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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 2020

HIGHLIGHTS

1. Revenue for the six months ended 30 June 2020 was approximately RMB1,344.9 million, representing an increase of 90.0% from approximately RMB707.8 million for the same period in 2019.
2. The gross profit of the Group for the six months ended 30 June 2020 was approximately RMB412.5 million, representing an increase of approximately 96.0% from approximately RMB210.4 million for the same period in 2019. Gross profit margin for the first half of 2020 was 30.7%, while that for the same period of 2019 was 29.7%, representing an increase of 1.0 percentage point.
3. Profit for the first half of 2020 was approximately RMB200.0 million, representing an increase of approximately 121.1%, as compared with approximately RMB90.5 million for the same period in 2019. Meanwhile, profit attributable to owners of the Company for the first half of 2020 was approximately RMB171.2 million, representing an increase of approximately 89.1% as compared with approximately RMB90.5 million for the same period in 2019.
4. As at 30 June 2020, the contracted GFA of the property management services of the Group was approximately 142.8 million sq.m, representing an increase of approximately 29.2%, as compared with approximately 110.6 million sq.m as at 31 December 2019.
5. During the six months ended 30 June 2020, net cash inflow from operating activities of the Group amounted to approximately RMB240.0 million, representing an increase of approximately 96.3%, as compared with approximately RMB122.3 million for the same period in 2019.

The board of directors (the “**Board**”) of Ever Sunshine Lifestyle Services Group Limited (“**Ever Sunshine**”, the “**Company**”, “**We**” or “**us**”) is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2020 with comparative figures for the corresponding period in 2019. These unaudited consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended	
		30 June	
	Notes	2020	2019
		<i>RMB’000</i>	<i>RMB’000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	5	1,344,930	707,822
Cost of sales		(932,430)	(497,411)
Gross profit		412,500	210,411
Other income and other net gain		34,855	17,806
Administrative expenses		(159,192)	(93,856)
Share of joint venture’s loss		—	(95)
Share of associate’s loss		—	(324)
Finance costs		(747)	(728)
Other expenses		(1,475)	(429)
Expected credit losses on financial assets		(17,713)	(12,421)
Profit before income tax expense		268,228	120,364
Income tax expense	8	(68,232)	(29,908)
Profit and total comprehensive income for the period		199,996	90,456

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the six months ended 30 June 2020

		For the six months ended 30 June	
Notes	2020	2019	
	<i>RMB'000</i>	<i>RMB'000</i>	
	<i>(Unaudited)</i>	<i>(Unaudited)</i>	
Profit and total comprehensive income			
for the period			
Attributable to:			
Owners of the Company	171,174	90,500	
Non-controlling interests	28,822	(44)	
	199,996	90,456	
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	9	0.11	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2020

		30 June	31 December
	Notes	2020	2019
		RMB'000	RMB'000
		(Unaudited)	(Audited)
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		71,437	62,432
Investment properties		55,439	50,814
Other intangible assets		130,872	100,600
Goodwill		470,952	431,128
Deferred tax assets		17,457	11,831
Prepayments		2,391	13,368
		748,548	670,173
Current assets			
Trade and bills receivables	6	477,922	342,006
Deposits, prepayments and other receivables		122,933	139,279
Income tax recoverable		2,922	—
Restricted cash		1,241	43,000
Bank balances, deposits and cash		2,832,732	1,283,642
		3,437,750	1,807,927

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 30 June 2020

	Notes	30 June 2020 RMB'000 (Unaudited)	31 December 2019 RMB'000 (Audited)
Current liabilities			
Trade payables	7	369,276	284,593
Accruals and other payables		474,231	490,187
Contract liabilities	5(d)	390,601	334,317
Lease liabilities		13,020	7,972
Provision for taxation		70,468	70,102
		1,317,596	1,187,171
Net current assets		2,120,154	620,756
Total assets less current liabilities		2,868,702	1,290,929
Non-current liabilities			
Lease liabilities		18,206	13,218
Other payables		9,528	1,265
Deferred tax liabilities		58,717	48,516
		86,451	62,999
Net assets		2,782,251	1,227,930
EQUITY			
Share capital		14,830	13,607
Reserves		2,657,070	1,134,290
Equity attributable to owners of the Company		2,671,900	1,147,897
Non-controlling interests		110,351	80,033
Total equity		2,782,251	1,227,930

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. The issued shares of the Company were 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 PRC. The Company and its subsidiaries (the “**Group**”) are principally engaged in 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 34 (“**HKAS 34**”), issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure provisions of the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2019 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 2020.

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

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

These condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

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.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

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. The Group has not applied any new HKFRSs or amendments that is not yet effective for the current accounting period.

4 SEGMENT INFORMATION

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 2020 and 2019, revenue from a shareholder - CIFI Holdings (Group) Co., Ltd., its subsidiaries and joint venture (the “**CIFI Group**”) contributed 17.0% and 14.7% 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 2020 and 2019.

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. 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 were derived in the PRC for the six months ended 30 June 2020 and 2019. As at 30 June 2020 and 31 December 2019, all of the non-current assets were located in the PRC.

5 REVENUE

Revenue mainly comprises of 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 2020 and 2019 was as follows:

(a) Disaggregated revenue information

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contract with customer		
Property management services	801,400	436,339
Community value-added services	260,804	141,268
Value-added services to non-property owners	282,726	130,215
	1,344,930	707,822
Geographical markets		
Mainland China	1,344,930	707,822
Timing of revenue recognition		
Services transferred over time	1,272,038	666,892
Services transferred at point in time	72,892	40,930
	1,344,930	707,822

(b) Unsatisfied performance obligations

For property management services and value-added services to non-property owners, the Group recognizes 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 do 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 recognized from incremental costs to obtain a contract**

For the six months ended 30 June 2020 and 2019, there was no significant incremental costs to obtain a contract.

