



EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED

永升生活服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock code: 1995

2019  
INTERIM REPORT



Become a Trustworthy  
Service Provider for Smart Communities



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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. LIN Zhong (*Chairman*)

Mr. ZHOU Hongbin

#### Non-executive Directors

Mr. LIN Feng

Mr. GE Ming

#### 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  
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Putuo District, Shanghai, PRC

China Construction Bank Shanghai Nujiang Road Branch  
Room 101  
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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

**COMPLIANCE ADVISER**

First Shanghai Capital Limited  
19/F, Wing On House  
71 Des Voeux Road Central  
Hong Kong

**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  
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Wanchai, Hong Kong

**STOCK CODE**

1995

**WEBSITE**

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# AWARDS AND HONORS



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

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
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
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: 0884), 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 (永升生活服務集團有限公司), 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



## DEFINITIONS

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
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)
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
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
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
Prospectus	the prospectus of the Company dated 4 December 2018
Remuneration Committee	the remuneration committee under the Board
Renminbi or RMB	the lawful currency of the PRC
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
Stock Exchange or Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee under the Board
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





## CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous support for the evolution and development of Ever Sunshine. I am pleased to present this interim report that summarize the Company's achievements and shortcomings in the past six months, and to share our future plans and developments.

### OUR THREE MAJOR SEGMENTS ADVANCE TOGETHER TO DRIVE BUSINESS GROWTH

The contracted area of the Company has recorded a net increase of 20.6 million sq.m. from 65.6 million sq.m. at the end of 2018 to 86.2 million sq.m. as at 30 June 2019, representing an increase of 31.4%; at the same time, the GFA under management has recorded an increase of 21.8% to 49.0 million sq.m. as of 30 June 2019 as compared to 40.2 million sq.m. at the end of 2018. The increase in contracted area has greatly exceeded the increase in the area under management, which has further increase in our reserve GFA convertible to GFA, which in turn secured our future growth.

Benefiting from the rapid increase in GFA, the communities we serve also welcomed more families to move in. As at 30 June 2019, the number of families we served reached 228 thousand households. Our corporate value is to build a better life with heart. We offer high-quality services while the property owners return with high satisfaction and positive recognition. Their consumption of community value-added services further strengthened such recognition. During the first half of 2019 we achieved rapid year-on-year increase in community value-added services income by 162.2% to RMB141.3 million, giving us a deeper understanding of the sizable potential in the capacity and development of the community services.

We seek a greater degree of professional recognition in our property services industrial chain, and we seek diversified values in the reasonable scope of services provided by our property management company. Through providing services in initial stage of intervention, house repairing, and house inspection, we smoothly extend our services to the delivery stage of real estate development. On the basis of continuous cultivation of our existing businesses, during the first half of 2019, our newly established subsidiary, Shanghai Shengkuang Construction and Engineering Company Limited (上海晟匡建築有限公司), began its in-depth participation in large-scale repairing and neighborhood maintenance projects within communities, offering high-quality and high-level services to win over the trust of customers while also creating great values for the Company.

Leveraging on the prosperous development of our various businesses, Ever Sunshine recorded an year-on-year increase in revenue of 61.4% to RMB707.8 million during one first half of 2019. With continuous enhancement in our cost control and management abilities, the gross profit margin and net profit margin has increased by 0.9 and 3.4 percentage points respectively, resulting in the recognition of profit attributable to owners of the Company of RMB90.5 million, representing a year-on-year growth of 119.7%.

The three major business sectors are advancing together to promote rapid growth in performance. It marks a small victory for the Company on the path of business growth and reflecting on the innovation and continuous efforts of our staff members. We shall strengthen our confidence to leverage the momentum and ride on the uptrend. However, we must understand that there is still a long way to go before we achieve the goal of becoming the leader of the industry. Any drawback in our development scale, branding and reputation, service quality, intelligent technologies, and talent recruitment would become the obstacles on our development as the leading enterprise and hinder our way forward.

## STAND OUT AMONG THE COMPETITION, EXPAND THROUGH THE FOUR-WHEEL DRIVEN APPROACH

During the first half of 2019, more industry players have entered the capital market. While the industry has shown great prosperity within the capital market, it also means that the competitive landscape of the entire industry is shifting. The utmost mission of industry players would be to capture market share and expand its scale of operation with the help of capital injection. The leading edge in terms of branding, technologies and team capabilities of larger companies continues to grow, and as such the "Matthew effect" becomes increasingly obvious.

