EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED
永升生活服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 01995

2020 INTERIM REPORT

Build a Better Life with Heart

Grow into a customer —
preferred smart city service brand

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIN Zhong *(Chairman)*
Mr. ZHOU Hongbin
Mr. ZHOU Di (appointed on 30 March 2020)

Non-executive Directors

Mr. LIN Feng
Mr. GE Ming (Resigned on 30 March 2020)

Independent Non-executive Directors

Mr. MA Yongyi
Mr. WANG Peng
Mr. CHEUNG Wai Chung

COMPANY SECRETARY

Ms. YEUNG Ching Man

AUTHORISED REPRESENTATIVES

Mr. LIN Zhong
Mr. LIN Feng

STRATEGY COMMITTEE

Mr. LIN Zhong *(Chairman)*
Mr. LIN Feng
Mr. ZHOU Hongbin

AUDIT COMMITTEE

Mr. CHEUNG Wai Chung *(Chairman)*
Mr. LIN Feng
Mr. MA Yongyi

REMUNERATION COMMITTEE

Mr. WANG Peng *(Chairman)*
Mr. LIN Zhong
Mr. MA Yongyi

NOMINATION COMMITTEE

Mr. LIN Zhong *(Chairman)*
Mr. WANG Peng
Mr. MA Yongyi

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

6F, Henderson CIFI Center
No. 20 Lane, 1188 Shenhong Road
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Sunlight Tower
No. 248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

China Construction Bank Shanghai Putuo Branch
8th Floor
95 Changshou Road
Putuo District, Shanghai, PRC

China Construction Bank Shanghai Nujiang Road Branch
Room 101
1006 Jinshajiang Road
Putuo District, Shanghai, PRC

Ningbo Bank Shanghai Huangpu Branch
37 Huanghe Road
Huangpu District
Shanghai, PRC

China Construction Bank Suzhou New District Branch
95 Shishan Road
Gaoxin District
Suzhou, Jiangsu Province, PRC

AUDITOR

BDO Limited
25th Floor, Wing On Center
111 Connaught Road
Central, Hong Kong

LEGAL ADVISER

Sidley Austin LLP

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

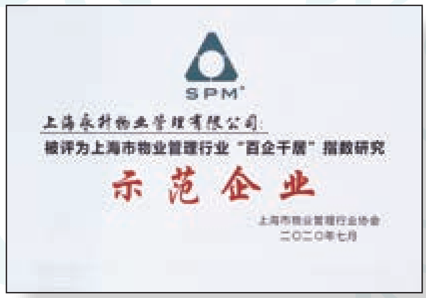
STOCK CODE

01995

WEBSITE

www.ysservice.com.cn

AWARDS AND HONORS



In this interim report, unless the context otherwise requires, the following expressions shall have the following meanings:

5.375% Perpetual Securities	the senior perpetual capital securities (securities stock code: 05261) issued by CIFI Holdings in August 2017 with the aggregate principal amount of US$300 million at a distribution rate of 5.375% per annum, which are listed on the Stock Exchange in August 2017
6% Senior Notes	the 6% senior notes (securities stock code: 40120) due 2025 issued by CIFI Holdings with the aggregate amount of US$567 million, which are listed on the Stock Exchange in January 2020
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee under the Board
associate(s)	has the meaning ascribed thereto under the Listing Rules
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share award scheme adopted by Best Legend
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the "Board Committee" means any of them
BU	Business unit
BVI	the British Virgin Islands
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
China or PRC	the People's Republic of China, but for the purpose of this interim report and for geographical reference only and except where the context requires, references in this interim report to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
CIFI Group	CIFI Holdings and its subsidiaries
CIFI Holdings	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (stock code: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board

CIFI (PRC)	CIFI Group Co., Ltd. (旭輝集團股份有限公司) (formerly known as Shanghai Yongsheng Real Estate Co., Ltd. (上海永升置業有限公司) and CIFI Group Company Limited (旭輝集團有限公司)), a joint stock company with limited liability established in the PRC and an indirect wholly-owned subsidiary of CIFI Holdings
Company, Ever Sunshine, we or us	Ever Sunshine Lifestyle Services Group Limited (永升生活服务集团有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and the Shares of which are listed on the Main Board
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, Elite Force Development, CIFI Holdings, Xu Sheng, Spectron and Best Legend
COVID-19	Coronavirus Disease 2019
Deed of Non-Competition	the deed of non-competition dated 26 November 2018 given by our Ultimate Controlling Shareholders in favor of the Company (for itself and as trustee for each of the subsidiaries)
Ding Chang	Ding Chang Limited
Director(s)	director(s) of the Company
Elite Force Development	Elite Force Development Limited, a limited liability company incorporated in the BVI on 4 April 2018, one of our Controlling Shareholders and is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
Independent Third Party(ies)	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
IPO	the initial public offering of the Company
Jiangsu Xiangjiang	Jiangsu Xiangjiang Property Development Company Limited（江蘇香江物業發展有限公司）
Linjiu Technology	Linjiu Zhihui Technology Company Limited (霖久智慧科技有限公司)