(d) **Details of contract liabilities**

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

	At 30 June	At 31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Contract liabilities	<u>390,601</u>	<u>334,317</u>

(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 recognized in relation to contract liabilities**

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

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue recognized that was included in the balance of contract liabilities at the beginning of the period		
Property management services	161,906	103,713
Community value-added services	17,096	7,945
Value-added service to non-property owners	40,857	5,066
	<u>219,859</u>	<u>116,724</u>

6. TRADE AND BILLS RECEIVABLES

	At 30 June 2020 <i>RMB'000</i> <i>(Unaudited)</i>	At 31 December 2019 <i>RMB'000</i> <i>(Audited)</i>
Related parties	110,046	62,140
Third parties	<u>409,015</u>	<u>304,852</u>
Total	519,061	366,992
Less: allowance for impairment of trade receivables	<u>(43,230)</u>	<u>(25,761)</u>
	475,831	341,231
Bill receivables	<u>2,091</u>	<u>775</u>
	<u><u>477,922</u></u>	<u><u>342,006</u></u>

As at 30 June 2020 and 31 December 2019, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

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

Property management services income under 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 note.

The maturity of the bills receivable of the Group as at 30 June 2020 and 31 December 2019 is within 6 months. As at 30 June 2020 and 31 December 2019, no bills receivable is due from related parties.

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	At 30 June	At 31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Within 1 year	450,453	304,714
1 to 2 years	52,495	48,446
2 to 3 years	12,964	12,214
3 to 4 years	2,869	358
4 to 5 years	249	306
Over 5 years	31	954
	<u>519,061</u>	<u>366,992</u>

7 TRADE PAYABLES

	At 30 June	At 31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Audited)</i>
Related parties	7,934	6,728
Third parties	<u>361,342</u>	<u>277,865</u>
	<u>369,276</u>	<u>284,593</u>

Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group's trade payables as at 30 June 2020 and 31 December 2019 as follows:

	At 30 June	At 31 December
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	354,878	274,897
1 to 2 years	13,697	9,422
2 to 3 years	534	274
Over 3 years	167	—
	369,276	284,593

8 INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Current tax		
Tax for the current period	69,970	31,793
Deferred tax		
Credited to profit or loss for the period	(1,738)	(1,885)
	68,232	29,908

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

Pursuant to the laws and regulations of 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 2020 and 2019.

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.

9 EARNINGS PER SHARE

	Six months ended 30 June	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profits		
Profit attributable to owners of the Company	<u>171,174</u>	<u>90,500</u>
	At 30 June	At 30 June
	2020	2019
	<i>Number'000</i>	<i>Number'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Number of shares		
Weighted average number of ordinary shares (note)	<u>1,547,442</u>	<u>1,534,591</u>

Note:

Weighted average of 1,547,442,000 ordinary shares for the six months ended 30 June 2020, includes 134,000,000 ordinary shares issued during the period, in addition to the 1,536,400,000 ordinary shares for the year ended 31 December 2019.

Weighted average of 1,534,591,000 ordinary shares for the six months ended 30 June 2019, includes 36,400,000 ordinary shares issued during the period, in addition to the 1,500,000,000 ordinary shares for the year ended 31 December 2018.

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 2020 and 2019.

10 DIVIDENDS

No interim dividend was declared for the six months ended 30 June 2020 and 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a respected and fast-growing property management service provider in the People's Republic of China (“**China**” or “**PRC**”). In May 2020, we were honourably elected one of the “2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業)” by the China Index Academy. Our ranking in terms of overall strength is 12th, promoted by 2 places compared with that of 2019. As at 30 June 2020, we provided property management services and value-added services in 84 cities in China with contracted GFA amounting to approximately 142.8 million sq.m., among which, total GFA under management amounted to approximately 77.2 million sq.m., serving more than 340,000 households.

Our business covers a board spectrum of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, school campus, government-owned buildings, expressway stations, rail transit, and ferry terminals) and other quality tailor-made services.

We embrace the philosophy of “Build a Better Life with Heart” and are committed to providing our wide range of clients with comprehensive, attentive and professional property management services, researching and developing our services to build up our high-end service brand, namely, “Bowyer Steward” (鉞悦管家) for top-tier residential properties and “Yueze Commercial” (悦澤商辦) for commercial office buildings. These all testify our dedication to provide premium services for our customers.

Our Business Model

We operate in three major business lines, namely, (i) property management services, (ii) community value-added services, and (iii) value-added services to non-property owners. Therefore, we offer to our clients a comprehensive service portfolio that covers an all-inclusive value chain in property management.

- **Property management services:** We provide property developers, property owners and residents with a wide range of services in property management, primarily covering cleaning, security, gardening and repair and maintenance services. The portfolio of properties under our management includes both residential and non-residential property segments, while our non-residential segment includes office buildings, shopping malls, exhibition centers, industrial parks, hospitals and school campus, and others.
- **Community value-added services:** We provide community value-added services to both property owners and residents with the aim not only to improve their living experiences, but also the upkeep and betterment of asset values. These services mainly cover (i) home-living services, (ii) parking unit management and leasing services, (iii) property agency services, and (iv) common area value-added services.
- **Value-added services to non-property owners:** We offer a comprehensive range 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 additional customised services for their non-residential properties, as well as property management service providers from whom we accept sub-contract for certain value-added services. Our provision of value-added services to non-property owners mainly includes (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 cover on-site inspection services for each unit, giving sufficient feedback and recommendations from the end-user's perspective.

