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Ever Sunshine Lifestyle Services Group Limited
永升生活服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2019

HIGHLIGHTS

1. Revenue for the six months ended 30 June 2019 was approximately RMB707.8 million, representing an increase of 61.4% from approximately RMB438.6 million for the same period in 2018.

2. The gross profit of the Group for the six months ended 30 June 2019 was approximately RMB210.4 million, representing an increase of 66.5% from approximately RMB126.4 million for the same period in 2018. Gross profit margin for the first half of 2019 was 29.7%, while that of first half of 2018 was 28.8%, representing a year-on-year increase of 0.9 percentage point.

3. Profit for the first half of 2019 was approximately RMB90.5 million, representing an increase of 119.7%, as compared with approximately RMB41.2 million for the same period in 2018.

4. As at 30 June 2019, the contracted GFA of the property management services of the Group was approximately 86.2 million sq.m, representing an increase of approximately 31.4%, as compared with approximately 65.6 million sq.m as at 31 December 2018.

5. During the six months ended 30 June 2019, net cash inflow from operating activities of the Group amounted to approximately RMB122.3 million, while there was net cash outflow from operating activities amounted to RMB7.3 million for the same period in 2018.

The board of directors (the "**Board**") of Ever Sunshine Lifestyle Services Group Limited (the "**Company**") is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the "**Group**") for the six months ended 30 June 2019 with comparative figures for the corresponding period in 2018. These unaudited consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

For the six months ended 30 June 2019

	Notes	**For the six months ended 30 June**	
		2019	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Revenue	5	**707,822**	438,626
Cost of sales		**(497,411)**	(312,268)
Gross profit		**210,411**	126,358
Other income and other net gain		**17,806**	6,807
Administrative expenses		**(106,277)**	(77,037)
Share of joint venture's loss		**(95)**	—
Share of associate's (loss)/profit		**(324)**	1,127
Finance cost		**(728)**	—
Other expense		**(429)**	(264)
Profit before income tax expense		**120,364**	56,991
Income tax expense	9	**(29,908)**	(15,813)
Profit and total comprehensive income for the period		**90,456**	41,178

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2019

		For the six months ended 30 June	
	Notes	**2019**	2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Profit and total comprehensive income for the period			
Attributable to:			
Owners of the Company		**90,500**	41,178
Non-controlling interests		**(44)**	—
		90,456	41,178
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	10	**0.06**	0.04

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2019

	Notes	**30 June 2019**	31 December 2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a joint venture		**—**	6,986
Interest in an associate		**—**	4,642
Property, plant and equipment		**30,957**	27,007
Right-of-use assets		**23,805**	—
Investment properties		**49,215**	49,279
Goodwill		**17,230**	17,230
Deferred tax assets		**6,960**	3,819
Deposit for acquisition of subsidiaries	6	**220,000**	—
		348,167	108,963
Current assets			
Trade and bills receivables	7	**256,535**	162,032
Deposits, prepayments and other receivables		**90,931**	51,323
Income tax recoverable		**821**	451
Pledged bank deposit		**9,969**	9,969
Bank balances, deposits and cash		**1,101,763**	1,160,122
		1,460,019	1,383,897

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(**Continued**)

As at 30 June 2019

	Notes	**30 June 2019**	31 December 2018
		RMB'000	*RMB'000*
		(Unaudited)	*(Audited)*
Current liabilities			
Trade payables	8	**141,366**	71,844
Accruals and other payables		**340,014**	286,627
Contract liabilities		**209,536**	171,339
Lease liabilities		**7,516**	—
Bank loan		**9,318**	9,281
Provision for taxation		**36,570**	34,935
		744,320	574,026
Net current assets		**715,699**	809,871
Total assets less current liabilities		**1,063,866**	918,834
Non-current liabilities			
Lease liabilities		**16,017**	—
Deferred tax liabilities		**21,260**	16,234
		37,277	16,234
Net assets		**1,026,589**	902,600
EQUITY			
Share capital		**13,607**	13,290
Reserves		**1,000,945**	885,641
Equity attributable to owners of the Company		**1,014,552**	898,931
Non-controlling interests		**12,037**	3,669
Total equity		**1,026,589**	902,600

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ever Sunshine Lifestyle Services Group Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Laws of the Cayman Islands. The Company was listed on The Stock Exchange of Hong Kong Limited on 17 December 2018. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business is located at the People's Republic of China ("**PRC**"). The Group, comprising the Company and its subsidiaries, is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

2 BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34, "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") and the applicable disclosure provisions of Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

3 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

The HKICPA has issued a number of new or revised HKFRSs that are first effective for the current accounting period of the Group:

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement

Except for the impact of the adoption of HKFRS 16 Leases as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial performance and positions for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

HKFRS 16 replaces HKAS 17, Leases, and the related interpretations, HK(IFRIC) 4, Determining whether an arrangement contains a lease, HK(SIC) 15, Operating leases — incentives, and HK(SIC) 27, Evaluating the substance of transactions involving the legal form of a lease. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less and do not contain a purchase option ("**short-term leases**") and leases contracts for which the underlying asset is of low value ("**low value assets**"). The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Impacts for the period

As a result of initially applying HKFRS 16, in relation to the leases that were previously classified as operating leases, the Group recognised RMB23,805,000 of right-of-use assets and RMB23,533,000 of lease liabilities as at 30 June 2019.

Also in relation to those leases under HKFRS 16, the Group has recognised depreciation and interest expenses, instead of operating lease expense. During the six months ended 30 June 2019, the Group recognised RMB4,069,000 of depreciation charges and RMB548,000 of interest expenses from these leases.

The adoption of HKFRS 16 has no significant impact on earnings per share for the Period.

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property and equipment.

When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Any prepaid rent and accrued rent were recognised under trade and other receivables and trade and other payables, respectively. The standard provides specific transition requirements and practical expedients, which have been applied by the Group.

Transitional impact

The Group recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application. The weighted average of the incremental borrowing rates used for determination of the remaining lease payments was approximately 4.33%.

To ease the transition to HKFRS 16, the Group applied a practical expedient at the date of initial application of HKFRS 16 whereby it elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31 December 2019.