Listing	the listing of the Shares on the Main Board
Listing Date	the date on which dealings in the Shares on the Main Board first commence, being 17 December 2018
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
M&A	Merger and acquisition
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Memorandum or Memorandum of Association	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee under the Board
Over-allotment Option	the option granted by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 57,000,000 additional new Shares to, among other things, cover the over-allocations (if any) in the placing of Shares to professional, institutional and other investors (the portion of which has not been exercised has lapsed on 6 January 2019)
Over-allotment Shares	an aggregate of 36,400,000 Shares issued and allotted by the Company at HK$1.78 per Share following the partial exercise of the Over-allotment Option on 4 January 2019
Placing Agents	Credit Suisse (Hong Kong) Limited, Haitong International Securities Company Limited and Morgan Stanley & Co. International plc.
Placing and Subscription Agreement	the placing and subscription agreement entered into between the Company, Elite Force Development and the Placing Agents dated 4 June 2020
Prospectus	the prospectus of the Company dated 4 December 2018
Qingdao Yayuan	Qingdao Yayuan Property Management Company Limited（青島雅園物業管理有限公司）
Qingdao Yinshengtai	Qingdao Yinshengtai Property Management Services Company Limited（青島銀盛泰物業服務有限公司）
Rain-Mountain	Rain-Mountain Limited
Remuneration Committee	the remuneration committee under the Board

Renminbi or RMB	the lawful currency of the PRC
Reporting Period or Period under Review	the six months ended 30 June 2020
Rosy Fortune	Rosy Fortune Investments Limited
SCTS Capital	SCTS Capital Pte. Ltd.
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board
Spectron	Spectron Enterprises Limited, a limited liability company incorporated in the BVI on 18 September 2014 and one of our Controlling Shareholders
Standard Chartered Trust	Standard Chartered Trust (Singapore) Limited
Stock Exchange or Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee under the Board
Subscription	the subscription of 134,000,000 new Shares by Elite Force Development pursuant to the terms and conditions of the Placing and Subscription Agreement
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd. (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

Dear Shareholders,

Thank you for your continuous support for the evolution and development of Ever Sunshine.

On behalf of the Board, I am pleased to present this interim report of the Group for the six months ended 30 June 2020, which summarizes the Group's achievements and shortcomings throughout this Reporting Period, and to share our future plans and developments.

The Group's revenue increased by 90.0% to RMB1,344.9 million in the first half of 2020. Moreover, with continuous improvement in our cost control and management efficiency, gross profit margin and net profit margin increased by 1.0 and 2.1 percentage points respectively, resulting in a profit attributable to owners of the Company of RMB171.2 million, a year-on-year growth of 89.1%. Complementing each other, our three major business segments forged ahead together and combined to serve as our drivers, which made our results grow rapidly. This marks a small victory for the Group's development in the first half of the year and it is attributable to the unflagging efforts and innovation of our staff. Our achievement has significantly boosted our confidence and proved convincingly the soundness of our strategies and operational vision.

During the Period under Review, the contracted GFA of the Group increased from 110.6 million sq.m. as at 31 December 2019 to 142.8 million sq.m. as at 30 June 2020, representing a growth of 29.2%. In addition, the GFA under management grew by 18.5% to 77.2 million sq.m. as at 30 June 2020, compared with 65.2 million sq.m. as at 31 December 2019.

The increase in our contracted area amounted to 32.3 million sq.m. in the first half of 2020, adhering to our strategy of becoming bigger and stronger. The amount approximates the total contracted area as at 31 December 2017, which means it only took us six months to recreate an Ever Sunshine as at the end of 2017 (the contracted area of Ever Sunshine was 33.4 million sq.m. as at the end of 2017).

The increase in contracted GFA has greatly exceeded the increase in GFA under management, which has further increased our reserve GFA that can be converted to GFA under management in the future, and in turn secured our future growth. Benefiting from the rapid increase in GFA under management, the number of property owners we serve also increased. As at 30 June 2020, we served more than 340,000 households.

The increase in contracted GFA and GFA under management has given us strong support for our current development and boosted our confidence in its continuance in the future. On the one hand, property management services based on the GFA under management generated strong financial income and cash flows. On the other hand, with the continual expansion of our service platform, the environment for developing professional management service products and the market for consumer services keep growing, which will in turn strongly support our growth in the long term.

In the first half of 2020, the revenue from our value-added services, which consist of two categories, grew rapidly, increasing by 100.2% to RMB543.5 million. Revenue from value-added services to non-property owners increased by 117.1% to RMB282.7 million, while revenue from community value-added services increased by 84.6% to RMB260.8 million. Both categories of value-added services continues to grow rapidly. Particularly, our community value-added services managed to grow quickly despite the huge impact of the pandemic. Although communities were sealed off for one to two months and a large number of businesses could not be carried out in that circumstance, we provided customized value-added services that suited the needs of property owners based on our in-depth understanding of the communities we serve. Moreover, our team seized every second and showed steely determination and admirable execution skills, which gave us the ability to race against time.

Since the beginning of 2020, the macroeconomic environment has been facing volatility and turbulence that had not been seen in the last few decades. However, the Board and the management team adhered to and firmly implemented the Group's strategies. At the same time, our team kept both feet on the ground, reacting promptly to market trends and making dynamic adjustments in order to seize the right market opportunities. While endeavoring to improve the short-term results, we paved the way for the Company's long-term and sustainable development and the enhancement of its comprehensive competitiveness.

