(1,676)	(1,725)
	<u>(281,687)</u>	<u>(210,387)</u>

8. INCOME TAX EXPENSE

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax	(141,624)	(220,450)
Deferred tax		
Credit to profit and loss	<u>106,578</u>	<u>61,773</u>
	<u>(35,046)</u>	<u>(158,677)</u>

9. PROFIT FOR THE YEAR

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Profit for the year has been arrived at after charging:		
Directors' remuneration	1,310	8,229
Other staffs' salaries and other benefits	1,056,653	1,276,413
Retirement benefits scheme contributions	76,343	88,850
Share-based payment expenses	<u>2,098</u>	<u>5,607</u>
Total staff costs	<u>1,136,404</u>	<u>1,379,099</u>
Auditors' remuneration	4,300	4,300
Amortisation of intangible assets	119,076	137,774
Depreciation of property, plant and equipment	64,895	48,206
Depreciation of right-of-use assets	<u>9,879</u>	<u>8,657</u>

10. DIVIDENDS

During the year ended 31 December 2021, a final dividend in respect of the year ended 31 December 2020 of RMB8.73 cents (2020: final dividend in respect of the year ended 31 December 2019 of RMB9.12 cents) per share was declared. In July 2021, RMB36,371,000 (2020: RMB24,928,000) were paid to the owners of the Company in cash and dividend amount of RMB90,639,000 (2020: RMB103,105,000) were paid to the shareholders in form of new fully paid shares of the Company.

The directors did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB8.73 cents per share).

11. 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:

	2021	2020
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	<u><u>17,656</u></u>	<u><u>501,721</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>1,437,442</u></u>

For the years ended 31 December 2021 and 2020, 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.

12. TRADE RECEIVABLES

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables	638,074	605,610
Less: allowance for credit losses	<u>(140,180)</u>	<u>(58,621)</u>
	<u><u>497,894</u></u>	<u><u>546,989</u></u>

Trade receivables are mainly arisen from property management services income from communities under lump sum basis, pre-delivery services and consultancy service arrangement, value-added services income and engineering services income.

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

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:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 30 days	147,756	164,835
31 – 90 days	113,212	143,029
91 – 180 days	118,104	104,276
181 – 365 days	39,723	93,005
Over 1 year	79,099	41,844
	<u>497,894</u>	<u>546,989</u>

13. TRADE PAYABLES

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
0 – 60 days	153,028	254,251
61 – 180 days	18,241	109,287
181 – 365 days	11,802	27,091
Over 1 year	7,169	14,938
	<u>190,240</u>	<u>405,567</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Business Model

The Group is a leading property management and community services provider in China, focuses on setting up offline and online service platform via the internet technology and effectively linking 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 smallest social component of the 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 residents 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 head office digital "cloud" system, 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 built a new customer service platform based on the existing Big Dipper system to upgrade as "digital property management platform" which 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 the projects managed by it 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 secure 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 steadily increasing management areas and securing customer satisfaction.

While focusing on improving service efficiency, the Group is dedicated to building harmonious communities. The Group organised a variety of community activities and proactively established communication channels to strengthen the relationship among the residents as well as between the residents and the property management staff and enrich the residents' off-work life and spiritual culture, with an aim to build a better and more caring community. By providing such services, we are able to create a harmonious community for the residents, and push forward the establishment of our unique community culture brand, so as to enhance the residents' trust in the Group. The improvement of our relationship with the residents also laid a solid foundation for our effort to further expand community consumption scenarios.

The Group is actively building up 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 and communications between the Group and property owners living in the communities. In addition, the Group designates a proportional number of customer managers to serve the communities based on the proportion to 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, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges.