Based on the foregoing, as at 1 January 2019:

– Right-of-use assets of RMB27,817,000 were recognised and presented separately in the consolidated statement of financial position.

– Lease liabilities of RMB27,817,000 were recognised and presented separately in the consolidated statement of financial position

The following table reconciles the operating lease commitments as at 31 December 2018 to the opening balance for lease liabilities recognised as at 1 January 2019:

	At 1 January 2019
	RMB'000
Operating lease commitments disclosed as at 31 December 2018	33,008
Lease liabilities discounted at relevant incremental borrowing rates	30,992
Less: Recognition exemption discounted at relevant incremental borrowing rates	
– short-term leases	(3,083)
– leases of low-value assets	(92)
Lease liabilities relating to operating leases recognised upon application of HKFRS 16	27,817

Set out below are the new accounting policies of the Group upon adoption of HKFRS 16, which have been applied from the date of initial application:

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments payable over the lease term. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/ expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Amounts recognised in the unaudited condensed consolidated statement of financial position and unaudited condensed consolidated statement of profit or loss and comprehensive income

The movements of the carrying amounts of the Group's right-of-use assets and lease liabilities during the Period are set out below:

	Right of use assets	Lease Liabilities
	RMB'000	*RMB'000*
As at 1 January 2019	**27,817**	27,817
Additions	**57**	57
Depreciation expense	**(4,069)**	—
Interest expense	**—**	548
Payments	**—**	(4,889)
As at 30 June 2019	**23,805**	23,533

4 SEGMENT INFORMATION

The management has determined the operating segments based on the reports reviewed by chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

For the six months ended 30 June 2019 and 2018, revenue from a shareholder - CIFI Holdings (Group) Co., Ltd., its subsidiaries and joint venture (the "**CIFI Group**") contributed 14.7% and 17.9% of the Group's revenue, respectively. Other than the CIFI Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue for the six months ended 30 June 2019 and 2018.

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. The management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC for the six months ended 30 June 2019 and 2018.

As at 30 June 2019 and 31 December 2018, all of the non-current assets of the Group were located in the PRC.

5 REVENUE

Revenue mainly comprises proceeds from property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue by category for the six months ended 30 June 2019 and 2018 was as follows:

(a) Disaggregated revenue information

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Revenue from contract with customer		
Property management services	**436,339**	300,133
Community value-added services	**141,268**	53,947
Value-added services to non-property owners	**130,215**	84,546
	707,822	438,626
Geographical markets		
Mainland China	**707,822**	438,626
Timing of revenue recognition		
Services transferred over time	**666,892**	438,626
Services transferred at point in time	**40,930**	—
	707,822	438,626

(b) Unsatisfied performance obligations

For property management services and value-added services to non-property owners, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts does not have a fixed term. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required. For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the end of respective periods.

(c) Assets recognised from incremental costs to obtain a contract

For the six months ended 30 June 2019 and 2018, there were no significant incremental costs to obtain a contract.

(d) Details of contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	At 30 June	31 December
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Contract liabilities	**209,536**	171,339

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increase as a result of the growth of the Group's business.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period carried-forward contract liabilities:

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the period		
Property management services	**103,713**	68,705
Community value-added services	**7,945**	4,168
Value-added service to non-property owners	**5,066**	24,600
	116,724	97,473

6 DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

On 18 June 2019, the Company and its wholly-owned subsidiary, Shanghai Yongsheng Property Management Company Limited entered into an acquisition agreement. Pursuant to which, the Group have conditionally agreed to acquire 55% equity interests in Qingdao Yayuan Property Management Company Limited, a company established in the PRC with limited liability and is principally engaged in public car park operation, property management and rental services, for a cash consideration of RMB462 million. As at 30 June 2019, RMB 220 million had been paid by the Group to the vendors as the deposit pursuant to the acquisition agreement. The details of the major transaction in relation to the acquisition of 55% equity interests in the target company are set out in the announcement issued by the Company on 18 June 2019 and the circular issued by the Company on 14 August 2019.

7 TRADE AND BILLS RECEIVABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Related parties	**68,757**	42,787
Third parties	**202,299**	128,439
Total	**271,056**	171,226
Less: allowance for impairment of trade receivables	**(16,011)**	(9,515)
	255,045	161,711
Bill receivables	**1,490**	321
	256,535	162,032

As at 30 June 2019 and 31 December 2018, the trade receivables was denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

Trade receivables mainly arise from property management services income under a lump sum basis and value-added services to non-property owners.

Property management services income under a lump sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by the residents upon the issuance of demand notes.

The maturity of the bills receivable of the Group as at 30 June 2019 and 31 December 2018 is within 6 months. As at 30 June 2019 and 31 December 2018, no bills receivable is due from related parties.

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 year	**228,975**	151,921
1 to 2 years	**33,758**	16,507
2 to 3 years	**6,687**	1,335
3 to 4 years	**475**	626
4 to 5 years	**344**	339
Over 5 years	**817**	498
	271,056	171,226

8 TRADE PAYABLES

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Third parties	**141,366**	71,844

Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at 30 June 2019 and 31 December 2018 were as follows:

	30 June 2019	31 December 2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Within 1 year	**140,637**	71,570
1 to 2 years	**498**	274
2 to 3 years	**231**	—
	141,366	71,844

9 INCOME TAX EXPENSE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Current tax		
Tax for the current period	**31,793**	15,290
Deferred tax		
(Charged)/credited to profit or loss for the period	**(1,885)**	523
	29,908	15,813

Pursuant to the rules and regulations of the Cayman Islands, the Group is not subject to any income tax in the Cayman Islands.

Pursuant to the rules and regulations of the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the BVI.

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the six months ended 30 June 2019 and 2018.

Under the PRC Corporate Income Tax Law (the "**CIT Law**"), which became effective on 1 January 2008, the Group's PRC entities are subject to income tax at a rate of 25%, unless otherwise specified.