As an important player in the market, Ever Sunshine participated in such intense competition during the first half year, and withstood all kinds of challenges. In 2019, we were ranked the 14th in terms of comprehensiveness by the China Index Academy, up 6 places as compared to that in 2018. We are pleased, but not surprised of the result, as such achievement represents the direct result of our persistent cordiality towards property owners and business partners and insistence in fulfilling our promise to provide services recognized by the owners and partners.

During the first half of 2019, we realized that word of mouth and branding are the most valuable assets and provide us with imperceptible support. We provide uncompromising service quality and services that repeatedly touch the property owners, thus winning the trust and patronage of the CIFI Group as well as other property owners and developer partners. With the continuous support from major shareholders, our expansion within the market has achieved outstanding results during the first half year of 2019. We won the bid on Wuxi Seasons Residence (無錫季景銘邸), the development project of the Singaporean developer Keppel Land, which covers an area of 470,000 square meters; we were also awarded with high votes on the excellent project commissioned by the residents committee of Wuhan Tianchen Meiya (武漢天成美雅) and Shanghai Meianxiting (上海美岸棲庭), and entered into strategic partnership with the Shandong Dezhou Jiaotou Group (山東德州交投集團) and Binzhou Huizhong Financial Group (濱州惠眾財經集團), where we will undertake the property management services of projects through a joint venture. During the same period, we also cooperated with the Sunny World Group (新地集團), and obtained 55% equity interests of its property management company, Qingdao Yayuan Property Management Company Limited ("Qingdao Yayuan") (青島雅園), with a consideration of RMB462 million, as well as obtained the management rights of several core landmark service projects, including No. 9 Qingdao Donghai Road, Shanghai Hongqiao Xindi Center and Shanghai Hongqiao International Exhibition Center. The growth of the four-wheel driving force is propelling Ever Sunshine's quality development going forward.

### SOPHISTICATED SERVICE SYSTEM DEVELOPED UNDER MULTIPLE LINES OF BUSINESSES

We decided to establish diversified business lines and service systems with a view to respecting, safeguarding, and honoring the trust of different families, and promote higher satisfaction of property owners and brand identity. In 2018, we piloted the “Bowyer Steward” (铂悦管家) service within the high-end community, with the stewardship at its core, and practiced the service concept of “from management of public areas to household management, from management of objects to service to fellowmen”, and has attained satisfactory results in terms of quality of community service, property owners’ satisfaction and community household value-added service income. As a result, we organized the “Bowyer Steward” brand launching conference during the first half year of 2019, and officially announced that our Bowyer Steward services shall be available in more cities and projects, with more owners being able to enjoy our “extraordinary tailored services”, and shall offer more quality community services while grasping greater opportunities for business development.

In general residential communities, our pilot “All-rounded Steward” (全能管家) is bringing vitality to our service. The All-rounded Steward’s multi-contact, all-rounded linkage to the property owners within a community resolves the problem of dispersed service points, lack of trust, slow reaction and few follow-up services which are troublesome to the property owners in the past. The strong connection and perfect delivery built up our customers’ trust on us, which leads to multi-dimensional consumption. More and more property owners are entrusting the daily household tasks of repairing, housekeeping, nursery, sale or rent, and festive celebrations to our stewards. Our stewards earned their trust with professional attitudes, and discovered extra values and meanings of our industry among the communities, with more stewards making monthly earnings of RMB10,000+ within our communities.

For the non-residential services, which is different from the residential scene, “Yueze Commercial” (悦泽商办) is becoming an independent brand for our service business and office buildings. While adhering to the high standard and high quality service system, the diversified value-added services follow the “Satisfaction + Surprise” model to serve our commercial customers and tenants. At present, the “Yueze Commercial” service project is launched at multiple locations including Shanghai LCM (LCM置地旭辉广场), Henderson CIFI Center (恒基旭辉中心), and Xi’an CIFI Center (西安旭辉中心), and the service model of Yueze Commercial was recognized by more and more partners. During the first half year of 2019, we entered into a strategic partnership with Heng Tai (恒太) and entered an era of win-win cooperation.