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 Managed Contracted 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 Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Contracted GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

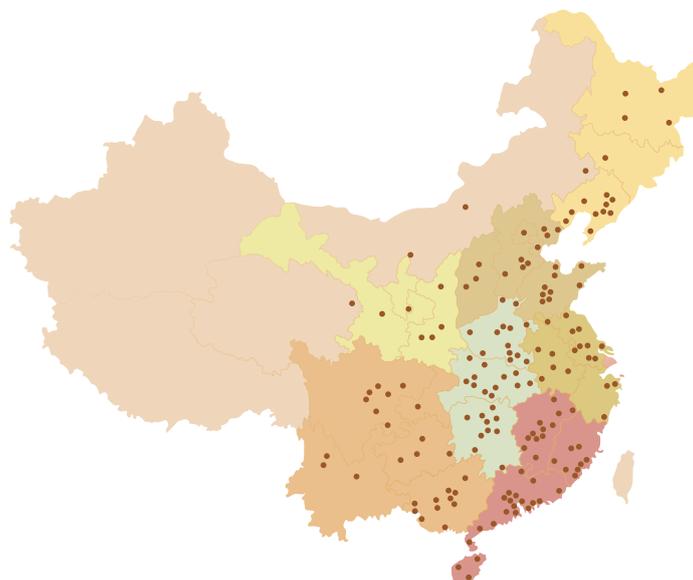
With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service contracts with regional property management companies. The area under the consultancy services contracts will be incorporated into the Group's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

The Group focused on driving its organic growth through reputation and brand building. With our outstanding property management experience and expansion capability, as at 31 December 2021, the Total Contracted GFA of the Group had reached 423.49 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,220. As at 31 December 2021, the Group's revenue-bearing GFA reached 230.22 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 residents 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 residents with various value-added services, making property management services a much more important part of the owner's domestic life.

The Group also continued to explore various value-added services under the community scenario, expanded the property management scenario portfolio, and provided customised products and services for the residents based on market demands and resident needs. For instance, based on the extensive resident base of the Group and the parking lot management scenario, the Group proactively explored the auto insurance sales business. By establishing the headquarter-to-headquarter communication mechanism with the insurance companies, the Group strived to improve service efficiency and reduce the selection costs and purchase costs of the residents. In addition, the Group continued to develop and strengthen 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 residents with quality customer services and claim settlement services. In doing so, the Group was able to increase the interaction frequency between the property management company and the residents, enhance the royalty between the property management company and the residents, and improve the recognition of the residents towards its basic property management services and value-added services.

As at 31 December 2021, the locations of communities where the Group provided management and consultancy services are set out as follows:



Southern China

- 1 Shenzhen
- 2 Zhuhai
- 3 Zhongshan
- 4 Zhaoqing
- 5 Yangjiang
- 6 Shaoguan
- 7 Shantou
- 8 Qingyuan
- 9 Nanning
- 10 Liuzhou
- 11 Huizhou
- 12 Heyuan
- 13 Haikou
- 14 Guilin
- 15 Guigang
- 16 Guangzhou
- 17 Foshan
- 18 Dongguan
- 19 Chongzuo
- 20 Beihai

Eastern China

- 21 Changshu
- 22 Changzhou
- 23 Dongying
- 24 Fuzhou
- 25 Fuzhou
- 26 Fuyang
- 27 Ganzhou
- 28 Gaoyou
- 29 Hangzhou
- 30 Huai'an

- 31 Ji'an
- 32 Jinan
- 33 Jining
- 34 Jiaxing
- 35 Jiangyin
- 36 Jingdezhen
- 37 Jiujiang
- 38 Jurong
- 39 Kunshan
- 40 Lianyungang
- 41 Linyi
- 42 Longyan
- 43 Nanchang
- 44 Nanjing
- 45 Nantong
- 46 Qingdao
- 47 Quanzhou
- 48 Sanming
- 49 Xiamen
- 50 Shanghai
- 51 Shangrao
- 52 Suzhou
- 53 Suqian
- 54 Tai'an
- 55 Taizhou
- 56 Wuxi
- 57 Wuhu
- 58 Xinyu
- 59 Xuzhou
- 60 Yancheng
- 61 Yichun
- 62 Yingtan
- 63 Zaozhuang
- 64 Zhangzhou

Southwestern China

- 65 Zhenjiang
- 66 Chengdu
- 67 Dali
- 68 Deyang
- 69 Duyun
- 70 Guang'an
- 71 Guangyuan
- 72 Guiyang
- 73 Kunming
- 74 Mianyang
- 75 Neijiang
- 76 Qiannanzhou
- 77 Qingzhen
- 78 Chongqing
- 79 Ziyang
- 80 Zunyi