Property Management Services

Continuous Increase in Area Size

The Group adhered to rapid expansions on management coverage area as one of its strategic targets, and it has achieved speedy growth in contracted GFA and GFA under management through its multi-wheel driven roadmap during the period under review. As at 30 June 2020, our contracted GFA amounted to approximately 142.8 million sq.m., and the number of contracted projects totaled 788, representing an increase of approximately 29.2% and 29.4%, respectively, compared with those as at 31 December 2019. As at 30 June 2020, the GFA under our management reached approximately 77.2 million sq.m., and the number of projects under management totaled 497, representing an increase of approximately 18.5% and 23.3%, respectively, compared with those as at 31 December 2019.

The table below indicates the movement of changes for our contracted GFA and GFA under management for the six months ended 30 June 2020 and 30 June 2019 respectively:

	For the six months ended 30 June			
	2020		2019	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	<i>(’000 sq.m.)</i>	<i>(’000 sq.m.)</i>	<i>(’000 sq.m.)</i>	<i>(’000 sq.m.)</i>
As at the beginning of the period	110,558	65,151	65,551	40,239
New engagements ⁽¹⁾	32,382	13,037	21,603	9,519
Acquisitions ⁽²⁾	3,389	2,248	—	—
Terminations ⁽³⁾	(3,482)	(3,258)	(923)	(734)
As at the end of the period	<u>142,847</u>	<u>77,178</u>	<u>86,231</u>	<u>49,024</u>

Notes:

- (1) With respect 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) The acquisitions during the period under review include acquisitions of Qingdao Yinshengtai Property Management Services Company Limited (青島銀盛泰物業服務有限公司) (“**Qingdao Yinshengtai**”) and Jiangsu Xiangjiang Property Development Company Limited (江蘇香江物業發展有限公司) (“**Jiangsu Xiangjiang**”).
- (3) 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 Footprint

Since our inception up to 30 June 2020, we have expanded our geographic footprint from Shanghai to 84 cities in China.

The table below sets forth a breakdown of our total GFA under management as at the dates and revenue generated from property management services by geographic location for the six months ended 30 June 2020 and 2019:

	As at 30 June or for the six months ended 30 June					
	2020			2019		
	GFA	Revenue		GFA	Revenue	
	<i>sq.m. '000</i>	<i>RMB'000</i>	<i>%</i>	<i>sq.m. '000</i>	<i>RMB'000</i>	<i>%</i>
Eastern region ⁽¹⁾	51,186	536,382	66.9	32,478	289,390	66.3
Northern region ⁽²⁾	6,990	71,682	9.0	5,939	56,860	13.0
Central Southern region ⁽³⁾	10,437	89,289	11.1	5,905	46,592	10.7
Western region ⁽⁴⁾	5,427	65,003	8.1	3,574	36,372	8.3
Northeastern region ⁽⁵⁾	3,138	39,044	4.9	1,128	7,125	1.7
Total	<u>77,178</u>	<u>801,400</u>	<u>100.0</u>	<u>49,024</u>	<u>436,339</u>	<u>100.0</u>

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, Zhangzhou, Huainan, Wenzhou, Nantong, Quzhou, Jinan, Jining, Changzhou, Jinhua, Yixing, Zhangjiagang, Kunshan, Shishi, Weifang, Binzhou, Yantai, Quanzhou, Fuyang, Shaoxing and Yangzhou.
- (2) Cities in which we have property management projects in the northern region include Beijing, Tianjin, Langfang, Shijiazhuang, Taiyuan, Hohhot and Tangshan.
- (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, Zhengzhou, Jiangmen, Nanning, Dongguan, Sanya, Huanggang, Zhongshan, Yueyang, Huizhou, Nanchang, Chenzhou, Luoyang, Zhoukou, Nanyang and Zhuzhou.
- (4) Cities in which we have property management projects in the western region include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu, Guiyang and Liupanshui.
- (5) Cities in which we have property management projects in the northeastern region include Shenyang, Dalian and Dandong.

Multi-wheel Driven Strategy Promotes the Continuous Expansion of Service Scale

Growing together with CIFI Group

As a long-term service partner of CIFI Holdings (Group) Co. Ltd and its subsidiaries (the “**CIFI Group**”), our services are overwhelmingly recognized by them. As such, a consolidated collaborative partnership between us and CIFI Group was established and we have been benefited by CIFI Group’s rapid growth in the property development business.

As disclosed in the announcements of the Company dated 29 May 2020 and 28 June 2020, respectively, the Company has become a subsidiary of CIFI Group since 30 June 2020. The connection between the Company and CIFI Group is further strengthened, which is beneficial to deepen our cooperation and achieve greater degree of strategy synergetic development.

Seize Market Opportunities in Independent Third-Party Markets

Apart from the substantial support we received from CIFI Group, we also explore into third-party markets via diversified channels actively. Therefore, we expand resources into various independent markets to increase our market share. Our principle targets regarding market expansion include independent regional property developers, property owners' committees, local governments, etc.. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In the first half of 2020, we secured premium projects such as Yinchuan Huifeng Building (銀川滙豐大廈). To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In the first half of 2020, we acquired premium projects including Wuxi Sunshine 100 International New Town (無錫陽光100國際新城) through open tender bidding. We also participated in government procurements, for example, the tendering and bidding of public facility projects such as sports ground, rail transit, transportation hub points and office buildings. In the first half of 2020, we acquired premium service projects including the office building of Suzhou Municipal Bureau of Commerce and Swimming and Diving Sports Administration Centre of Fujian Province (福建省游泳跳水運動管理中心).