10 EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Profits		
Profit attributable to owners of the Company	**90,500**	41,178

	At 30 June	At 30 June
	2019	2018
	Number'000	*Number'000*
	(Unaudited)	*(Unaudited)*
Number of shares		
Weighted average number of ordinary shares	**1,534,591**	1,120,000

Weighted average of 1,534,591,000 ordinary shares for the six months ended 30 June 2019, includes the weighted average of 36,400,000 ordinary shares issued due to over-allotment, in addition to the 1,500,000,000 ordinary shares as at 31 December 2018.

Weighted average of 1,120,000,000 ordinary shares for the six months ended 30 June 2018, being the number of shares in issue immediately after the completion of capitalization issued in December 2018, deemed to have been issued throughout the year ended 31 December 2017 and up to 16 December 2018, immediately before the completion of the placing of the Company's new shares.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the six months ended 30 June 2019 and 2018.

11 DIVIDENDS

No interim dividend was declared for the six months ended 30 June 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a reputable and fast-growing property management service provider in China. In May 2019, we were named one of the "2019 China's Top 100 Property Management Companies (2019中國物業服務百強企業)" by the China Index Academy, with the ranking among our peers in terms of overall strength went up by 6 places to ranked 14th as compared with 2018. As at 30 June 2019, we had provided property management services and value-added services in 63 cities in China with a contracted GFA of approximately 86.2 million sq.m., a total GFA under management of approximately 49.0 million sq.m., serving more than 228 thousand households.

Our business covers a wide spectrum of properties, including residential properties and non-residential properties such as office buildings, shopping malls, schools and government buildings, and provides other quality tailored services.

We embrace a concept of "Build a Better Life with Heart (用心構築美好生活)" and we are committed to providing all of our clients with comprehensive and considerate professional property management services, researching and developing our services to build up our high-end service brand name, such as "Bowyer Steward" (鉑悅管家) for high-end residential properties and "Yueze Commercial" (悅澤商辦) for commercial properties and office buildings, in our endeavor to provide quality services for our customers.

Our Business Model

We have three business lines, namely (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services, which form an integrated service offering to our customers and cover the entire value chain of property management.

- Property management services: We provide property developers, property owners and residents with a wide range of property management services, which primarily comprise cleaning, security, gardening and repair and maintenance services. Our portfolio of managed properties comprises residential and non-residential properties. Our non-residential properties include office buildings, shopping malls, exhibition centers, industrial parks, hospitals and schools, among others.

- Value-added services to non-property owners: We offer a broad spectrum of value-added services to non-property owners, which primarily include property developers and, to a lesser extent, also include non-property developers that require certain additional tailored services for their non-residential properties and property management service providers that subcontract certain value-added services to us. Our value-added services to non-property owners primarily comprise (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services that involve entering and inspecting each unit to advise on their adequacy from the end-user's perspective.

- Community value-added services: We provide community value-added services to property owners and residents to improve their living experiences and to preserve and increase the value of their assets. These services primarily include (i) home living services; (ii) parking space management, leasing and sales services; (iii) property agency services; and (iv) common area value-added service.

Property Management Services

Continuous Increase with high quality in Scale of Area

The Group adhered to the strategic goal of rapidly expanding our management coverage area, and achieved rapid growth in contracted area and management area through multi-wheel drive. As of 30 June 2019, our contracted GFA was approximately 86.2 million sq.m., and the number of contracted projects was 459, representing an increase of 31.4% and 20.8% respectively as compared with those as of 31 December 2018, while the GFA under management generating revenue for the same period was 49.0 million sq.m., the number of projects under management reached 286, representing an increase of 21.8% and 10.9% respectively as compared with those as of 31 December 2018.

The table below indicates the movement of our contracted GFA and GFA under management for the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June			
	2019		2018	
	Contracted GFA	**GFA under management**	Contracted GFA	GFA under management
	('000 sq.m.)	***('000 sq.m.)***	*('000 sq.m.)*	*('000 sq.m.)*
As at the beginning of the period	**65,551**	**40,239**	33,367	26,479
New engagements [(1)]	**21,603**	**9,519**	9,574	6,208
Terminations [(2)]	**(923)**	**(734)**	(588)	(588)
As at the end of the period	**86,231**	**49,024**	42,353	32,099

Notes:

(1) In relation to residential communities we manage, new engagements primarily include preliminary management contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.

(2) These terminations include our voluntary non-renewal of certain property management service contracts as we reallocated our resources to more profitable engagements in an effort to optimize our property management portfolio.

Our Geographic Presence

Since our inception up to 30 June 2019, we have expanded our geographic presence from Shanghai to 63 cities in China.

The table below sets forth a breakdown of our total GFA under management as of the dates and revenue generated from property management services by geographic location for the six months ended 30 June 2019 and 2018:

	As at 30 June or for the six months ended 30 June					
	2019			2018		
	GFA	**Revenue**		GFA	Revenue	
	sq.m.'000	***RMB'000***	***%***	*sq.m.'000*	*RMB'000*	*%*
Eastern region [(1)]	**32,478**	**289,390**	**66.3**	23,558	200,234	66.7
Northern region [(2)]	**5,939**	**56,860**	**13.0**	3,657	50,326	16.8
Central Southern region[(3)]	**5,905**	**46,592**	**10.7**	2,693	29,198	9.7
Western region [(4)]	**3,574**	**36,372**	**8.3**	1,934	17,745	5.9
Northeastern region [(5)]	**1,128**	**7,125**	**1.7**	257	2,630	0.9
Total	**49,024**	**436,339**	**100.0**	32,099	300,133	100.0

Notes:

(1) Cities in which we have property management projects in the eastern region include Shanghai, Suzhou, Dezhou, Zhenjiang, Xuzhou, Nanjing, Hangzhou, Jiaxing, Huzhou, Ningbo, Fuzhou, Xiamen, Chuzhou, Wuhu, Hefei, Heze, Bozhou, Qingdao, Wuxi, Jiangyin, Taizhou, Zhanghzou, Huainan, Wenzhou, Nantong, Quzhou, Jinan, Jining, Changzhou, Jinhua, Yixing, Zhangjiagang, Kunshan, Shishi.

(2) Cities in which we have property management projects in the northern region include Beijing, Tianjin, Langfang, Shijiazhuang.