Northeastern China

- 81 Harbin
- 82 Huludao
- 83 Tieling

Northwestern China

- 84 Yulin
- 85 Yinchuan

Northern China

- 86 Xianyang
- 87 Xi'an
- 88 Lanzhou
- 89 Baoji
- 90 Baotou
- 91 Baoding
- 92 Beijing
- 93 Cangzhou
- 94 Chengde
- 95 Hengshui
- 96 Qinhuangdao
- 97 Shijiazhuang
- 98 Taiyuan
- 99 Tianjin
- 100 Xingtai
- 101 Zhangjiakou

Central China

- 102 Zhuzhou
- 103 Zhengzhou
- 104 Changsha
- 105 Zhangjiajie
- 106 Yueyang
- 107 Yiyang
- 108 Yichang
- 109 Xiaogan
- 110 Xiangyang
- 111 Xiangtan
- 112 Wuhan
- 113 Suizhou

- 114 Shiyan
- 115 Shaoyang
- 116 Nanyang
- 117 Loudi
- 118 Liuyang
- 119 Jingzhou
- 120 Huangshi
- 121 Huanggang
- 122 Enshizhou
- 123 Ezhou
- 124 Chenzhou
- 125 Anyang

As at 31 December 2021, the following table sets out contracted 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 31 December 2021				As at 31 December 2020			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities	Contracted GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
Shenzhen	4,874	97	582	14	9,441	124	727	16
Southern China (excluding Shenzhen)	72,252	471	665	2	91,781	571	2,126	8
Eastern China	94,741	717	2,535	7	143,701	939	2,453	7
Southwestern China	78,822	292	858	2	99,271	373	967	3
Northeastern China	12,476	64	278	1	20,821	94	1,498	5
Northwestern China	12,775	66	3,506	2	16,729	87	3,506	2
Northern China	23,758	89	150	2	36,791	152	150	2
Central China	114,921	393	300	1	131,123	457	300	1
Total ⁽¹⁾	<u>414,619</u>	<u>2,189</u>	<u>8,874</u>	<u>31</u>	<u>551,658</u>	<u>2,797</u>	<u>11,727</u>	<u>44</u>

Note:

(1) As at 31 December 2021, the Group's Managed Contracted GFA reached 423.49 million sq.m..

As at 31 December 2021, the Group managed 2,189 communities with an aggregate managed contracted GFA of approximately 414.6 million sq.m. and entered into consultancy service contracts with 31 communities with an aggregate contracted consultancy GFA of approximately 8.9 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management and consultancy services during the reporting period:

	As at 31 December 2021				As at 31 December 2020			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Managed Contracted GFA	Number of communities	Managed Contracted GFA	Number of communities	Managed Contracted GFA	Number of communities	Managed Contracted GFA	Number of communities
	('000 sq.m.)		('000 sq.m.)		('000 sq.m.)		('000 sq.m.)	
As at the beginning of the year	551,658	2,797	11,727	44	550,104	2,815	11,925	48
New engagements ⁽¹⁾	6,305	42	130	1	7,665	45	-	-
Acquisition ⁽²⁾	1,015	15	-	-	-	-	-	-
Termination ⁽³⁾	(144,359)	(665)	(2,983)	(14)	(6,111)	(63)	(198)	(1)
As at the end of the year	<u>414,619</u>	<u>2,189</u>	<u>8,874</u>	<u>31</u>	<u>551,658</u>	<u>2,797</u>	<u>11,727</u>	<u>44</u>

Notes:

- (1) In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities for which the Group provided consultancy services, 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 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 three main business lines:

- 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; and (iii) other value-added services; and
- Engineering services, which primarily include: (i) equipment installation services; (ii) repair and maintenance services; and (iii) energy-saving renovation services.

Scope of Services for Property Management Services

As at 31 December 2021, the Group employed over 28,027 on-site personnel (including staffs employed by the Group and the staffs outsourced to 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 31 December 2021		As at 31 December 2020	
	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	0.7–16.9	0.5–5.9	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 primarily comprise: (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 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 out of the property management fees. Accordingly, the related costs are recognised as the Group's cost of sales.