Meanwhile, We actively seek for opportunities to enter into strategic partnership with various property developers and set up joint ventures to provide property management services. Until now, we have successfully achieved strategic cooperation with several property development companies or investment groups, including Liaoning Guangna Property Development Company Limited (遼寧廣納房地產有限公司), Guangxi Zhucheng Times Property Development Co., Ltd. (廣西築成時代地產開發有限公司), 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 on account of such, we can enjoy priorities to acquire the property management rights of properties developed by these strategic partners. During the period under review, through strategic cooperation, we obtained contracts for premium projects such as Guangna Tixibinbi (廣納題西林壁), which is expected to generate revenue of more than RMB13 million each year.

Attributable to our quality services, professional marketing team, multi-channels for sourcing and our renowned reputation, we achieved rapid growth in terms of GFA developed by third party property developers.

With the encouragement from governmental policies and the evolution of the property management industry's own capabilities, the property management industry acquired more opportunities on expansion of new businesses. During the period under review, taking city service positioning as one of our strategic development directions, We have marked our first step towards urbanization service. We successfully established strategic cooperation relationship with Jiangsu Suqian Siyang Economic and Technological Development Zone (江蘇宿遷泗陽經濟技術開發區), striving to jointly create a smart city.

Strategic Mergers and Acquisitions

Strategic mergers and acquisitions have become a crucial part of our development process. In terms of merger and acquisition, the Company adheres to the principle of “Selects the target carefully before investment; conducts effective management after investment (投前精選標的, 投後完善管理)”. Through appropriate mergers and acquisitions, we increase our concentration in existing markets, expand our regional business scales, and make up the weaknesses among sectors quickly to enhance our multi-sector services capabilities.

On 27 February 2020, the Group entered into an acquisition agreement to acquire 50% equity interests in Qingdao Yinshengtai at a consideration of approximately RMB8.6 million. Qingdao Yinshengtai is a local property management company in Qingdao with strong overall strengths, and its business covers several key cities in Shandong Province. Such acquisition was our second acquisition completed in Qingdao after the acquisition of Qingdao Yayuan Property Management Company Limited (青島雅園物業管理有限公司) (“**Qingdao Yayuan**”) in 2019, and it further reinforced the Company’s scale and strengths in Qingdao and even the entire Shandong Province.

On 1 April 2020, we acquired 51% equity interests in Jiangsu Xiangjiang at a consideration of approximately RMB45.7 million. Jiangsu Xiangjiang is a professional property management service company with a major focus on public facility projects and catering for North Jiangsu market. Through the acquisition of Jiangsu Xiangjiang, we were able to improve our layout in Jiangsu Province and further strengthen our multi-sector service capabilities.

Continuous Increase in Average Property Management Fee

We keep up with quality development requirement along with our pursuit for rapid business growth. Through continuous endeavors to optimize the projects under our management (especially the high-end projects with higher price brought about by the acquisition of Qingdao Yayuan) and raise the fee of certain projects under management to provide better service raised, our average property management fee increased steadily.

The table below sets forth a breakdown of our total GFA under management as at the dates indicated, and average property management fee by types of property developer for the six months ended 30 June 2020 and 2019 respectively:

	As at 30 June or for the six months ended 30 June					
	2020			2019		
	GFA		RMB/	GFA		RMB/
	Sq.m'000	%	Sq.m/	Sq.m'000	%	Sq.m/
			month			month
CIFI Group ⁽¹⁾	18,408	23.9	3.44	15,933	32.5	3.35
Third-party property developers ⁽²⁾	58,770	76.1	2.72	33,091	67.5	1.93
Total	<u>77,178</u>	<u>100.0</u>		<u>49,024</u>	<u>100.0</u>	

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

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

Diversified Property Management Portfolio

We manage a large variety of properties, including residential and non-residential properties. We have accumulated massive experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and school campus. Meanwhile, with the opening up of plenty of non-residential markets, we are offered to more opportunities to join in tender bidding in the market and expand market shares. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including highway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We will take the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the expansion of GFA under management as well as increase in the concentration in local market. Despite the fact that revenue from residential property has contributed and will continue to contribute the largest proportion of our revenue, we strive to diversify our service portfolio to cover more types of properties. As at 30 June 2020, non-residential properties accounted for approximately 23.8% in our GFA under management, while that is 19.2% as at 31 December 2019. To-date, we have initially achieved full-industry chained coverage, with an aim to eventually become a comprehensive property management service provider.

The table below sets forth a breakdown of total GFA under management as at the dates indicated, and revenue from property management services generated from properties developed by different types of properties for the six months ended 30 June 2020 and 2019 respectively:

	As at 30 June or for the six months ended 30 June					
	2020			2019		
	GFA	Revenue		GFA	Revenue	
	<i>Sq.m'000</i>	<i>RMB'000</i>	<i>%</i>	<i>Sq.m'000</i>	<i>RMB'000</i>	<i>%</i>
Residential Properties	58,786	479,726	59.9	41,065	276,751	63.4
Non-residential Properties	18,392	321,674	40.1	7,959	159,588	36.6
Total	77,178	801,400	100.0	49,024	436,339	100.0

Lump Sum Basis and Commission Basis

We generally price our services by taking into account, among others, factors such as the characteristics and locations of the residential communities, our budget, targeted 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 of which charged on a commission basis.