In the first half of 2020, under the guidance of our "multi-wheel driven" strategy, we actively expanded our market share in more than 80 cities in a diversified manner. In cities where we had already gained a foothold, our long-term high-quality services were fully appreciated by our customers, and we were given many multiple cooperation opportunities. In cities where we recently entered, we actively established our image with benchmark projects and employed multiple channels to enhance our influence in the local market continuously with our services and products. During the Period under Review, we achieved the strategic M&A of Qingdao Yinshengtai and Jiangsu Xiangjiang. This strategic M&A has further strengthened our layout in Jiangsu and Shandong provinces, and has swiftly enhanced our management capabilities and management qualifications in non-residential business. Meanwhile, we also began to engage in urban services, as we entered into strategic cooperation with Jiangsu Suqian Siyang Economic and Technological Development Zone (江蘇宿遷泗陽經濟技術開發區), thus taking significant steps to explore urban services and to extend and expand the scope of our services.

The best ways to serve property owners – to make them feel at ease, worry-free, and happy – are what we have always been looking for. Corporate values, operational service systems, and the execution skills of our frontline staff all contribute, to varying degrees, towards the realization of this goal.

In the first half of 2020, we continued to strengthen our corporate culture of "Build a Better Life with Heart" (用心構築美好生活), with everyone in the Group, from high-level management to frontline managers, practising what they preached. In terms of the operation, we continued to promote the standardization and professionalization of the operating system and the innovation of services. We promoted series of training programs such as the Fuel Power Plan (燃動力計劃) for stewards and the Motivation Plan (原動力計劃) for newly recruited project managers, with the aim of upgrading our frontline and basic service capabilities. We were delighted to see that, thanks to these actions, our customer satisfaction hit a historic high in the first half of 2020, reaching the forefront of the industry.

We embrace technology and give full play to the use of technology in community services. After upgrading our systems and putting them online in 2019, we established Linjiu Technology, whose mission is to promote the evolution of property management services. With the help of Linjiu Technology, our frontline employees will be spared of much manual labour; offline reports will become obsolete and our staff's job will become easier. In addition, online property services will be promoted. We seek to achieve high-quality online connections, thereby ultimately attaining the value leap of frontline stewards and achieving the goal of providing more customised services to property owners. Linjiu Technology will not only serve Ever Sunshine, but has also set its sights on empowering the development of the industry.

The coronavirus pandemic that broke out at the beginning of the year has not been fully over yet. We have guarded the front line in community together with our outstanding peers in the property management industry and participated in the governance of community for the first time. In this collaborative venture, the modernized service system has become a powerful force for pandemic prevention, and personalized, delivered-to-home services with deep concern for human needs have reminded all the house-bound property owners of the indispensability and importance of property management services. During the pandemic, more than 6,000 employees of the Group returned to work at an earlier time and worked extra hard in disinfection and sterilization, cleaning and environmental sanitation in order to protect the health and safety of property owners. In addition, 35 tonnes of vegetables have been delivered to property owners, among a countless number of home deliveries. Our orderly services framework have been greatly appreciated by property owners and have received many commendations. In March 2020, we held an online honoring ceremony for more than 100 heroes who have helped to fight the disease, rewarding them for the efforts they have made and the courage they have shown during the pandemic.

The sudden occurrence of a disaster has highlighted the importance of community services. We have noticed that a new window period for rapid integration in the industry is coming. At the same time, the trust between property owners and excellent property service providers is becoming deeper and stronger, and society is understanding the value of property management service better. All these developments have provided the industry and the Group with a historical opportunity for development. With so many opportunities available, all members of the Group will do their best in pursuit of our established objective of becoming a leading company in this industry and following our clear development plans. In the face of various challenges, we will take the long-term view, adhere to the strategy of grounding on community, value both common sense and objective laws, and create breakthroughs with innovations.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a respected and fast-growing property management service provider in China. 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 tailormade 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" (鉑悦管家) 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 ('000 sq.m.)	GFA under management ('000 sq.m.)	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
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	142,847	77,178	86,231	49,024

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 and 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 sq.m.'000	Revenue RMB'000	%	GFA sq.m.'000	Revenue RMB'000	%
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	77,178	801,400	100.0	49,024	436,339	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, 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 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 became 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 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 Sq.m'000	%	RMB/ Sq.m/ month	GFA Sq.m'000	%	RMB/ Sq.m/ 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	77,178	100.0		49,024	100.0	

(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 Sq.m'000	Revenue RMB'000	%	GFA Sq.m'000	Revenue RMB'000	%
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 Sq.m'000	Revenue RMB'000	%	GFA Sq.m'000	Revenue RMB'000	%
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 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 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	
	RMB'000	%	RMB'000	%
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	260,804	100.0	141,268	100.0

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	
	RMB'000	%	RMB'000	%
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	282,726	100.0	130,215	100.0

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 Technology, 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	
	RMB'000	%	RMB'000	%
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	282,726	21.0	130,215	18.4
Total revenue	1,344,930	100.0	707,822	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 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	
	RMB'000	%	RMB'000	%
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	**30.7%**	29.7%

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 expense 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 expense 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 biding 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 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 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. 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, 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.