### BUILDING SMART COMMUNITIES AND CULTIVATING NEW TALENTS IN AN ORDERLY MANNER

Technology is making its way into the community service industry in an unpredictable fashion and unprecedented speed, releasing great value along the process. In Ever Sunshine, we regard the establishment of smart communities as an efficiency revolution and adopt the concept of “simplifying work for our staff and creating greater convenience to the life of property owners” as the starting point. During the first half year of 2019, the pilot projects of the finance shared-service center and the S-HR system were successfully launched, while the PMS system was duly promoted, and the reconstruction of intelligent parking lots was progressing in an orderly manner. The introduction of intelligent hardwares in the communities greatly lessened the workload of front-line employees, improved the efficiency of staff and presented to the communities a higher service quality. The timely and accurate online service data feedback system enables the headquarters and the regional offices to grasp the operations of the organisation accurately. Effective use of data for speedy decision-making allows for timely prevention of remote risks, while the construction of all-rounded intelligent communities accelerates the development process of Ever Sunshine.

While technology becomes the tool that benefits the overall industry, Ever Sunshine is constantly reflecting on our most important assets—our employees and talents, and how we would continue to attract exceptional talents who recognize the value of community services possess excellent service capabilities and innovative service methods, so as to ensure that in terms of the Company's long-term development, we can adhere to the service objectives and innovative service methods, and produce excellent service results. Ever Sunshine is planning ahead and focusing on the long-term, and placing highest priority on our talent team-building. After years of trials, we have identified the recruitment at schools to be an efficient method to develop a talent reserve. During the first half year of 2019, Ever Sunshine held the largest recruitment exercise at schools, hiring more than 160 "Ever Sunshine Force" (永動力) to officially join the Company, who will become the most valuable asset to support Ever Sunshine's future development after 2 to 3 years of continuous training.

### BE A LONG-DISTANCE RUNNER AND BELIEVE TOGETHERNESS CAN TAKE US FARTHER

The community service industry is standing at the turn of an unprecedented era, and we are always experiencing the surprise and impact of the change. In brief, it mainly shows the following trends: capital accelerates the transformation and upgrading of the industry, and concentration in scale continues to intensify. In the future, large scale operation is necessary for those who want to become leaders of the industry. The policies are being perfected, the credit evaluation system is gradually matured, and the industry operation is more standardized, while property owners enjoy greater autonomy, resulting in a more diversified service demand. Quality is widely recognized, without which no business would be able to successfully operate; technology influences properties, whereas labor-intensive operations are transforming to knowledge-intensive operations, and there are key competitions for talents; service industry segmentation becomes an inevitable trend, whereas professional service segmentation becomes even more mature, coupled with in-depth exploration of community value and accelerated growth rate. Professionalism and diversification have become the two requirements of modern service companies, and opportunities for the development of urban operations and institutional-service socialization have pushed further the margin and expanded incremental potential for the industry.

In the face of infinite opportunities, Ever Sunshine shall adamantly pursue the objectives and adhere to the clear development plan in becoming the leading enterprise. In the face of various challenges, our staff fully understand that in order to succeed as the long-term player, continuous efforts are needed to implement the concept of "Build a Better Life with Heart (用心構築美好生活)", to serve the property owners, and bring success to our staff members and the enterprise, so as to live up to their trust in this era.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

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

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

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

### Our Business Model

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

- Property management services: We provide property developers, property owners and residents with a wide range of property management services, which primarily comprise cleaning, security, gardening and repair and maintenance services. Our portfolio of managed properties comprises residential and non-residential properties. Our non-residential properties include office buildings, shopping malls, exhibition centers, industrial parks, hospitals and schools, among others.
- Value-added services to non-property owners: We offer a broad spectrum of value-added services to non-property owners, which primarily include property developers and, to a lesser extent, also include non-property developers that require certain additional tailored services for their non-residential properties and property management service providers that subcontract certain value-added services to us. Our value-added services to non-property owners primarily comprise (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services that involve entering and inspecting each unit to advise on their adequacy from the end-user’s perspective.

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

## Property Management Services

### *Continuous Increase in Scale of Area*

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

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

	2019		2018	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)	('000 sq.m.)
As at the beginning of the period	65,551	40,239	33,367	26,479
New engagements <sup>(1)</sup>	21,603	9,519	9,574	6,208
Terminations <sup>(2)</sup>	(923)	(734)	(588)	(588)
<b>As at the end of the period</b>	<b>86,231</b>	<b>49,024</b>	<b>42,353</b>	<b>32,099</b>

Notes:

- In relation to residential communities we manage, new engagements primarily include preliminary management contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.
- These terminations include our voluntary non-renewal of certain property management service contracts as we reallocated our resources to more profitable engagements in an effort to optimize our property management portfolio.