Property Management Services under Commission Basis

Under 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, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them 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 19 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 owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about 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; and (iii) 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. Further, the Group provides system or software for projects that it provides management and consultancy services, and charges amount of usage fees from 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 agents 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.

Other value-added services

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

Scope of Services for 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 cooperation 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 licence 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 the results.

The Group’s engineering services primarily include (i) equipment installation services; (ii) repair and maintenance services; and (iii) energy-saving renovation services.

Equipment installation services

In order to enhance the management efficiency in the relevant communities to achieve the purpose of reducing the service costs of property management, the Group strives to provide installation services of automation equipment for communities.

The Group also provides automation and other hardware equipment installation services for property developers in accordance with their requirements, aiming to diversify the Group's revenue sources and develop business relationships with property developers which have engaged the Group or may subsequently engage the Group to provide property management services after the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies systems.

In recent years, as part of the development of Colour Life Parking Lots sales business, the Group also offers intelligent improvement services to property developers' parking lots which improves the quality of properties delivered to property owners.

Service fees from provision of repair and maintenance services

The Group provides repair and maintenance services for various building hardware such as elevators, fire protection equipment and drainage systems in communities. With the further implementation of Smart Community Model of the Group, the Group has promoted an equipment management model in the communities that it manages, to reduce the occurrence of major failures requiring large-scale repairs through regular maintenance of the above hardware and equipment.

Energy-saving renovation services

The Group renders energy-saving services to communities that it provides management, consultancy services or which it cooperates with, including the installation of energy-saving devices. By installing and using cutting-edge energy saving equipment, the Group helps communities reduce their energy consumption.

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the year ended 31 December 2021, the total revenue decreased by 13.2% to approximately RMB3,123.3 million from approximately RMB3,596.5 million for last year.

The decrease in revenue was mainly attributable to the decrease in revenue from property management services, value-added services and engineering services as a result of the Group's business transformation and the disposal of a major subsidiary of the Group in the second half of the year.

	For the year ended 31 December				Variance	
	2021		2020		Amount	%
	Amount	% of total	Amount	% of total		
<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue	<i>RMB'000</i>		
Revenue						
Property management services	2,885,781	92.4%	3,284,494	91.3%	(398,713)	(12.1%)
Value-added services	204,943	6.6%	256,380	7.1%	(51,437)	(20.1%)
Engineering services	32,550	1.0%	55,576	1.6%	(23,026)	(41.4%)
Total revenue	<u>3,123,274</u>	<u>100.0%</u>	<u>3,596,450</u>	<u>100.0%</u>	<u>(473,176)</u>	<u>(13.2%)</u>

Property Management Services

For the year ended 31 December 2021, revenue from property management services decreased by 12.1% to approximately RMB2,885.8 million from approximately RMB3,284.5 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December				Variance	
	2021		2020		Amount RMB'000	%
	Amount RMB'000	% of total revenue	Amount RMB'000	% of total revenue		
Revenue						
Property management service fees under lump sum basis	2,683,596	85.9%	3,015,899	83.8%	(332,303)	(11.0%)
Property management service fees under commission basis	158,270	5.1%	202,187	5.6%	(43,917)	(21.7%)
Pre-delivery services	34,608	1.1%	48,987	1.4%	(14,379)	(29.4%)
Property management consultancy service fees	9,307	0.3%	17,421	0.5%	(8,114)	(46.6%)
Total of property management service fees	<u>2,885,781</u>	<u>92.4%</u>	<u>3,284,494</u>	<u>91.3%</u>	<u>(398,713)</u>	<u>(12.1%)</u>

Such changes were mainly attributable to:

- (a) a decrease in revenue from property management services under lump sum basis and commission basis by approximately RMB332.3 million and RMB43.9 million, respectively, which were mainly due to the disposal of a major subsidiary of the Group in the second half of the year and the expiry of property service contracts for certain projects under commission basis;
- (b) a decrease in pre-delivery services by RMB14.4 million, which was mainly due to the disposal of a major subsidiary of the Group in the second half of the year; and
- (c) a decrease in property management services under consultancy services arrangements by approximately RMB8.1 million, which was mainly due to the expiry of certain consultancy service contracts.