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 planned use and actual use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO					
	Percentage of net proceeds	Available to utilise (HK$ million)	Utilised during the Period under Review (HK$ million)	Utilised (up to 30 June 2020) (HK$ million)	Unutilised (as at 30 June 2020) (HK$ million)	Expected timeline for the unutilised net proceeds
To pursue strategic acquisition and investment opportunities	55%	375.6	44.0	215.4	160.2	By 31 December 2021
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	6.6	6.6	171.0	By 31 December 2023
To develop a one-stop service community platform and our "Joy Life" (悦生活) online service platform	9%	61.5	2.0	2.0	59.5	By 31 December 2022
For general corporate purposes and working capital	10%	68.3	45.3	45.3	23.0	N/A
	100%	683.0	97.9	269.3	413.7	

The remaining net proceeds raised from IPO which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for the unutilised net proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

Placing and Subscription

On 4 June 2020 (before trading hours), the Company, Elite Force Development, the Placing Agents entered into the Placing and Subscription Agreement, pursuant to which, (a) Elite Force Development has agreed to appoint the Placing Agents, and the Placing Agents have agreed to act as agents of Elite Force Development 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) Elite Force Development has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development, 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 Elite Force Development 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. Details of the planned use and actual use of net proceeds from the Subscription was as follows:

	Net proceeds from the Subscription				
	Percentage of net proceeds	Available to utilise (HK$ million)	Utilised (up to 30 June 2020) (HK$ million)	Unutilised (as at 30 June 2020) (HK$ million)	Expected timeline for the unutilised net proceeds
Strategic acquisition and investment opportunities	80%	1,251.6	—	1,251.6	By 31 December 2023
Information technology related development	5%	78.2	—	78.2	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	—	234.7	N/A
	100%	1,564.5	—	1,564.5	

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Company's Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. During the Reporting Period, The Company has complied with the code provisions as set out in the CG Code. The Company will continue to review and enhance its corporate governance practices, and identify and formalize appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiries of all the Directors of the Company, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee of the Company or director or employee of a subsidiary or holding company, who, because of his office or employment in the Company or a subsidiary, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 30 June 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number of ordinary shares interested [1]	Approximate percentage in the Company's issued share capital
Mr. LIN Zhong [2][3][4][5]	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500 (L)	56.43%
Mr. LIN Feng [2][3][4][5]	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500 (L)	56.43%
Mr. Zhou Hongbin	Beneficial owner	35,383,500 (L)	2.12%
Mr. Zhou Di	Beneficial owner	1,290,000 (L)	0.08%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.

(3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.

(4) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.

(5) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Rosy Fortune.

Interest in Shares or Underlying Shares of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. LIN Zhong (1)(2)	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	3,544,737,237	43.57%
Mr. LIN Feng (2)(3)(4)	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, interest in a controlled corporation and beneficial owner	2,567,106,555	31.56%
Mr. Zhou Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. Zhou Di	CIFI Holdings	Beneficial owner	230,000	0.00%
Mr. LIN Zhong (5)	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng (5)	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Zhong (6)	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng (6)	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong (7)	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Feng (7)	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Zhong (8)	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng (8)	Best Legend	Beneficial owner	1	100%

Notes:

(1) 1,193,677,671 shares of CIFI Holdings are held by Ding Chang. The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,193,677,671 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.

(2) 2,343,755,975 shares of CIFI Holdings are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the 2,343,755,975 shares of CIFI Holdings held by Rosy Fortune pursuant to Part XV of the SFO.

(3) 215,950,580 shares of CIFI Holdings are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 215,950,580 shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.

(4) 500,000 shares of CIFI Holdings are held by Towin Resources Limited. Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the shares of CIFI Holdings held by Towin Resources Limited.

(5) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Xu Sheng held by CIFI Holdings.

(6) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Spectron held by CIFI Holdings.

(7) The entire issued share capital of Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force Development pursuant to Part XV of the SFO.

(8) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.

Interest in Debentures of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Principal amount of relevant debentures held	Approximate percentage of aggregate principal amount of the relevant debenture issued
Mr. LIN Zhong (1)(2)	CIFI Holdings	Co-founder of a discretionary trust	US$1 million	0.18%
Mr. LIN Feng (1)(2)(3)(4)(5)	CIFI Holdings	Founder of a discretionary trust, and interest in a controlled corporation	US$25 million	8.33%
		Co-founder of a discretionary trust	US$1 million	0.18%

Notes:

(1) The 6% Senior Notes were freely transferable but not convertible in any shares or other securities of CIFI Holdings. For details of the 6% Senior Notes, please refer to the announcements of CIFI Holdings dated 8 January 2020 and 10 January 2020 respectively.

(2) The principal amount of US$1 million of 6% Senior Notes are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the principal amount of of 6% Senior Notes held by Rosy Fortune pursuant to Part XV of the SFO.

(3) The 5.375% Perpetual Securities are listed on the Stock Exchange.

(4) Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the principal amount of US$15 million of 5.375% Perpetual Securities held by Towin Resources Limited.

(5) The principal amount of US$10 million of 5.375% Perpetual Securities are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the principal amount of 5.375% Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 30 June 2020, the following persons (other than the Directors or chief executive) had interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested (1)	Approximate percentage in the Company's issued share capital
Mr. LIN Wei (2)(3)(4)(5)(6)	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500 (L)	56.43 %
Elite Force Development (2)	Beneficial owner	363,180,000 (L)	21.74%
Spectron (3)	Beneficial owner	406,820,000 (L)	24.35%
Xu Sheng (4)	Interest in a controlled corporation	406,820,000 (L)	24.35%
CIFI Holdings	Interest in a controlled corporation	406,820,000 (L)	24.35%
Best Legend (5)	Beneficial owner	171,683,500 (L)	10.28%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.