## Our Geographic Presence

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

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

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

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.
- (2) Cities in which we have property management projects in the northern region include Beijing, Tianjin, Langfang, Shijiazhuang.
- (3) Cities in which we have property management projects in the central southern region include Wuhan, Changsha, Guangzhou, Guilin, Zhuhai, Foshan, Yichang, Yiyang, Shaoyang, Hengyang, Shaoguan, Huanggang, Zhengzhou, Jiangmen, Nanning, Dongguan, Sanya, Huanggang.
- (4) Cities in which we have property management projects in the western region include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu.
- (5) Cities in which we have property management projects in the northeastern region include Shenyang, Dalian.

## Multi-wheel Driven Market Development Strategies

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

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

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

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



### Continuous Increase in Average Property Management Fee

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

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

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

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

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

### Diversified Property Management Portfolio

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

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

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

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

### Lump Sum Basis and Commission Basis

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

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

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

### Value-Added Services to Non-Property Owners

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

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

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

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

### Community Value-Added Services

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

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

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

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

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

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

Notes:

- (1) This primarily includes fees received for house decoration, home maintenance, group purchase, turnkey furnishing and utility fee collection.
- (2) This primarily includes fees received for leasing, management and sale of parking spaces.
- (3) This primarily includes agency services related to apartments and parking spaces.
- (4) This primarily includes service income related to the rental of common areas.

### Outlook

#### ***Further increase our business scale and market share***

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

#### ***Continue to diversify our service offering***

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

#### ***Further invest in technologies and intelligent operations***

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

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

**Continue to enhance brand awareness**

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

**FINANCIAL REVIEW**

**Revenue**

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

Revenue of the Group by business line is as follows:

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

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

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

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

### Cost of sales

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

### Gross Profit

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

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

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

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

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

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

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

### Other income and other net gain

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

### Administrative expenses

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

The following table sets out a summary for administrative expenses:

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



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

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

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

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

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

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

### **Other expenses**

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

### **Profit before income tax expense**

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

### **Income tax expense**

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

### **Profit attributable to owners of the Company**

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

### Property, plant and equipment

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

### Investment properties

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

### Interest in an associate

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

### Interest in a joint venture

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

### Deposit for acquisition of subsidiaries

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

### Trade and bill receivables

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

### Prepayments, deposits and other receivables

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

### Cash and cash equivalents

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

### Trade payables

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

### Accruals and other payables

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

### Contract liabilities

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

### Cash flows

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

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

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

### Gearing ratio and the basis of calculation

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

### Capital expenditure

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

### Capital structure

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

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

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

### Liquidity and financial resources

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

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

### Pledging of assets

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

### Contingent liabilities

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

### Interest rate risk

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

### Foreign exchange risk

The principal activities of the Group are conducted in the PRC, and 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 2019, the Group had 6,296 employees (as at 31 December 2018: 6,066 employees).

### Use of proceed raised from IPO

On 17 December 2018, the Shares of our Company were successfully listed on the Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. The Company raised net proceeds (i) of approximately HK\$619.8 million from the IPO, and (ii) from partial exercise of Over-allotment Option of HK\$63.2 million on 7 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. For the expected timeline of the intended use of proceeds, please refer to the implementation plan as set out in the Prospectus.

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

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

### INTERIM DIVIDEND

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

# 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 six months ended 30 June 2019 (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 2019, 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 <sup>(1)</sup>	Approximate percentage in the Company's issued share capital
Mr. LIN Zhong <sup>(2)(3)(4)</sup>	Interest in a controlled corporation	1,057,000,000 (L)	68.80%
Mr. LIN Feng <sup>(2)(3)(4)</sup>	Interest in a controlled corporation	1,057,000,000 (L)	68.80%

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. 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 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.

### Interest in Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. LIN Zhong <sup>(1)(2)</sup>	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	3,503,572,596	44.95%
Mr. LIN Feng <sup>(2)(3)</sup>	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	2,529,438,555	32.45%
Mr. Ge Ming	CIFI Holdings	Beneficial owner	7,742,801	0.10%
Mr. LIN Zhong <sup>(4)</sup>	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng <sup>(4)</sup>	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Zhong <sup>(5)</sup>	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng <sup>(5)</sup>	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong <sup>(6)</sup>	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Feng <sup>(6)</sup>	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Zhong <sup>(7)</sup>	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng <sup>(7)</sup>	Best Legend	Beneficial owner	1	100%



### Notes:

- (1) 1,185,177,671 shares are held by Ding Chang Limited (“**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 (Singapore) Limited (“**Standard Chartered Trust**”) as the trustee of the Sun Success Trust via SCTS Capital Pte. Ltd. (“**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 1,185,177,671 Shares held by Ding Chang pursuant to Part XV of the SFO.
- (2) 2,311,437,975 shares are held by Rosy Fortune Investments Limited (“**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 2,311,437,975 Shares held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) 210,600,580 shares are held by Rain-Mountain Limited (“**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 210,600,580 Shares held by Rain-Mountain pursuant to Part XV of the SFO.
- (4) 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 held by Xu Sheng.
- (5) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By revenue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held of Spectron.
- (6) 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.
- (7) 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.