Value-added Services

For the year ended 31 December 2021, value-added services income decreased by 20.1% to approximately RMB204.9 million from approximately RMB256.4 million of last year.

Breakdown of revenue from value-added services are as below:

	For the year ended 31 December				Variance	
	2021		2020		Amount	%
	Amount	% of total	Amount	% of total		
<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue	<i>RMB'000</i>		
Revenue						
Sales and rental assistance	87,398	2.8%	111,238	3.1%	(23,840)	(21.4%)
Online promotion services	99,410	3.2%	85,692	2.4%	13,718	16.0%
Other value-added services	18,135	0.6%	59,450	1.6%	(41,315)	(69.5%)
Total of value-added service fees	<u>204,943</u>	<u>6.6%</u>	<u>256,380</u>	<u>7.1%</u>	<u>(51,437)</u>	<u>(20.1%)</u>

In addition to an increase in revenue from online promotion services, the Group recorded:

- (a) a decrease in revenue from sales and rental assistance by RMB23.8 million, which was mainly due to the decrease in revenue from sales and rental assistance as a result of the disposal of a major subsidiary of the Group in the second half of the year;
- (b) a decrease in revenue from other value-added services by RMB41.3 million, which was mainly due to the impact of the pandemic and the business adjustment by the Group, resulting in a substantial decrease in such revenue as compared to that of the previous year.

Engineering Services

For the year ended 31 December 2021, revenue from engineering services was approximately RMB32.6 million, representing a decrease of approximately RMB23.0 million or 41.4% from that of last year. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December		2020		Variance	
	2021		2020			
	Amount	% of total	Amount	% of total	Amount	%
	<i>RMB'000</i>	revenue	<i>RMB'000</i>	revenue	<i>RMB'000</i>	
Revenue						
Equipment installation						
service fees	18,616	0.6%	36,289	1.0%	(17,673)	(48.7%)
Repair and maintenance						
service fees	6,167	0.2%	6,263	0.2%	(96)	(1.5%)
Energy-saving service fees	7,767	0.2%	13,024	0.4%	(5,257)	(40.4%)
Total of engineering services fees	<u>32,550</u>	<u>1.0%</u>	<u>55,576</u>	<u>1.6%</u>	<u>(23,026)</u>	<u>(41.4%)</u>

The decrease in revenue from engineering services was primarily attributable to:

- (a) a decrease in revenue from equipment installation services by RMB17.7 million, which was mainly due to the decrease in intelligent improvement services as impacted by the situation of the real estate industry in the second half of the year;
- (b) a decrease in revenue from energy-saving services by RMB5.3 million, which was due to the Group's business consolidation in the second half of the year.

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the year ended 31 December 2021, cost of services decreased by approximately RMB104.8 million or approximately 4.4% from approximately RMB2,388.7 million of last year to approximately RMB2,283.9 million.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the overall gross profit decreased by approximately RMB368.5 million or 30.5% to approximately RMB839.3 million from approximately RMB1,207.8 million for last year.

The overall gross profit margin for the year ended 31 December 2021 was approximately 26.9%, representing a decrease of 6.7 percentage points as compared to 33.6% of last year.

(i) Property Management Services

The gross profit of property management services decreased by approximately RMB263.5 million from RMB933.1 million for the year ended 31 December 2020 to approximately RMB669.6 million for the year ended 31 December 2021. The gross profit margin of property management services decreased from 28.4% for the year ended 31 December 2020 to 23.2% for the year ended 31 December 2021. Such decrease in gross profit and gross profit margin was primarily due to the disposal of a major subsidiary of the Group which contributed higher gross profit margin in the second half of 2021.