(3) Cities in which we have property management projects in the central southern region include Wuhan, Changsha, Guangzhou, Guilin, Zhuhai, Foshan, Yichang, Yiyang, Shaoyang, Hengyang, Shaoguan, Huanggang, Zhengzhou, Jiangmen, Nanning, Dongguan, Sanya, Huanggang.

(4) Cities in which we have property management projects in the western region include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu.

(5) Cities in which we have property management projects in the northeastern region include Shenyang, Dalian.

Multi-wheel Driven Market Development Strategies

As a long-term service partner of CIFI Group, our services are widely recognized and a stable partnership is established, which leads us to the benefits from the rapid growth of the property development business of CIFI Group. In the first half of 2019, CIFI Group recorded a contracted sales of RMB88.4 billion and a contracted GFA of 5.1 million sq.m., representing a year-on-year increase of 33.9% and 17.5% respectively. We will be benefited from the rapid growth of CIFI Group.

While getting support from the CIFI Group, we are also actively making efforts towards public market by diversified ways and gaining our market shares by expanding our resources into independent markets. The principle targets of expansion include independent regional real estate developers. We seek to obtain management rights of first-hand projects through participating in the bidding competition of their development projects, for example, in the first half year of 2019, we obtained Wuxi Jijingmingdi (無錫季景銘邸) from Keppel Land, which is a Singapore based developer. We participated in the owners' committees' bidding process to replace the original property management companies, so as to obtain management rights for second-hand projects. For example, in the first half of 2019, we gained some outstanding projects such as Meianxiting (美岸栖庭) in Shanghai and Tianchengmeiya (天成美雅) in Wuhan through public bidding. We also seek actively to achieve strategic alliance with property developers and undertake the property management services by the establishment of a joint venture company. We have achieved successful strategic cooperation with several development companies or investment groups, such as SND Group (蘇高新集團), Dezhou Jiaotou Development Group (德州市交通運輸投資發展集團), and will have priorities to the property management rights of properties developed by these enterprises. For example, in the first half of 2019, we have entered into contracts of outstanding service projects such as Tiandu Building in Suzhou (蘇州天都大廈) developed by SND Group (蘇高新集團).

Leveraging on our high quality services, our professional marketing team and our renowned reputation, we have achieved rapid growth in terms of GFA developed by third party property developers.

In the first half of 2019, we have also announced the acquisition of 55% equity interests in Qingdao Yayuan Property Management Company Limited ("**Qingdao Yayuan**") (青島雅園) with a consideration of RMB462 million. Qingdao Yayuan is a property management company under a well-known business property developer Sunny World (新地集團) based in Qingdao. Since 2004, it has expanded its business nationwide by regionalization, establishing various branches in Suzhou, Nanjing, Nanchang, Shenyang and Shanghai. It aimed at providing property management services and property asset services to high-end commercial complex buildings in the core city. Its operation mainly consists of Grade A office buildings, high-end apartments, commercial and star-rated hotels. Through this acquisition, we obtained the outstanding service projects such as Shanghai Hongqiao Xindi Center (上海虹橋新地中心), Shanghai Hongqiao International Exhibition (上海虹橋國際展匯), Shanghai Jiading Xindi International Plaza (上海嘉定新地國際廣場), Nanjing Xindi Center (南京新地中心), Shenyang Xindi Center (瀋陽新地中心), Qingdao Donghai Road No. 9 (青島東海路9號), with an GFA exceeding 1.80 million sq.m. in the core cities and core regions. Meanwhile, the four-years profit guaranteed has to a large extent safeguarded the benefits of the shareholders of the Company in this acquisition. Qingdao Yayuan was guaranteed that its net profits would not be less than RMB60.0 million, RMB70.0 million, RMB73.0 million and RMB76.0 million for 2019, 2020, 2021 and 2022 respectively. Since the acquisition has not yet been completed, both the financial and operating results of Qingdao Yayuan are not included in this announcement.

Continuous Increase in Average Property Management Fee

We maintain our quality requirement in development while growing rapidly. Through optimizing the management service projects continuously, enhancing the price standard of new management service projects and raising the fee of certain projects under management, our average property management fee increased smoothly.

The table below sets forth a breakdown of our total GFA under management as of the dates, and revenue generated from property management services by type of property developer for the six months ended 30 June 2019 and 2018:

	As at 30 June or for the six months ended 30 June							
	2019				2018			
	GFA	**Revenue**		**RMB/ sq.m./ month**	GFA	Revenue		RMB/ sq.m./ month
	sq.m.'000	***RMB'000***	***%***		*sq.m.'000*	*RMB'000*	*%*	
CIFI Group [1]	**15,933**	**255,236**	**58.5**	**3.35**	13,543	202,923	67.6	2.92
Third-party property developers [2]	**33,091**	**181,103**	**41.5**	**1.93**	18,556	97,210	32.4	1.65
Total	**49,024**	**436,339**	**100.0**		32,099	300,133	100.0	

(1) Includes properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers for which properties CIFI Group held a controlling interest.

(2) Refers to properties solely developed by partner property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers for which CIFI Group did not hold a controlling interest.

Diversified Business of Properties Management Portfolio

We manage residential and non-residential properties. The non-residential properties under our management include office buildings, shopping malls, industrial parks, hospitals and schools. While the revenue of residential properties have and will continue to generate a large portion of our revenue, we are seeking to diversify our service offerings to include other types of properties.

We have contracted to manage industrial parks, hospitals, factories, exhibition centers, gymnasiums, parks and educational institutions. In each diversified business and the main stationed cities, we have various benchmarked service projects, including Shanghai Henderson CIFI Centre (上海恒基旭輝中心), Beijing CIFI Airport Centre (北京旭輝空港中心), Wuhan CIFI Building (武漢旭輝大廈), Shanghai LCM CIFI Mall (上海洋涇LCM置匯旭輝廣場), Tiandu Commercial Building (天都商業大廈), Shaoyang Sports Centre (邵陽體育中心), Xiuyuexi Commercial Plaza (昕月溪商業廣場).