(3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.

(4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.

(5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.

(6) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Rosy Fortune.

Save as disclosed herein, as at 30 June 2020, our Directors are not aware of any persons (other than the Directors or chief executive) who had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities 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 (Chairman). 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 of the Company has in conjunction with management reviewed the accounting principles and practices adopted by the Group and discussed internal controls and financial reporting matters including a review of the unaudited interim report for the six months ended 30 June 2020. In addition, the Company's auditor BDO Limited has reviewed the unaudited condensed consolidated interim financial statements of the Group for the six months ended 30 June 2020.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the six months ended 30 June 2020.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, the Company has maintained the public float as required under the Listing Rules throughout the period from 1 January 2020 to 30 June 2020, and up to the date of this interim report.

By order of the Board
LIN Zhong
Chairman

Hong Kong, 26 August 2020

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

TO THE BOARD OF DIRECTORS OF EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated interim financial statements interim set out on pages 40 to 64 which comprises the condensed consolidated statement of financial position of Ever Sunshine Lifestyle Services Group Limited (the "Company") and its subsidiaries (the "Group") as of 30 June 2020 and the related condensed consolidated statement of comprehensive income for the six months ended 30 June 2020, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The directors are responsible for the preparation and presentation of the condensed consolidated interim financial statements interim in accordance with HKAS 34.

Our responsibility is to express a conclusion on the condensed consolidated interim financial statements interim based on our review. This report is made solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements interim are not prepared, in all material respects, in accordance with HKAS 34.

BDO Limited
Certified Public Accountants

Wan Che Bun
Practising Certificate Number
P05804

Hong Kong, 26 August 2020

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Notes	Six months ended 30 June 2020 RMB'000 (Unaudited)	Six months ended 30 June 2019 RMB'000 (Unaudited)
Revenue	6	1,344,930	707,822
Cost of sales		(932,430)	(497,411)
Gross profit		412,500	210,411
Other income and other net gain	7	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	8	(747)	(728)
Other expenses		(1,475)	(429)
Expected credit losses on financial assets		(17,713)	(12,421)
Profit before income tax expense	9	268,228	120,364
Income tax expense	10	(68,232)	(29,908)
Profit for the period and total comprehensive income for the period		199,996	90,456
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	12	0.11	0.06

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	At 30 June 2020 RMB'000	At 31 December 2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	13	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	15	2,391	13,368
		748,548	670,173
Current assets			
Trade and bills receivables	14	477,922	342,006
Deposits, prepayments and other receivables	15	122,933	139,279
Income tax recoverable		2,922	—
Restricted cash	16	1,241	43,000
Bank balances, deposits and cash	16	2,832,732	1,283,642
		3,437,750	1,807,927
Current liabilities			
Trade payables	17	369,276	284,593
Accruals and other payables	18	474,231	490,187
Contract liabilities	6	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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Notes	At 30 June 2020	At 31 December 2019
		RMB'000	RMB'000
EQUITY			
Share capital	19	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

On behalf of the directors

Mr. Lin Zhong	Mr. Lin Feng
Director	Director

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Share capital RMB'000 Note 19	Share premium* RMB'000 Note (a)	Capital reserve* RMB'000	Other reserve* RMB'000	Statutory reserve* RMB'000 Note (b)	Retained earnings* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 31 December 2018 and 1 January 2019	13,290	794,550	26,799	(117,600)	21,381	160,511	898,931	3,669	902,600
Profit and total comprehensive income for the period	—	—	—	—	—	90,500	90,500	(44)	90,456
Transfer to statutory reserves	—	—	—	—	8,563	(8,563)	—	—	—
Change in control on subsidiaries	—	—	—	—	—	—	—	8,412	8,412
Dividends approved in respect of the previous period (Note 11)	—	—	—	—	—	(31,221)	(31,221)	—	(31,221)
Allotment of shares	317	56,025	—	—	—	—	56,342	—	56,342
Balance at 30 June 2019	13,607	850,575	26,799	(117,600)	29,944	211,227	1,014,552	12,037	1,026,589
Balance at 31 December 2019 and 1 January 2020	13,607	850,575	26,799	(117,600)	48,712	325,804	1,147,897	80,033	1,227,930
Profit and total comprehensive income for the period	—	—	—	—	—	171,174	171,174	28,822	199,996
Transfer to statutory reserves	—	—	—	—	10,983	(10,983)	—	—	—
Contribution by non-controlling shareholders	—	—	—	—	—	—	—	2,854	2,854
Dividends approved in respect of the previous period (Note 11)	—	—	—	—	—	(75,418)	(75,418)	—	(75,418)
Dividend paid	—	—	—	—	—	—	—	(15,411)	(15,411)
Acquisition of subsidiaries	—	—	—	—	—	—	—	14,053	14,053
Allotment of shares	1,223	1,439,808	—	—	—	—	1,441,031	—	1,441,031
Transaction cost attributable to the issue of new shares	—	(12,784)	—	—	—	—	(12,784)	—	(12,784)
Balance at 30 June 2020	14,830	2,277,599	26,799	(117,600)	59,695	410,577	2,671,900	110,351	2,782,251

* The total of these balances represents "Reserves" in the consolidated statement of financial position.

^ The balance is less than RMB1,000.

Notes:

(a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.