The following table sets forth a breakdown of our total GFA under management as at the dates indicated and revenue from property management services by revenue model for the six months ended 30 June 2020 and 2019 respectively:

	As at 30 June or for the six months ended 30 June					
	2020			2019		
	GFA	Revenue		GFA	Revenue	
	<i>Sq.m'000</i>	<i>RMB'000</i>	<i>%</i>	<i>Sq.m'000</i>	<i>RMB'000</i>	<i>%</i>
Lump sum basis	75,196	795,843	99.3	44,298	431,030	98.8
Commission basis	1,982	5,557	0.7	4,726	5,309	1.2
Total	77,178	801,400	100.0	49,024	436,339	100.0

Community Value-Added Services

In the first half of 2020, revenue from community value-added services increased by 84.6% from approximately RMB141.3 million in the same period of 2019 to approximately RMB260.8 million, mainly due to the size expansion of our management area, the increase in the number of service households, and the continuous market penetration due to our diversified products.

Promoting rapid development of community value-added services and establishing a value-added service development system is one of the Company's key strategic directions. We adhered to the idea of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for property owners, so as to boost the revenue generated from our community value-added services.

Leveraging on our expanded service scope, enriched experience in developing community value-added services and continuous improvement and upgrade of talents, we continued to deepen our research on community conditions and targeted service groups, and proceeded from multiple areas including demand identification, product and service design, channel and supplier selection, as well as marketing plan formulation. In particular, after the outbreak of Coronavirus Disease 2019 (“**COVID-19**”) epidemic in 2020, we set up the “Quality Product Institution (好物研究院)”, whereby increased our exploration on the demand in different property sectors, as well as potential demands and service methods that might exist among property owners and tenants after the epidemic. In the first half of 2020, we continued with the development trend of community value-added services. Despite the impact of COVID-19 epidemic, certain businesses were affected or encountered delay, the revenue generated from community value-added services accounted for 19.4% of our total revenue and maintained at a high level, and the Company’s will adhere to the strategy of promoting the increase in the percentage of revenue from community value-added services continuously.

We adhered to our strategy of “Platform” + “Ecology” by applying the Business Unit (BU) approach to our growing business units. Through adopting the expanding community as a platform base and providing specialized assistance, we enabled our specialized service units to grow up independently on such platform. Shanghai Shengkuang Construction and Engineering Company Limited (上海晟匡建築工程有限公司), which was established at the end of 2018 with a focus on providing large-scale repairing and facility maintenance services for communities, continued to achieve rapid growth in the first half of 2020 after the contribution of revenue in 2019. Meanwhile, in the first half of 2020, we started to establish independent BU for our decoration business.

Currently, our community value-added services cover four major areas, i.e. home living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the six months ended 30 June 2020 and 2019 respectively:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Home-living services ⁽¹⁾	140,180	53.7	68,922	48.8
Parking unit management and leasing services ⁽²⁾	41,161	15.8	27,845	19.7
Property agency services ⁽³⁾	60,259	23.1	40,557	28.7
Common area value-added services ⁽⁴⁾	19,204	7.4	3,944	2.8
Total	<u>260,804</u>	<u>100.0</u>	<u>141,268</u>	<u>100.0</u>

Notes:

- (1) This primarily includes house delivery-stage services such as house decoration, partial house renovation, turnkey furnishing etc.; mature community services such as on-site maintenance, housekeeping and cleaning, home management, secondary renovation, community group purchasing etc.; and repairing and maintenance services for communities.
- (2) This primarily includes fees received from leasing and management of parking units.
- (3) This primarily includes agency services related to apartments and agency sales of parking spaces.
- (4) This primarily includes service income received from leasing and management of common areas.

Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services that primarily includes display units management services (the scope of services mainly covers security, cleaning, greening, reception etiquette, and other services for display units), additional tailored services, preliminary planning and design consultancy services, housing repair services, and pre-delivery inspection services. We extend the professional services of property management to the front end of real estate development. Most of these non-property owners are property developers.

In the first half of 2020, revenue from value-added services to non-property owners increased significantly by 117.1% to approximately RMB282.7 million as compared to RMB130.2 million in the corresponding period of 2019, mainly due to the substantial increase in the number of projects developed by CIFI Group and the partner property developers, which in turn attributable to a surge in demand for services such as sales assistance service and additional tailored service. During the period under review, the revenue from value-added services to non-property owners accounted for 21.0% of the total revenue.

Under the guidance of the “Vertical Industry Chain Expansion Strategy”, we have enhanced our sales assistance services provided to property developers in terms of professional capabilities and service quality. Along with providing services to CIFI Group, more third-party developers have commissioned us with sales assistance services. As at 30 June 2020, we have provided on-site services to a total of 182 display units.

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			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	156,740	55.4	92,877	71.3
Additional tailored services	68,630	24.3	14,142	10.9
Preliminary planning and design consultancy services	31,842	11.3	9,224	7.1
Housing repair services	15,495	5.5	9,594	7.4
Pre-delivery inspection services	10,019	3.5	4,378	3.3
Total	<u>282,726</u>	<u>100.0</u>	<u>130,215</u>	<u>100.0</u>

OUTLOOK

The outbreak of the coronavirus pandemic in 2020 has brought great challenges to society and disrupted economic activities. As a responsible property management company, we are ever on the front line, actively participating in community work to help fight the disease while always putting the safety of its employees as its first priority. The Group has also been cooperating with the government in its neighbourhood governance work in order to safeguard the health and safety of property owners and provide them with daily necessities. The additional labour cost and expense for pandemic-related supplies incurred during the current period have increased our costs. The continuation of the pandemic has even affected the commencement of some of our businesses during the current period. However, in the long run, the trust and relationship built up between us and property owners, as well as the brand we have established through all this, will be a growth driver for us and pave the way for the long-term development of the Company. In the face of the new challenges and opportunities in 2020, the management of the Company will lead our staff to overcome obstacles and march forward according to our schedule.