(ii) Value-added Services

For the year ended 31 December 2021, the gross profit of value-added services decreased by RMB81.0 million from RMB243.4 million for the year ended 31 December 2020 to approximately RMB162.4 million. The gross profit margin of value-added services decreased from 95.0% for the year ended 31 December 2020 to 79.2% for the year ended 31 December 2021. Such decrease in gross profit and gross profit margin was mainly due to the disposal of a major subsidiary of the Group in the second half of 2021, leading to a decrease in revenue from sales and rental assistance.

(iii) Engineering Services

For the year ended 31 December 2021, the gross profit of engineering services decreased by approximately RMB23.9 million from approximately RMB31.2 million for the year ended 31 December 2020 to approximately RMB7.3 million. The decrease in gross profit was mainly due to the disposal of a major subsidiary of the Group in the second half of 2021. The gross profit margin of engineering services substantially decreased from approximately 56.2% for the year ended 31 December 2020 to approximately 22.6% for the year ended 31 December 2021, which was mainly due to the substantial decrease in revenue from equipment installation services, while the cost relating to installation services represented stable changes in equipment depreciation.

Other Gains and Losses

For the year ended 31 December 2021, the Group's other gains and losses increased by approximately RMB259.5 million to a gain of approximately RMB340.7 million from a gain of approximately RMB81.2 million of last year. The change was primarily due to the increase of RMB345.4 million arising from the disposal of a major subsidiary of the Group in the second half of the year, while, on the other hand, a decrease in exchange gain of RMB97.0 million was recorded.

Other Income

For the year ended 31 December 2021, other income of the Group decreased by approximately RMB8.9 million to approximately RMB60.8 million from approximately RMB69.7 million of last year, which was mainly attributable to (i) a decrease of approximately RMB8.3 million in exemption of VAT; (ii) a decrease of approximately RMB5.3 million in unconditional government subsidy; and (iii) an increase in interest income of RMB4.6 million.

Selling and Distribution Expenses

For the year ended 31 December 2021, selling and distribution expenses of the Group amounted to approximately RMB25.8 million, representing an increase of 52.7% from approximately RMB16.9 million of last year. The increase was mainly due to the increase in the selling and distribution expenses as a result of development of new business during the period.

Administrative Expenses

For the year ended 31 December 2021, the administrative expenses of the Group decreased from approximately RMB421.8 million of last year to approximately RMB396.4 million.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2021, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB82.9 million, representing an increase of approximately RMB4.8 million or approximately 6.1% as compared to approximately RMB78.1 million of last year. The recharged amount is based on the administrative time cost spent on the communities managed under commission basis.

Finance Costs

For the year ended 31 December 2021, the Group's finance costs was approximately RMB281.7 million, which increased by approximately RMB71.3 million or approximately 33.9% as compared to approximately RMB210.4 million of last year.

Income Tax Expenses

The Group's income tax expenses decreased to approximately RMB35.0 million for the year ended 31 December 2021 from approximately RMB158.7 million for the year ended 31 December 2020, which was primarily attributable to the decrease in profit.

Intangible Assets

As at 31 December 2021, the carrying amount of intangible assets decreased by RMB943.7 million to approximately RMB9.8 million from approximately RMB953.5 million as at 31 December 2020. The decrease was mainly attributable to (i) the decrease in intangible assets as a result of the disposal of a major subsidiary of the Group in the second half of the year; and (ii) the amortisation of intangible assets for the year.

Goodwill

As at 31 December 2021, the carrying amount of goodwill decreased by RMB1,431.0 million from approximately RMB2,317.3 million as at 31 December 2020 to approximately RMB886.3 million. Such decrease was mainly attributable to the decrease in goodwill as a result of the disposal of a major subsidiary of the Group in the second half of the year.

Bank Balances and Cash

As at 31 December 2021, the Group's bank balances and cash was approximately RMB600.1 million as compared to approximately RMB2,458.6 million as at 31 December 2020.

Trade and Other Receivables and Prepayments

Trade receivables are mainly arisen 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 31 December 2021, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB497.9 million, which decreased by approximately RMB49.1 million as compared to approximately RMB547.0 million as at 31 December 2020. The decrease was mainly attributable to the decrease in the balance of trade receivables as a result of the disposal of a major subsidiary of the Group in the second half of the year.