(b) The statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cash flows from operating activities		
Profit before income tax expense	268,228	120,364
Adjustments for:		
Depreciation of property, plant and equipment	6,950	3,284
Depreciation of right-of-use assets	6,527	4,069
Impairment loss on trade receivables	17,469	6,496
Impairment loss on other receivables	244	5,925
Written off on trade receivables	1,980	—
Share of an associate's loss	—	324
Share of an joint venture's loss	—	95
Bank interest income	(10,195)	(8,463)
Interest expenses of bank loan	—	180
Interest expenses of lease liabilities	747	548
Gain on disposal of property, plant and equipment	—	(82)
Loss on disposal of property, plant and equipment	391	—
Written-off on property, plant and equipment	—	32
Fair value gain of investment properties	(595)	—
Amortization of intangible assets	9,278	—
Exchange gain, net	(7,696)	(2,349)
Operating profit before working capital changes	293,328	130,423
Increase in trade and bills receivables	(133,803)	(101,001)
Decrease/(increase) in prepayment, deposits and other receivables	36,567	(41,504)
Increase in trade payables	124,654	69,522
(Decrease)/increase in accruals and other payables	(52,196)	53,424
Increase in contract liabilities	44,482	38,197
Cash generated from operations	313,032	149,061
Income tax paid	(72,991)	(26,755)
Net cash generated from operating activities	240,041	122,306

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Cash flows from investing activities		
Dividend received from an associate	—	2,736
Deposit paid for acquisition of subsidiaries	—	(220,000)
Decrease in restricted cash	41,759	—
Purchase of property, plant and equipment	(4,762)	(7,337)
Proceed from disposal of property, plant and equipment	—	152
Proceed from disposal of investment properties	103	64
Purchase of Intangible assets	(2,810)	—
Bank interest income received	10,195	6,783
Acquisition of subsidiaries, net of cash acquired	(25,953)	—
Net cash generated from/(used in) investing activities	18,532	(217,602)
Cash flows from financing activities		
Repayment of principal portion of the lease liabilities	(10,699)	(4,889)
Acquisition of non-controlling interests	—	16,885
Contribution by non-controlling interests	2,854	—
Proceed from issue of shares capital	1,428,247	56,342
Repayment of bank loan	(3,005)	—
Interest expenses of bank loan paid	—	(180)
Interest expenses of lease liabilities	(747)	—
Dividends paid	(90,829)	(31,221)
Payment for bills payable	(43,000)	—
Net cash generated from financing activities	1,282,821	36,937
Net increase/(decrease) in cash and cash equivalents	1,541,394	(58,359)
Cash and cash equivalents at beginning of period	1,283,642	1,160,122
Effect of foreign exchange rate changes	7,696	—
Cash and cash equivalents at end of period	2,832,732	1,101,763
Analysis of Bank balances, deposits and cash:		
Cash and bank balance	2,832,118	961,763
Time deposits	614	140,000
	2,832,732	1,101,763

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2020

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 AND SIGNIFICANT EVENTS

These condensed consolidated interim 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 interim financial statements were authorised for issue on 26 August 2020.

These condensed consolidated interim 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. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated interim 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. The areas where significant judgments and estimates have been made in preparing the condensed consolidated interim financial statements and their effect are disclosed in note 4.

These condensed consolidated interim financial statements are presented in Renminbi ("RMB"), which is the same as the functional currency of the Company. These condensed consolidated interim financial statements contain condensed consolidated interim financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the group since the 2019 annual financial statements. These condensed consolidated interim financial statements and notes do not include all of the information required for a complete set of consolidated interim financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the "HKFRSs") and should be read in conjunction with the 2019 consolidated financial statements.

2. BASIS OF PREPARATION AND SIGNIFICANT EVENTS (CONTINUED)

These condensed consolidated interim 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. BDO Limited's independent review report to the Board of Directors is included on page 39.

3. ADOPTION OF NEW/REVISED 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. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing this condensed consolidated interim financial statements, the significant judgements made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to 2019 annual financial statements.

5. 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.

Information about major customer

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.

5. SEGMENT INFORMATION (CONTINUED)

Operating segment information

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.

Information about geographical areas

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.

6. 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 (Unaudited)	RMB'000 (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

6. REVENUE (CONTINUED)

(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 2020	At 31 December 2019
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contract liabilities	390,601	334,317

(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.

6. REVENUE (CONTINUED)

(d) Details of contract liabilities (continued)

(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 (Unaudited)	RMB'000 (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
	219,859	116,724

7. OTHER INCOME AND OTHER NET GAIN

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Bank interest income	10,195	8,463
Government grants	10,398	6,017
Penalty income	146	95
Gain on disposal of property, plant and equipment	—	82
Fair value gain of investment properties	595	—
Exchange gains	7,696	2,349
Others	5,825	800
	34,855	17,806

8. FINANCE COSTS

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Interest on secured bank loan	—	180
Interest on lease liabilities	747	548
	747	728

9. PROFIT BEFORE INCOME TAX EXPENSE

Profit before income tax expense is arrived at after charging/(crediting) the following:

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Depreciation of property, plant and equipment	6,950	3,284
Depreciation of right-of-use assets	6,527	4,069
Impairment loss on trade receivables	17,469	6,496
Impairment loss on other receivables	244	5,925
Written off on trade receivables	1,980	—
Gain on disposal of property, plant and equipment	—	(82)
Loss on disposal of property, plant and equipment	391	—
Written-off on property, plant and equipment	—	32
Short-term lease expense (include in cost of sales and administrative expenses):		
Rented premises	3,171	2,105
Plant and machinery	120	69
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	392,512	236,284
Bonus	36,468	12,598
Retirement scheme contribution	18,961	44,332
	447,941	293,214

10. INCOME TAX EXPENSE

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (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.