Step-up increase in our business size and market share

We plan to increase both the number and GFA of properties under management. We will further expand and optimize our professional marketing team to prepare for strategical evaluation and participation in biddings. We strike to acquire 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 well-established market presence, we aim to consolidate our market position and further expand market share in the cities where we operate. In addition to continue solidifying our presence in the existing markets, we will seek new business opportunities brought by CIFI Group's extensive business coverage. We will penetrate into new markets feature with growth potential by entering into strategic agreement with property developers. We will take advantage of our brand image to undertake penetrative and strategic cooperation with property development companies, along with providing property management services for their projects. Moreover, we aim to leverage on the overwhelming trend of service socialization to diversify the portfolio of properties under management via managing more non-residential properties, such as hospitals, exhibition centers and industrial parks. With the evolution of the Company's capabilities and opportunities arising in the industry, we will also gradually expand the Company's footprint and seize opportunities in city service as well as other segments.

Continuous endeavour to diversify our services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services. We will enhance full industrial chain coverage for property development, sales and management, to achieve vertical industry extension. We aim to acquire more opportunities to secure 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 investment in technologies and intelligent operations

We will make further investments in technologies and intelligent operations to improve our service quality and operational efficiency. We have established Linjiu Zhihui Technology Company Limited (霖久智慧科技有限公司), which further enhances the Company's technological strengths.

We plan to invest further in the upgrade of our internal management system. We expect 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, comprised management tools such as CRM cloud, property management cloud, bill management cloud and parking cloud, to enable the interconnection of information among property owners, our employees, and business partners. We plan to establish a centralized command center to enable remote control of our operation, conduct data analysis, reduce intermediate logistics and improve management accuracy and efficiency. We will continue to press forward our progress towards standardization, centralization, digitalization and automation to ensure the consistent delivery of quality services with minimal human errors and to exercise effective control on operational costs.

FINANCIAL REVIEW

Revenue

During the period under review, due to our continuous business development, the Group's revenue was approximately RMB1,344.9 million, representing an increase of 90.0% from approximately RMB707.8 million for the same period of 2019.

Revenue of the Group by business line is as follows:

	For the six months ended 30 June			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	801,400	59.6	436,339	61.6
Community value-added services	260,804	19.4	141,268	20.0
Value-added services to non-property owners	<u>282,726</u>	<u>21.0</u>	<u>130,215</u>	<u>18.4</u>
Total revenue	<u>1,344,930</u>	<u>100.0</u>	<u>707,822</u>	<u>100.0</u>

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 RMB801.4 million, accounting for 59.6% of the Group's total revenue. This increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. Our total GFA under management was approximately 77.2 million sq.m. as at 30 June 2020, while that was approximately 49.0 million sq.m. as at 30 June 2019. This increase was resulted from both our steady cooperation with CIFI Group and our efforts to expand the third-party customer base, as well as our acquisition of other property management service providers. 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			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
CIFI Group	315,031	39.3	255,236	58.5
Third-party property developers	486,369	60.7	181,103	41.5
Total revenue	801,400	100.0	436,339	100.0

During the period under review, the Group further optimized the business structure, and revenue from value-added services maintained a constant upward trend.

The increase in revenue from community value-added services was mainly due to the increase of our management area which brought about a growing customer base, as well as our expansion in the scope of value-added services provided such as decoration services and community repairing and facility maintenance services to meet diversified customer needs.

The revenue from value-added services to non-property owners increased by approximately 117.1% from approximately RMB130.2 million for the six months ended 30 June 2019 to approximately RMB282.7 million for the six months ended 30 June 2020, which was mainly driven by the increase in the revenue generated from sales assistance services, additional tailored services, as well as preliminary planning and design consultancy services. During the period under review, we further strengthen our cooperation relationship with partner property developers, and provided with professional and quality services.

Cost of sales

Cost of sales increased by approximately 87.5% from approximately RMB497.4 million for the six months ended 30 June 2019 to approximately RMB932.4 million for the six months ended 30 June 2020, 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, and 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 96.0% from approximately RMB210.4 million for the six months ended 30 June 2019 to approximately RMB412.5 million for the six months ended 30 June 2020.

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

	For the six months ended	
	30 June	
	2020	2019
Property management services	24.8%	20.8%
Community value-added services	53.8%	64.5%
Value-added services to non-property owners	25.8%	22.0%
Overall	<u>30.7%</u>	<u>29.7%</u>

During the period under review, the gross profit margin of the Group was 30.7%, increased by 1.0 percentage point as compared with that of 29.7% for the same period in 2019, which was primarily contributable to the increase in gross profit margin of our property management services and value-added services to non-property owners.

The gross profit margin of property management services was 24.8%, increased from 20.8% for that of the same period in 2019, primarily due to the increase in the proportion of revenue from commercial and official property projects, which has a relatively higher gross profit margin. The Group further optimized its property management portfolio to increase the overall profitability. During the period under review, the State Council carried out a national social security reduction policy to mitigate the impact of COVID-19 on enterprises, which was also helpful to relieve our burden. Along with the expansion of our management scale, the Group also devoted to promote the construction of intelligent community and standardization of management system to provide property owners with a better experience.