The table below sets forth a breakdown of total GFA under management as of the dates, and revenue of property management services generated from developed properties by different type of properties for the six months ended 30 June 2019 and 2018:

	As at 30 June or for the six months ended June 30					
	2019			2018		
	GFA	**Revenue**		GFA	Revenue	
	sq.m.'000	***RMB'000***	*%*	*sq.m.'000*	*RMB'000*	*%*
Residential properties	**41,065**	**276,751**	**63.4**	25,999	219,004	73.0
Non-residential properties	**7,959**	**159,588**	**36.6**	6,100	81,129	27.0
Total	**49,024**	**436,339**	**100.0**	32,099	300,133	100.0

Lump Sum Basis and Commission Basis

We generally price our services by taking into account factors such as the characteristics and locations of the residential communities, our budget, target profit margins, property owner and resident profiles and the scope and quality of our services. We charge property management fees primarily on a lump sum basis, with a small portion charged on a commission basis. In the first half of 2019 and 2018, 98.8% and 98.9% of our revenue generated from property management services was charged on a lump sum basis, respectively, while 1.2% and 1.1% of our revenue generated from property management services was charged on a commission basis for the aforementioned periods, respectively.

The following table sets forth a breakdown of our total GFA under management as of the dates and revenue from property management services by revenue model for the six months ended 30 June 2019 and 2018:

	As at 30 June or for the six months ended June 30					
	2019			2018		
	GFA	**Revenue**		GFA	Revenue	
	sq.m.'000	***RMB'000***	*%*	*sq.m.'000*	*RMB'000*	*%*
Lump sum basis	**44,298**	**431,030**	**98.8**	27,666	296,860	98.9
Commission basis	**4,726**	**5,309**	**1.2**	4,433	3,273	1.1
Total	**49,024**	**436,339**	**100.0**	32,099	300,133	100.0

Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services that mainly display units management, additional tailored services, preliminary planning and design consultancy services, housing repair services, pre-delivery inspection services, and extend the professional services of property management to the front end of real estate development. The majority of these non-property owners are property developers.

In the first half of 2019, revenue from value-added services to non-property owners has increased significantly by 54.0% from RMB84.5 million in the same period 2018 to approximately RMB130.2 million, mainly due to the substantial increase in the number of projects developed by CIFI Group and the partner property developers, as well as the increase in demand for services such as sales assistance and pre-delivery inspection. In the first half of 2019, the revenue from value-added services to non-property owners accounted for 18.4% of the total revenue.

The table below sets forth a breakdown of our revenue generated from our value-added services to non-property owners for the periods indicated:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Sales assistance services	**92,877**	**71.3**	53,940	63.8
Additional tailored services	**14,142**	**10.9**	12,854	15.2
Preliminary planning and design consultancy services	**9,224**	**7.1**	7,928	9.4
Housing repair services	**9,594**	**7.4**	7,428	8.8
Pre-delivery inspection services	**4,378**	**3.3**	2,396	2.8
Total	**130,215**	**100.0**	84,546	100.0

Community Value-Added Services

We provide the following community value-added services to property owners and residents: home-living services, parking space management, leasing and sales services, common area value-added services, and property agency services.

In the first half of 2019, revenue from community value-added services increased significantly by 162.2% from approximately RMB53.9 million in the same period of 2018 to approximately RMB141.3 million, mainly due to the expansion of our management area, the substantial increase in the number of service users, and the continuous market penetration increase of our diversified products.

Based on the research of community conditions and service owners, we have built the comprehensive Ever Sunshine UP Life Value-added Services System (永升UP生活增值服務體系) through years of exploration, including sub-brands such as the "Ever Sunshine Community" (旭惠團), "Ever Sunshine Tours" (鄰聚遊), "Ever Sunshine Home Décor" (旭惠美家) and "Sales and Leasing Assistance" (租售中心), and have developed value-added service products suitable for owners within the communities, so as to boost the revenue generated from our value-added services. In the first half of 2019, the revenue generated by our community value-added services reached 20.0% of our total revenue.

We are innovative in expanding our services. At the end of 2018, we established Shanghai Shengkuang Construction and Engineering Company Limited, which is responsible for large-scale community repairing and community facility maintenance, winning over market recognition with its professional services and problem solving abilities, and started to contribute to our revenue in the first half of 2019.

Currently, our community value-added services include four major areas, i.e. home living services, parking space management, leasing and sales services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our communities value-added services for the six months ended 30 June 2019 and 2018:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
Home living services[1]	**68,922**	**48.8**	24,232	44.9
Parking space management, leasing and sales services[2]	**27,845**	**19.7**	10,778	20.0
Property agency services[3]	**40,557**	**28.7**	12,995	24.1
Common area value-added services[4]	**3,944**	**2.8**	5,942	11.0
Total	**141,268**	**100.0**	53,947	100.0

Notes:

(1) This primarily includes fees received for house decoration, home maintenance, group purchase, turnkey furnishing and utility fee collection.

(2) This primarily includes fees received for leasing, management and sale of parking spaces.

(3) This primarily includes agency services related to apartments and parking spaces.

(4) This primarily includes service income related to the rental of common areas.

Outlook

Further increase our business scale and market share

We plan to increase the number of properties and GFA under management. We will further expand and optimize our professional marketing team to strategically evaluate and participate in biddings, obtain more property management appointments through tendering and bidding, and achieve quality growth. We intend to strengthen our business in strategic locations with high population density and consumption capacity. To take advantage of our established market presence, we aim to solidify our market position and further expand our market share in the cities where we already have a presence. In addition to continuing to solidify our presence in the existing markets, we will seek new business opportunities brought by CIFI Group's expanding business coverage. We will also seek to penetrate into new markets with growth potential by entering into strategic alliance with property developers. We will take advantage of our brand image to extensively and strategically cooperate with real estate development companies and provide property management services for their projects. Moreover, we aim to capture the tailwind of service socialization and diversify the portfolio of properties under management by managing more non-residential properties, such as hospitals, exhibition centers and industrial parks. Through these strategies, we aim to expand our geographic coverage to at least 100 cities in the next five years.

Continue to diversify our service offering

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in planning and design services, project quality monitoring, home inspection, sales assistance services and home maintenance services. We will enhance our coverage of the full industrial chain of property development, sales and management, achieve vertical industry extension and gain more opportunities to obtain property management projects while providing value-added services to property developers. We also plan to provide consultancy services to local property management companies to expand our business and enhance our brand awareness.