As at 31 December 2021, other receivables and prepayments of the Group was approximately RMB1,599.7 million, increasing by approximately RMB843.6 million from approximately RMB756.1 million as at 31 December 2020. Such increase in other receivables and prepayments was primarily attributable to the equity disposal receivables of RMB300.0 million as a result of the disposal of a major subsidiary of the Group in the second half of 2021 and the prepayment of RMB250.0 million.

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 identity 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 and accruals primarily comprised amounts payables for subcontracting services, deposits received, accrued staff costs, other taxes payable, provision for retirement benefits contribution and consideration payable for acquisition of subsidiaries.

As at 31 December 2021, trade payables of the Group was approximately RMB190.2 million, decreasing by approximately RMB215.4 million from approximately RMB405.6 million as at 31 December 2020, which was primarily due to the accelerated payment of trade payables by the Group in the second half of the year.

As at 31 December 2021, other payables and accruals of the Group was RMB118.5 million, decreasing by RMB686.0 million from approximately RMB804.5 million as at 31 December 2020, which was mainly attributable to the accelerated payment of other payables by the Group in the second half of the year.

Senior Note and Bond

As at 31 December 2021, the Group's senior notes and bonds have been settled in full (31 December 2020: RMB1,552.7 million).

Asset-backed Securities Issued

As at 31 December 2021, the Group's asset-backed securities issued have been settled in full (31 December 2020: RMB20.2 million).

Share Capital

As at 31 December 2021, the total number of issued shares of the Company was approximately 1,487,526,000 (31 December 2020: approximately 1,454,868,000) and the share capital was approximately RMB120.8 million (31 December 2020: approximately RMB118.0 million). In July 2021, approximately 32,658,000 ordinary shares were issued to the shareholders of the Company as scrip dividend.

Cash Position

As at 31 December 2021, the Group's total cash (including pledged bank deposits) decreased by approximately 74.6% from approximately RMB2,612.7 million as at 31 December 2020 to approximately RMB664.4 million. Among the total cash, bank deposits of approximately RMB64.3 million (31 December 2020: approximately RMB154.1 million) were pledged or restricted.

As at 31 December 2021, the current ratio (current assets/current liabilities) of the Group was approximately 3.0 (31 December 2020: approximately 1.2).

Borrowings and Charges on the Group's Assets

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB184.8 million (31 December 2020: approximately RMB956.7 million), of which the borrowings of approximately RMB144.8 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, the borrowings of approximately RMB20.0 million were pledged by the utility model patents of the Group and guaranteed by certain subsidiaries, and the remaining borrowings of approximately RMB20.0 million were unsecured.

Net Gearing Ratio

The net gearing ratio was calculated by net debt (being the total of borrowings, senior notes and bonds and asset-backed securities issued, after deduction of bank balances and cash and pledged/restricted bank deposits) over the total equity. As at 31 December 2021, the total of bank balances and cash and pledged/restricted bank deposits amounting to RMB664.4 million exceeded the total debt amounting to RMB184.8 million, thus no net gearing ratio was presented as at 31 December 2021. As at 31 December 2020, no net gearing ratio was presented.

Currency Risk

The Group mainly operates its business in China, and does not have any other material direct exposure to foreign exchange fluctuations risk.

Employees and Remuneration Policies

As at 31 December 2021, excluding the employees for communities under commission basis, the Group had approximately 10,568 employees (31 December 2020: approximately 14,459 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.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Issuance of Shares

On 21 July 2021, approximately 32,658,000 ordinary shares of HK\$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

Senior Notes

On 20 July 2021, the Company issued senior notes due 2022 with principal amount of US\$80,000,000 at a coupon rate of 13% per annum (the “**13% Senior Notes Due 2022**”) for the purpose of refinancing certain of its indebtedness. On 5 November 2021, the Company has entered into a sale and purchase agreement to repurchase the total outstanding amount of 13% Senior Notes Due 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

EVENTS AFTER THE REPORTING DATE

On 28 September 2021, the Company as vendor, Shenzhen Colour Life Services Group Co., Limited (“**Shenzhen Colour Life**”) as guarantor, Country Garden Property Services HK Holdings Company Limited as purchaser (“**Country Garden**”) and Link Joy Holdings Group Co., Limited (“**Link Joy**”) entered into the share transfer agreement (“**Share Transfer Agreement**”) in relation to the sale of the entire issued share capital of Link Joy (“**Sale Share**”) at an aggregated consideration of RMB3,300 million. The first installment of consideration of RMB2,300 million was settled by Country Garden upon entering into the Share Transfer Agreement.