The gross profit margin of community value-added services was 53.8%, decreased from 64.5% for that of the same period in 2019, which was mainly due to the development of the new community construction and maintenance business as well as decoration business, which have a relatively lower gross profit margin and suffered relatively higher expenditures at the growth stage.

The gross profit margin of value-added services to non-property owners was 25.8%, representing an increase from 22.0% for that of the same period in 2019, which was mainly due to the increase in the proportion of revenue from preliminary planning and design consultancy services, which has a relatively higher gross profit margin, as well as the positive effect brought by the social security reduction policy.

Other income and other net gain

During the period under review, the Group's other income and other net gain amounted to approximately RMB34.9 million, representing an increase of approximately 95.7% from approximately RMB17.8 million for the same period in 2019, 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 RMB159.2 million, representing an increase of approximately 69.6% from approximately RMB93.9 million for the same period in 2019, which was mainly due to the increase of personnel investment caused by the increase in the headcount of administrative staff, the amortization expenses of intangible assets arising from acquisition, and the increase of other expenses caused by the growth of our business volume. The Group attached great importance to improving management efficiency. During the period under review, the growth rate of the Group's administrative expenses was much lower than that of the Group's revenue.

Other expenses

During the period under review, the Group recorded other expenses of approximately RMB1.5 million, representing an increase from approximately RMB0.4 million for the same period of 2019.

Profit before income tax expense

During the period under review, the profit before income tax was approximately RMB268.2 million, representing an increase of approximately 122.8%, as compared with approximately RMB120.4 million for the six months ended 30 June 2019.

Income tax expense

During the period under review, the Group's income tax was approximately RMB68.2 million, representing 25.4% of the profit before income tax expense, compared with approximately RMB29.9 million, representing 24.8% of the profit before income tax expense for the six months ended 30 June 2019.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2020 was approximately RMB171.2 million, representing an increase of approximately 89.1%, as compared with approximately RMB90.5 million for the same period in 2019.

Property, plant and equipment

Property, plant and equipment of the Group mainly consist of buildings, electronic equipment, right-of-use assets, as well as other fixed assets. As at 30 June 2020, the Group's property, plant and equipment amounted to approximately RMB71.4 million, representing an increase from approximately RMB62.4 million as at 31 December 2019, which was mainly due to the increase of right-of-use assets and additional property, plant and equipment brought by the acquired companies.

Investment properties

Our investment properties mainly comprise parking spaces and storage rooms at the properties we owned. As at 30 June 2020, the Group's investment properties amounted to approximately RMB55.4 million, representing a slight increase from approximately RMB50.8 million as at 31 December 2019.

Other intangible assets

The Group's other intangible assets mainly comprise property management contracts and customer relationship attributable to acquired companies, and information technology systems. As at 30 June 2020, the Group's other intangible assets amounted to approximately RMB130.9 million, representing an increase from approximately RMB100.6 million as at 31 December 2019, which was mainly caused by the property management contracts and customer relationship arising from the acquisitions completed by the Group during the period under review, as well as our additional investment in information technology systems and online service platform for the purpose of improving our managerial competence and delivering better services to our customers.

Goodwill

As at 30 June 2020, the Group's goodwill amounted to approximately RMB471.0 million, representing an increase from approximately RMB431.1 million as at 31 December 2019. This increase in goodwill was mainly resulted from the acquisition of Qingdao Yinshengtai and Jiangsu Xiangjiang.

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 2020, trade and bills receivables of the Group amounted to approximately RMB477.9 million, representing an increase from approximately RMB342.0 million as at 31 December 2019, which was in consistency with the increase in our revenue.

Deposits, prepayments and other receivables

Our deposits, prepayments 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 bidding deposits in relation to the public biddings. As at 30 June 2020, our deposits, prepayments and other receivables amounted to approximately RMB122.9 million, representing a decrease from approximately RMB139.3 million as at 31 December 2019, which was mainly due to our continuous improvement in control of working capital.

Bank balances, deposits and cash

As at 30 June 2020, the Group's bank balances, deposits and cash were approximately RMB2,832.7 million, representing an increase of 120.7% from approximately RMB1,283.6 million as at 31 December 2019. This increase was mainly attributable to the net proceeds from the subscription of 134,000,000 new shares of the Company (the "**Subscription**") on 16 June 2020, details of which were disclosed in the Company's announcements dated 4 and 16 June 2020.

Trade payables

As at 30 June 2020, trade payables of the Group amounted to approximately RMB369.3 million, representing an increase from approximately RMB284.6 million as at 31 December 2019, mainly 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 2020, our accruals and other payables were approximately RMB474.2 million, representing a decrease from approximately RMB490.2 million as at 31 December 2019, which is mainly attributable to our better control of payment after our launch of finance share service center.

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 recognized as revenue. As at 30 June 2020, our contract liabilities amounted to approximately RMB390.6 million, representing an increase of 16.8% from approximately RMB334.3 million as at 31 December 2019, primarily due 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 2020, net cash inflow from operating activities of the Group amounted to approximately RMB240.0 million, representing a significant increase from approximately RMB122.3 million for the same period in 2019, which was mainly attributable to the increase of our operating profit.