Further invest in technologies and intelligent operations

We will make further investments in technologies and intelligent operations to improve our service quality and operational efficiency.

We plan to further invest in the upgrade of our internal management system. We plan to optimize our internal ERP information system, OA office system, financial system, human resources system and contract management system. We will build a big data information sharing platform, comprising management tools such as CRM cloud, property management cloud, bill management cloud and parking cloud to open up the interconnection of information among property owners, our employees, and business partners. We plan to establish a centralized command center to monitor our operation remotely, conduct data analysis, reduce intermediate logistics and improve management accuracy and efficiency. We will continue to improve our level of standardization, centralization, digitalization and automation to ensure the consistent delivery of high-quality services with reduced human error and controlled operational costs.

Continue to enhance brand awareness

We plan to continue to enhance our brand awareness by promoting our representative service brands. For example, leveraging the market recognition we received for our "Bowyer Steward" brand from Shanghai and Suzhou, we plan to introduce it to other cities and regions, such as Hangzhou, Hefei, Chongqing and Nanjing. We believe our brand image is rooted in the properties under our management. Hence, we will strive to improve our service quality and customer satisfaction and build benchmark projects for various types of properties under our management in different cities. Moreover, we plan to upgrade our branding awareness by organizing offline branding events, such as press conferences and industry events, and publicizing our brand stories.

FINANCIAL REVIEW

Revenue

During the period under review, due to our continuous business development, the Group's revenue was approximately RMB707.8 million, representing an increase of 61.4% from approximately RMB438.6 million for the same period of 2018.

Revenue of the Group by business line is as follows:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**436,339**	**61.6**	300,133	68.4
Value-added services to non-property owners	**130,215**	**18.4**	84,546	19.3
Community value-added services	**141,268**	**20.0**	53,947	12.3
Total revenue	**707,822**	**100.0**	438,626	100.0

The property management services business is still our largest source of income. During the period under review, the revenue from property management services was approximately RMB436.3 million, accounting for 61.6% of the Group's total revenue. This increase was primarily driven by the fast growth of our total GFA under management, which was resulted from both our steady cooperation with CIFI Group and our efforts to expand the third-party customer base. Our total GFA under management increased from approximately 40.2 million sq.m. as of 31 December 2018 to approximately 49.0 million sq.m. as of 30 June 2019. The following table sets out the Group's revenue derived from property management services by type of property developer during the period under review:

	For the six months ended 30 June			
	2019		2018	
	RMB'000	*%*	*RMB'000*	*%*
CIFI Group	**255,236**	**58.5**	202,923	67.6
Third-party property developers	**181,103**	**41.5**	97,210	32.4
Total revenue	**436,339**	**100.0**	300,133	100.0

The increase in revenue from value-added services to non-property owners and community value-added services was mainly due to our expansion in the scope of value-added services provided to meet customer needs, as well as the increase of our management area which brought about a growing customer base. During the period under review, the Group further optimized the business structure, and revenue from value-added services maintained a constant upward trend.

Cost of sales

Cost of sales increased by approximately 59.3% from approximately RMB312.3 million for the six months ended 30 June 2018 to approximately RMB497.4 million for the six months ended 30 June 2019, primarily due to the increase of various kinds of costs as a result of the scale-up of our business. The rate of increase in cost of sales was lower than that of our revenue, principally because of the rapid growth of community value-added services which has higher gross profit margin. We will continuously invest in intelligent operation and conduct effective cost control measures to improve our operation efficiency.

Gross Profit

As a result of the above principal factors, the Group's gross profit increased by approximately 66.5% from approximately RMB126.4 million for the six months ended 30 June 2018 to approximately RMB210.4 million for the six months ended 30 June 2019.

Gross profit margin of the Group by business line was as follows:

	For the six months ended 30 June	
	2019	2018
Property management services	**20.8%**	23.7%
Value-added services to non-property owners	**22.0%**	22.7%
Community value-added services	**64.5%**	66.9%
Overall	**29.7%**	28.8%

During the period under review, the gross profit margin of the Group was 29.7%, increased by 0.9 percentage points as compared with that of 28.8% for the same period in 2018, which was primarily due to the fact that the Group further optimized the business structure and vigorously promoted the development of our community value-added services which has higher gross profit margin.

The gross profit margin of property management service was 20.8%, decreased from 23.7% for that of the same period in 2018, primarily due to our increased investment in the service quality to improve customer satisfaction. With the expansion of our management scale, the Group has promoted the construction of intelligent community and standardization of management system to provide property owners with a better experience.

The gross profit margin of value-added services to non-property owners was 22.0%, representing a slight decrease from 22.7% for that of the same period in 2018, which was mainly due to the decline in the proportion of revenue from preliminary planning and design consultancy services, which has a relatively higher gross profit margin.

The gross profit margin of community value-added services was 64.5%, decreased from 66.9% for that of the same period in 2018, which was mainly because the Group introduced new community construction and maintenance project business and suffered relatively higher expenditures at the early stage.

Other income and other net gain

During the period under review, the Group's other income and other net gain amounted to approximately RMB17.8 million, representing an increase of approximately 161.6% from approximately RMB6.8 million for the same period in 2018, primarily due to an increase in government grant received as support fund for enterprises, an increase in bank interest income resulted from the increased bank deposits, and an increase in foreign exchange gain due to the impact of the appreciation of the Hong Kong dollar against the Renminbi during the period under review.

Administrative expenses

During the period under review, the Group's total administrative expenses amounted to approximately RMB106.3 million, representing an increase from approximately RMB77.0 million for the same period in 2018, which was mainly due to the increase of personnel investment and impairment loss, as well as the growth of our business volume.

The following table sets out a summary for administrative expenses:

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
Staff costs	**61,345**	44,988
Travelling and entertainment	**7,681**	4,771
Office and communication expenses	**2,202**	3,063
Rental expenses	**1,762**	4,103
Depreciation of Right-of-use assets	**4,031**	—
Bank charge	**1,709**	1,241
Depreciation	**1,638**	791
Impairment loss	**12,421**	7,296
Legal and professional service fees	**5,758**	2,172
Marketing expenses	**4,647**	—
Listing expenses	—	5,983
Others	**3,083**	2,629
Total administrative expenses	**106,277**	77,037

The increase of staff costs was mainly caused by the increase in both the headcount and average salary of our administrative staff as compared with the same period of 2018. From the second half of year 2018, we divided district management and administrative departments for increasingly diversified types of properties and recruited personnel with rich experience in property management services to provide more specialized property management services and improve our service quality. We also set up intelligent operation department, reflecting our increased investment and development in intelligent community operations.