Subsequently, the Company as borrower, Shenzhen Colour Life as guarantor and Country Garden as lender, entered into a loan agreement dated 30 September 2021 (“**Loan Agreement**”). Under the Loan Agreement, Country Garden provided a loan in the amount of RMB700 million (the “**Loan**”) to the Company. The proceeds of the Loan was applied for the general working capital and repayment of debts of the Group. As security for repayment of the Loan, the Sale Share was charged in favour of Country Garden.

The Loan was not repaid when it became due on 4 October 2021. Country Garden enforced the charge on the Sale Share. Subsequently, the parties to the Share Transfer Agreement commenced negotiation for an agreement to supplement the Share Transfer Agreement, which took into account the transfer of the Sale Share by enforcement.

On 28 March 2022, the Group and Country Garden (among others) entered into the Supplemental Agreement to supplement the terms of the Share Transfer Agreement. Pursuant to the Supplemental Agreement, the balance of the consideration under the Share Transfer Agreement will be payable as follows:

- (i) the amount of RMB700 million will be set off against the loan of RMB700 million that has been advanced by Country Garden to the Group under the Loan Agreement. Upon the set-off, the Company will be deemed to have discharged its payment obligation under the Loan Agreement in full; and
- (ii) the balance of RMB300 million will be payable in two instalment, subject to certain conditions precedents.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the transfer of the Sale Share under the Share Transfer Agreement is more than 75%, the transfer constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing further information about transfer of the Sale Share under the Share Transfer Agreement will be despatched to the shareholders. An extraordinary general meeting will be convened and held for the shareholders of the Company to consider and, if thought fit, approve and ratify the transfer of the Sale Share under the Share Transfer Agreement (as supplemented and amended from time to time).

Please refer to the Company's announcements dated 26 October 2021 and 28 March 2022 for further details of the transfer of the Sale Share.

CORPORATE GOVERNANCE CODE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules.

Reference is made to the announcement of the Company dated 12 November 2021 in relation to the resignation of Mr. Tam Chun Hung, Anthony. Since his resignation, the Company has not complied with Rules 3.10, 3.10A, 3.21, 3.27 and 3.27A of the Listing Rules. Following the change in the composition of the Board as disclosed in the announcements of the Company dated 14 June 2023, 21 June 2023 and 23 June 2023, the Company has re-complied with Rules 3.10, 3.10A, 3.21, 3.27 and 3.27A of the Listing Rules.

Save as disclosed above, the Company has complied with all code provisions set out in the CG Code for the year ended 31 December 2021.

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 10 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 year ended 31 December 2021.

ANNUAL GENERAL MEETING

The AGM will be held on 8 September 2023 and a notice convening the AGM will be published and dispatched in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 4 September 2023 to Friday, 8 September 2023, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 September 2023.

REVIEW OF ANNUAL RESULTS

The annual results of the Company for the year ended 31 December 2021 had been reviewed by the Audit Committee, which consists of three independent non-executive directors, namely Mr. Xu Xinmin, Mr. Zhu Wuxiang and Mr. Lee Yan Fai (chairman of the audit committee).

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL 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 2021 annual report along with the AGM circular, the notice of AGM, the proxy form and such documents will be published on the aforementioned websites and despatched 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
PAN Jun
Chairman

Hong Kong, 5 July 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Pan Jun, Mr. Liu Hongcai and Ms. Yang Lan as executive directors; Mr. Wu Qingbin, Mr. Zheng Hongyan and Ms. Sun Dongni as non-executive directors; and Mr. Xu Xinmin, Mr. Zhu Wuxiang and Mr. Lee Yan Fai as independent non-executive directors.