11. DIVIDENDS

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

12. EARNINGS PER SHARE

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
Profits		
Profit attributable to owners of the Company	171,174	90,500

	At 30 June 2020	At 30 June 2019
	Number'000 (Unaudited)	Number'000 (Unaudited)
Number of shares		
Weighted average number of ordinary shares (Note)	1,547,442	1,534,591

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.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group spent approximately RMB25,638,000 on acquisition of property, plant and equipment (six months ended 30 June 2019: approximately RMB7,337,000). At 30 June 2020 and 31 December 2019, no property, plant and equipment was pledged.

14. TRADE AND BILLS RECEIVABLES

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

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.

14. TRADE AND BILLS RECEIVABLES (CONTINUED)

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 2020	At 31 December 2019
	RMB'000 (Unaudited)	RMB'000 (Audited)
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
	519,061	366,992

15. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 June 2020	At 31 December 2019
	RMB'000 (Unaudited)	RMB'000 (Audited)
Include in current assets		
Deposits and other receivables		
– Related parties	2,480	635
– Third parties	106,724	127,699
Total	109,204	128,334
Less: allowance for impairment of deposit and other receivables	(13,669)	(13,425)
	95,535	114,909
VAT receivable	—	—
Prepayments	26,656	23,966
Interest receivable	742	404
	122,933	139,279
Included in non-current assets		
Prepayments	2,391	13,368

16. RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Restricted cash	1,241	43,000
Cash on hand (note a)	54	70
Cash at bank (note a)	2,832,678	1,283,572
	2,832,732	1,283,642

Notes:

a) As at 30 June 2020, cash and cash equivalents in the amount of RMB1,691,979,000 (at 31 December 2019: RMB433,616,000) and RMB1,140,753,000 (at 31 December 2019: RMB850,026,000) are denominated in HK$ and RMB respectively. The cash and cash equivalent denominated in RMB are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

b) As at 30 June 2020, cash and cash equivalents did not include housing maintenance funds of RMB1,194,000 (at 31 December 2019: RMB1,539,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

17. TRADE PAYABLES

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

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 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (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

18. ACCRUALS AND OTHER PAYABLES

	At 30 June 2020 RMB'000 (Unaudited)	At 31 December 2019 RMB'000 (Audited)
Included in current liabilities		
Accruals and other payables		
– Related parties (Note a)	15,225	11,071
– Third parties	303,204	322,465
	318,429	333,536
Amount due to a director (Note a)	84	84
Provision for legal dispute (Note b)	1,768	1,429
Amounts due to former shareholders (Note c)	4,505	6,840
Salaries payables	114,635	116,699
Other tax payables	34,810	31,599
	474,231	490,187
Included in non-current liabilities		
Other payables	9,528	1,265

Notes:

(a) The balance was unsecured, interest-free and repayable on demand.

(b) The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.

(c) The amount represented dividend payable to Qingdao Yayuan's former shareholders.

19. SHARE CAPITAL

	Note	At 30 June 2020 Number '000 (Unaudited)	At 30 June 2020 Amount RMB'000 (Unaudited)	At 31 December 2019 Number '000 (Audited)	At 31 December 2019 Amount RMB'000 (Audited)
Authorised:					
As at 1 January and 30 June/31 December		4,000,000	35,462	4,000,000	35,462

	Note	At 30 June 2020 Number '000	At 30 June 2020 Amount RMB'000	At 31 December 2019 Number '000	At 31 December 2019 Amount RMB'000
Issued and fully paid:					
At 1 January		1,536,400	13,607	1,500,000	13,290
Allotment of shares	(a)	134,000	1,223	36,400	317
At 30 June/31 December		1,670,400	14,830	1,536,400	13,607

^ The balance is less than RMB1,000.

Note:

(a) On 10 January 2019, 36,400,000 ordinary shares of HK$0.01 are issued pursuant to the partial exercise of over-allotment option on 4 January 2019 at HK$1.78 per share.

On 8 June 2020 and 16 June 2020, 134,000,000 ordinary shares are placed and subscripted at HK$11.78 per share respectively.

20. ACQUISITION OF SUBSIDIARIES

a) Qingdao Yinshengtai

On 1 March 2020, the Group acquired 50% of equity interests in Qingdao Yinshengtai, a company whose principal activity is provision of property management and other community services. The total consideration for the acquisition was RMB8,644,000. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Goodwill of RMB4,833,000 primarily arose from the expected future development of Qingdao Yinshengtai's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. Goodwill recognised is not expected to be deductible for income tax purposes.