HKFRS 16 become effective from 1 January 2019 and the Group has adopted the new standard, which led to the decrease of rental expenses and increase of depreciation of right-of-use assets.

The increase in impairment loss was mainly due to the increase of trade and bill receivable resulted from the growth of revenue.

During the period under review, the Group actively carried out branding and marketing campaigns to improve our brand awareness, which led to the increase of marketing expenses.

The Shares of our Company were successfully listed on the Stock Exchange on 17 December 2018, thus we incurred the professional fees in relation to the Listing for the six months ended 30 June 2018.

The increase of our travelling and entertainment expenses, legal and professional service fees and other related expenses was mainly due to the expansion of our business volume, while at the same time, we also adopted expenditure control measures to reduce office and communication expenses. The Group attached great importance to improving management efficiency. During the period under review, the growth rate of the Group's administrative expenses was lower than that of the Group's revenue.

Other expenses

During the period under review, the Group recorded other expenses of approximately RMB0.4 million, representing a slight increase from approximately RMB0.3 million for the same period of 2018.

Profit before income tax expense

During the period under review, the profit before income tax was approximately RMB120.4 million, representing an increase of approximately 111.2%, as compared with approximately RMB57.0 million for the six months ended 30 June 2018.

Income tax expense

During the period under review, the Group's income tax was approximately RMB29.9 million, representing 24.8% of the profit before income tax expense, compared with approximately RMB15.8 million, representing 27.7% of the profit before income tax expense for the six months ended 30 June 2018.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2019 was approximately RMB90.5 million, representing an increase of approximately 119.7%, as compared with approximately RMB41.2 million for the same period in 2018.

Property, plant and equipment

Property, plant and equipment of the Group mainly consist of buildings, electronic equipment, as well as other fixed assets. As at 30 June 2019, the Group's property, plant and equipment amounted to approximately RMB31.0 million, representing an increase from approximately RMB27.0 million as at the end of 2018, which was mainly due to our additional investment in information technology systems for the purpose of improving our managerial competence and delivering better services to our clients.

Investment properties

Our investment properties mainly comprise parking spaces and storage rooms at the properties we owned. As at 30 June 2019, the Group's investment properties amounted to approximately RMB49.2 million, representing a slight decrease from approximately RMB49.3 million as at 31 December 2018.

Interest in an associate

As at 31 December 2018, the interest in an associate was share of net assets of Chongqing Xuyuan Tiancheng Property Service Company Limited (重慶旭原天澄物業管理有限公司) ("**Xuyuan Tiancheng**"), which was principally engaged in provision of property management services. As at 31 December 2018, although the Group's ownership interest in Xuyuan Tiancheng is more than 50%, the Group is only entitled to appoint one out of three directors to the board of directors of Xuyuan Tiancheng, so the Group has no control over the financial and operating policies of Xuyuan Tiancheng but has significant influences over it. The directors of the Company (the "**Directors**") therefore treated the interest in Xuyuan Tiancheng as an associate. During the period under review, all shareholders of Xuyuan Tiancheng modified the cooperation agreement. According the modified cooperation agreement, all significant financial and operating decisions would be approved by shareholders at general meetings in which the Group's voting right was more than 50%, so the Group obtained effective control over Xuyuan Tiancheng. Xuyuan Tiancheng became a subsidiary of the Group and the assets, liabilities and financial results of Xuyuan Tiancheng was consolidated in the financial statement of the Group since then.

Interest in a joint venture

As at 31 December 2018, the interest in a joint venture was share of net assets of Shanghai Yongsheng Yizhi Property Services Company Limited (上海永升怡置物業服務有限公司) ("**Yongsheng Yizhi**"), which was a joint venture set up together with Yizhi Property Service Company Limited (怡置物業服務有限公司) in 2018. The principal business of Yongsheng Yizhi is the provision of property management services. As at 31 December 2018, Yongsheng Yizhi was accounted for as a 50% interest joint venture of the Group and was included in the consolidated financial statements using the equity method. During the period under review, the joint venture partners of Yongsheng Yizhi modified the cooperation agreement. According the modified cooperation agreement, all significant financial and operating decisions was approved by simple majority of the board of directors, of which four directors and three directors are nominated by the Group and the other joint venture partner, respectively. Since the Group obtained effective control of voting power to govern relevant activities of Yongsheng Yizhi, Yongsheng Yizhi became a subsidiary of the Group and the assets, liabilities and financial results of Yongsheng Yizhi was consolidated in the financial statement of the Group since then.

Deposit for acquisition of subsidiaries

On 18 June 2019, the Group entered into an acquisition agreement, pursuant to which the Group can acquire 55% equity interests in Qingdao Yayuan, for a cash consideration of RMB462 million. Upon completion, the Group will be interested in 55% equity interests in Qingdao Yayuan and Qingdao Yayuan will become a non-wholly-owned subsidiary of the Company. The financial results of Qingdao Yayuan will be consolidated into the Group's financial statements. As at 30 June 2019, the 1st instalment of RMB220 million had been paid.

Trade and bill receivables

Our trade and bill receivables mainly arise from property management services income under a lump sum basis and value-added services to non-property owners. As at 30 June 2019, trade and bills receivables of the Group amounted to approximately RMB256.5 million, representing an increase from approximately RMB162.0 million as at 31 December 2018, which was in consistency with the increase in our revenue.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consist of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements and biding deposits in relation to the public biddings. As at 30 June 2019, our prepayments, deposits and other receivables amounted to approximately RMB90.9 million, representing an increase from approximately RMB51.3 million as at 31 December 2018, which was mainly due to the expansion of our business scale.