During the six months ended 30 June 2020, net cash inflow from investing activities amounted to RMB18.5 million, while there was net cash outflow from investing activities amounted to approximately RMB217.6 million for the same period in 2019. The cash outflow in the first half of 2019 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 RMB1,282.8 million for the six months ended 30 June 2020, representing a significant increase from approximately RMB36.9 million for the same period in 2019. The higher cash inflow was mainly caused by the net proceeds from the Subscription.

Gearing ratio and the basis of calculation

As at 30 June 2020 and 31 December 2019, the gearing ratio of the Group was both nil. The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.

Capital structure

As at 30 June 2020, the Group's cash and bank balances were mainly held in Renminbi and Hong Kong dollar, and the Group's borrowings were nil.

As at 30 June 2020, equity attributable to owners of the company amounted to approximately RMB2,671.9 million, compared to approximately RMB1,147.9 million as at 31 December 2019.

Financial position of the Group remained stable. As at 30 June 2020, the Group's net current assets was approximately RMB2,120.2 million, compared to approximately RMB620.8 million as at 31 December 2019.

Liquidity and financial resources

During the period under review, the Group's principal use of cash was working capital and consideration payment 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 and Subscription to finance some of our capital expenditures.

As at 30 June 2020, the Group's borrowings were nil. 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 2020.

Pledging of assets

As at 30 June 2020 and 31 December 2019, the Group had no pledging of assets.

Contingent liabilities

As at 30 June 2020, the Group had no material contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims. 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 a 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 2020, the Group had 9,685 employees (31 December 2019: 7,556 employees).

Use of proceed raised from IPO

On 17 December 2018, our issued shares (the “**Shares**”) were successfully listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Our IPO was well received by investors in both the international offering and the Hong Kong public offering. The Company raised net proceeds of (i) approximately HK\$619.8 million from the IPO, and (ii) approximately HK\$63.2 million from partial exercise of an over-allotment option on 4 January 2019 (collectively, the “**Net Proceeds**”).

As stated in the prospectus of the Company dated 4 December 2018 (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.

Further, as stated in the announcement of the Company dated 18 June 2019, the Board resolved to change the proposed use of the Net Proceeds. The unutilised Net Proceeds originally allocated for (i) acquiring property management services providers that provide community products and services complementary to our own, and (ii) for investing in property management industry funds jointly with business parties will be used for acquiring or investment in quality property management service providers that operate on a regional scale. For further details of the change in the proposed use of the Net Proceeds, please refer to the announcement of the Company dated 18 June 2019.

As at 30 June 2020, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (HK\$ million)	Utilised (up to 30 June 2020) (HK\$ million)
To pursue strategic acquisition and investment opportunities	375.6	215.4
To leverage the most updated internet and information technologies and build a smart community	177.6	6.6
To develop a one-stop service community platform and our “Joy Life” (悦生活) online service platform	61.5	2.0
For general corporate purposes and working capital	68.3	45.3
	<u>683.0</u>	<u>269.3</u>

The remaining net proceeds raised from IPO which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China.

Placing and Subscription

On 4 June 2020 (before trading hours), the Company, Elite Force Development Limited (the “**Vendor**”), Credit Suisse (Hong Kong) Limited, Haitong International Securities Company Limited and Morgan Stanley & Co. International plc. (the “**Placing Agents**”) entered into the placing and subscription agreement (the “**Placing and Subscription Agreement**”), pursuant to which, (a) the Vendor has agreed to appoint the Placing Agents, and the Placing Agents have agreed to act as agents of the Vendor on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the HK\$11.78 per share (the “**Placing Price**”) (the “**Placing**”); and (b) the Vendor has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to the Vendor, a total of 134,000,000 new Shares at the HK\$11.78 per share (being the same as the placing price).

The Placing Price is HK\$11.78 per share and represents (i) a discount of approximately 6.95% to the closing price of HK\$12.66 per share as quoted on the Stock Exchange on 3 June 2020, being the last trading day prior to the signing of the Placing and Subscription Agreement (the “**Last Trading Date**”); (ii) a discount of approximately 3.63% to the average closing price of HK\$12.22 per share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day; and (iii) a discount of approximately 0.61% to the average closing price of HK\$11.85 per share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day.

Completion of the Placing and the Subscription took place on 8 June 2020 and 16 June 2020, respectively. A total of 134,000,000 existing Shares have been successfully placed at the placing price of HK\$11.78 per share to no less than six (6) independent placees, and a total of 134,000,000 new Shares (equal to the number of the existing Shares successfully placed under the Placing) were subscribed by the Vendor at the subscription price of HK\$11.78 per share.

The Company received net proceeds from the Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,564,476,000 and intends to use the net proceeds from the Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. As at 30 June 2020, (i) the Company intends to invest in businesses or targets that are related to its core businesses but has not identified any specific investment or acquisition targets; (ii) no agreement has been entered by the Group in respect of any such investments or acquisitions; and (iii) no allocation plan of such net

proceeds between possible investments or acquisitions and general working capital has been formulated. The Company will make announcement(s) in respect of any such investment(s) or acquisition(s) in compliance with the requirements of the Listing Rules where appropriate. For further details, please refer to the Company's announcements dated 4 June 2020 and 16 June 2020.

INTERIM DIVIDEND

The Board of the Company does not recommend the payment of any interim dividend for the six months ended 30 June 2020.

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 of Hong Kong Limited (the “**Listing Rules**”) during the six months ended 30 June 2020.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the six months ended 30 June 2020.

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 has 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 have also reviewed the unaudited interim results for the six months ended 30 June 2020. 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 2020. 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 2020.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2020 interim report of the Company, containing all the information required under the Listing Rules, will be dispatched to the shareholders of the Company (the “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, 26 August 2020

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