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

a) Qingdao Yinshengtai (continued)

The fair value of identifiable assets acquired and liabilities assumed at the completion date of acquisition are as follows:

	Fair value RMB$'000
Property, plant and equipment	1,724
Deferred tax assets	177
Property management contracts and customers relationship	7,164
Trade receivables	9,398
Prepayment and other receivables	14,412
Cash and cash equivalents	12,842
Trade payables	(3,028)
Accruals and other payables	(20,571)
Contract liabilities	(11,657)
Income tax payables	(910)
Deferred tax liabilities	(1,930)
Net identifiable assets	7,621
Non-controlling interest	(3,810)
	3,811
Goodwill	4,833
Fair value of consideration	8,644

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

a) Qingdao Yinshengtai (continued)

	RMB'000
Consideration satisfied by:	
Cash	8,644
Acquisition-related costs (included in administrative expense in the Group's statement of comprehensive income for the period ended 30 June 2020)	51

An analysis of net inflow of cash and cash equivalents in respect of acquisition of a subsidiary are as follow:

	RMB'000
Net cash inflow arising on:	
Purchase consideration settled in cash	(8,644)
Cash and cash equivalents	12,842
	4,198

The Group has elected to measure the non-controlling interest in Qingdao Yinshengtai at acquisition-date at the non-controlling interest's proportionate share of Qingdao Yinshengtai's net identifiable assets.

The fair value of trade and other receivables amounted to RMB13,648,000. The gross amount of these receivables is RMB14,316,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Qingdao Yinshengtai has contributed RMB35,278,000 and RMB6,823,000to the Group's revenue and profit for the period. If the acquisition had occurred on 1 January 2020, the Group's revenue and profit would have been RMB1,359,921,000 and RMB200,358,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Jiangsu Xiangjiang

On 1 April 2020, the Group acquired 51% of equity interests in Jiangsu Xiangjiang, a company whose principal activity is provision of property management and other community services. The total consideration for the acquisition was RMB45,652,000. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Goodwill of RMB34,991,000 primarily arose from the expected future development of Jiangsu Xiangjiang's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. Goodwill recognised is not expected to be deductible for income tax purposes.

The fair value of identifiable assets acquired and liabilities assumed at the completion date of acquisition are as follows:

	Fair value RMB'000
Property, plant and equipment	1,650
Deferred tax assets	350
Property management contracts and customers relationship	18,600
Trade receivables	16,297
Prepayment and other receivables	2,976
Cash and cash equivalents	4,032
Accruals and other payables	(12,464)
Contract liabilities	(145)
Income tax payables	(2,478)
Borrowing	(3,005)
Deferred tax liabilities	(4,910)
Net identifiable assets	20,903
Non-controlling interest	(10,242)
	10,661
Goodwill	34,991
Fair value of consideration	45,652

20. ACQUISITION OF SUBSIDIARIES (CONTINUED)

b) Jiangsu Xiangjiang (continued)

	RMB'000
Consideration satisfied by:	
Cash	45,652
	45,652
Acquisition-related costs (included in administrative expense in the Group's statement of comprehensive income for the period ended 30 June 2020)	226

An analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary are as follow:

	RMB'000
Net cash outflow arising on:	
Purchase consideration settled in cash	(45,652)
Cash and cash equivalents	4,032
	(41,620)
Consideration payable	11,469
	(30,151)

The Group has elected to measure the non-controlling interest in Jiangsu Xiangjiang at acquisition-date at the non-controlling interest's proportionate share of Jiangsu Xiangjiang's net identifiable assets.

The fair value of trade and other receivables amounted to RMB19,233,000. The gross amount of these receivables is RMB20,631,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

Since the acquisition date, Jiangsu Xiangjiang has contributed RMB20,835,000 and RMB569,000to the Group's revenue and profit for the period. If the acquisition had occurred on 1 January 2020, the Group's revenue and profit would have been RMB1,365,279,000 and RMB204,417,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

21. MATERIAL RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(a) Name and relationship

Name of related parties	Relationship with the Group
CIFI Holdings (Group) Co. Ltd. *	Entities controlled by Ultimate Controlling Shareholder
Mr. Lin Feng	A director and a substantial shareholder of Group
Ms. Zeng Yirong	Spouse of Mr. Lin Zhong
Mr. Lin Xianglin	Father of Mr. Lin Feng
Mr. Chen Chuanchao	A member of the key management personnel of the Group
Mr. Luo Xinguo	A member of the key management personnel of the Group
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 70% owned subsidiary
Dezhou Huaxihaode Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 70% owned subsidiary
Shandong Jinluban Group Co., Ltd.	The parent company of an non-controlling shareholder of the Group's 70% owned subsidiary
Leling Luban Real Estate Development Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 70% owned subsidiary

* Represented CIFI Holdings (Group) Co. Ltd.'s subsidiaries and joint ventures

21. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Related parties transactions

	Six months ended 30 June	
	2020	2019
	RMB'000 (Unaudited)	RMB'000 (Unaudited)
CIFI Holdings (Group) Co. Ltd.		
– Provision of services		
• Property management services	31,895	21,245
• Community value-added services	774	46
• Value-added services to non-property owners	195,583	83,063
Mr. Lin Feng		
– Provision of Property management services	6	26
Ms. Zeng Yirong		
– Provision of Property management services	7	—
Mr. Lin Xianglin		
– Provision of Property management services	1	3
Mr. Chen Chuanchao		
– Provision of Property management services	2	2
Mr. Luo Xinguo		
– Provision of Property management services	2	1
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.		
– Provision of Property management services	449	1,323
Dezhou Huaxihaode Real Estate Co., Ltd.		
– Provision of Property management services	449	456
Shandong Jinluban Group Co., Ltd.		
– Provision of Property management services	578	578
Leling Luban Real Estate Development Co., Ltd.		
– Provision of Property management services	254	285