Cash and cash equivalents

As at 30 June 2019, the Group's cash and cash equivalents were approximately RMB1,101.8 million, representing a slight decrease from approximately RMB1,160.1 million as at 31 December 2018.

Trade payables

As at 30 June 2019, trade payables of the Group amounted to approximately RMB141.4 million, representing an increase from approximately RMB71.8 million as at 31 December 2018, resulting from the scale-up of our business and increase of the sub-contracting cost as we continued to sub-contract certain services to third parties to optimize our operations.

Accruals and other payables

As at 30 June 2019, our accruals and other payables was approximately RMB340.0 million, representing an increase from approximately RMB286.6 million as at 31 December 2018, which is mainly due to the increase of other payables due to third parties and other tax payable, caused by the increase of our management scale and revenue.

Contract liabilities

Contract liabilities of the Group were property management fees paid by customers in advance for the services which had not been provided and not been recognised as revenue. As at 30 June 2019, our contract liabilities amounted to approximately RMB209.5 million, representing an increase of 22.3% from approximately RMB171.3 million as at 31 December 2018, primarily attributable to the increase in our GFA under management and our customer base during the period under review.

Cash flows

During the six months ended 30 June 2019, net cash inflow from operating activities of the Group amounted to approximately RMB122.3 million, while there was net cash outflow from operating activities amounted to RMB7.3 million for the same period in 2018, which was mainly attributable to the increase of our operating profit.

During the six months ended 30 June 2019, net cash outflow from investing activities amounted to approximately RMB217.6 million, as compared to approximately RMB1.7 million for the same period in 2018. The higher cash outflow was mainly due to the 1st instalment payment of RMB220 million for the acquisition of 55% equity interests in Qingdao Yayuan.

Net cash inflow from financing activities amounted to approximately RMB36.9 million for the six months ended 30 June 2019, while there was net cash outflow from financing activities amounted to approximately RMB24.2 million for the same period in 2018. The higher cash inflow was mainly caused by the partially exercise of the Over-allotment Option described in the announcement of the Company dated 7 January 2019.

Gearing ratio and the basis of calculation

As at 30 June 2019, the gearing ratio of the Group was 0.9%, while that was 1.0% as at 31 December 2018. The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.

Capital expenditure

During the six months ended 30 June 2019, capital expenditure of the Group amounted to approximately RMB6.5 million, representing an increase from approximately RMB4.0 million for the six months ended 30 June 2018, primarily due to capital expenditure arising from purchase of information technology systems.

Capital structure

As at 30 June 2019, the Group's cash and bank balances were mainly held in Renminbi and Hong Kong dollar, and the Group's borrowings were denominated in Hong Kong dollar with floating interest rate.

As at 30 June 2019, equity attributable to owners of the company amounted to approximately RMB1,014.6 million, compared to approximately RMB898.9 million as at 31 December 2018.

Financial position of the Group remained stable. As at 30 June 2019, the Group's net current assets was approximately RMB715.7 million, compared to approximately RMB809.9 million as at 31 December 2018.

Liquidity and financial resources

During the period under review, the Group's principal use of cash was working capital and deposits for acquisition of subsidiaries, which was mainly funded from cash flow from operations and proceed raised from IPO. In the foreseeable future, we expect cash flow from operations will continue to be our principal source of liquidity and we may use a portion of the proceeds from the global offering to finance some of our capital expenditures.

As at 30 June 2019, the borrowings of the Group amounted to approximately RMB9.3 million, which were denominated in Hong Kong dollar with floating interest rate, while the amount was RMB9.3 million as at 31 December 2018. All bank loans are repayable within one year from the respective drawdown dates. Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at the 30 June 2019.

Pledging of assets

As at 30 June 2019, the Group's pledged bank deposits amounted to approximately RMB10.0 million (as at 31 December 2018: 10.0 million), which is to secure the bank borrowing granted to the Group.

Contingent liabilities

As at 30 June 2019, the Group had no contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims mainly related to property damage compensation due to water leakage. The Group does not expect that it will incur any material adverse effect on our business, financial condition or operating results and has made best estimation of the liability after considering legal advice.

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rate.

Foreign exchange risk

The principal activities of the Group are conducted in the PRC, and majority of the Group's income and expenses were denominated in Renminbi. Therefore, the Group is not exposed to material risk directly relating to foreign exchange rate fluctuation except certain bank balances were denominated in Hong Kong dollars. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees.

As at 30 June 2019, the Group had 6,296 employees (as at 31 December 2018: 6,066 employees).

Use of proceed raised from IPO

On 17 December 2018, the Shares of our Company were successfully listed on the Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. Net proceeds raised from the IPO were approximately HK$619.8 million. The Company also received net proceeds from partial exercise of over-allotment option of HK$67.2 million on 7 January 2019.

As stated in the Prospectus, we intended to use (i) approximately 55%, or approximately HK$375.6 million for strategic acquisition and investment, (ii) approximately 26%, or approximately HK$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers, (iii) approximately 9%, or approximately HK$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform, and (iv) approximately 10%, or approximately HK$68.3 million as for our general corporate purposes and working capital. For the expected timeline of the intended use of proceeds, please refer to the implementation plan as set out in the Prospectus.

As at 30 June 2019, RMB220 million (equivalent to approximately HK$250.8 million) had been used as deposits for acquisition of subsidiaries. The remaining net proceeds raised from IPO which had not been utilized were deposited with a licensed financial institution in Hong Kong.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the six months ended 30 June 2019.

AUDIT COMMITTEE

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors. The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed the unaudited interim report for the six months ended 30 June 2019. In addition, the Company's auditor, BDO Limited, has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2019. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2019.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2019 Interim Report of the Company will be dispatched to Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ysservice.com.cn in due course. This announcement can also be accessed on these websites.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and Shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the period.

By order of the Board
Ever Sunshine Lifestyle Services Group Limited
Lin Zhong
Chairman

Hong Kong, 14 August 2019

As at the date of this announcement, the executive Directors are Mr. LIN Zhong and Mr. ZHOU Hongbin, the non-executive Directors are Mr. LIN Feng and Mr. GE Ming; and the independent non-executive Directors are Mr. MA Yongyi, Mr. WANG Peng and Mr. CHEUNG Wai Chung.