Save as disclosed above and to the best knowledge of the Directors, as at 30 June 2019, 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 2019, the following persons (other than the Directors or chief executive) had an 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 <sup>(1)</sup>	Approximate percentage in the Company's issued share capital
Mr. LIN Wei <sup>(2)(3)(4)</sup>	Interest in a controlled corporation	1,057,000,000 (L)	68.80%
Elite Force Development <sup>(2)</sup>	Beneficial owner	440,000,000 (L)	28.64%
Spectron	Beneficial owner	330,000,000 (L)	21.48%
Xu Sheng <sup>(3)</sup>	Interest in a controlled corporation	330,000,000 (L)	21.48%
CIFI Holdings <sup>(4)</sup>	Interest in a controlled corporation	330,000,000 (L)	21.48%
Best Legend <sup>(5)</sup>	Beneficial owner	287,000,000 (L)	18.68%

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. 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, Mr. Lin Wei 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.

Save as disclosed herein, as at 30 June 2019, our Directors are not aware of any persons (other than the Directors or chief executive) who had an 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 2019.

### **AUDIT COMMITTEE**

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung (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 2019. 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 2019.

### **MATERIAL LEGAL PROCEEDINGS**

The Group was not involved in any material legal proceeding during the six months ended 30 June 2019.

### **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 2019 to 30 June 2019, and up to the date of this interim report.

By order of the Board

**LIN Zhong**

*Chairman*

Hong Kong, 14 August 2019



# REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

REPORT ON REVIEW OF CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS  
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 set out on pages 37 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 2019 and the related condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2019, condensed consolidated statement of changes in equity and condensed consolidated statement cash flows of the Group for the six months 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 these condensed consolidated interim financial statements in accordance with HKAS 34.

Our responsibility is to express a conclusion on these condensed consolidated interim financial statements 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” (“HKSRE 2410”) issued by the HKICPA. A review of the interim financial information consists of making inquiries, primarily of the 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.



## REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements 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, 14 August 2019

# CONDENSED CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Notes	Six months ended 30 June	
		2019	2018
		RMB'000 (Unaudited)	RMB'000 (Audited)
Revenue	6	707,822	438,626
Cost of sales		(497,411)	(312,268)
<b>Gross profit</b>		<b>210,411</b>	<b>126,358</b>
Other income and other net gain	7	17,806	6,807
Administrative expenses		(106,277)	(77,037)
Share of joint venture's loss		(95)	—
Share of associate's (loss)/profit		(324)	1,127
Finance cost	8	(728)	—
Other expense		(429)	(264)
<b>Profit before income tax expense</b>	9	<b>120,364</b>	<b>56,991</b>
Income tax expense	10	(29,908)	(15,813)
<b>Profit and total comprehensive income for the period</b>		<b>90,456</b>	<b>41,178</b>
<b>Profit and total comprehensive income for the period</b>			
Attributable to:			
Owners of the Company		90,500	41,178
Non-controlling interests		(44)	—
		<b>90,456</b>	<b>41,178</b>
<b>Earnings per share (expressed in RMB per share)</b>			
Basic and diluted earnings per share	12	0.06	0.04

# CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	At	At
		30 June 2019	31 December 2018
		RMB'000 (Unaudited)	RMB'000 (Audited)
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interest in a joint venture		—	6,986
Interest in an associate		—	4,642
Property, plant and equipment	13	30,957	27,007
Right-of-use assets	13	23,805	—
Investment properties		49,215	49,279
Goodwill		17,230	17,230
Deferred tax assets		6,960	3,819
Deposit for acquisition of subsidiaries	14	220,000	—
		<u>348,167</u>	<u>108,963</u>
<b>Current assets</b>			
Trade and bills receivables	15	256,535	162,032
Deposits, prepayments and other receivables	16	90,931	51,323
Income tax recoverable		821	451
Pledged bank deposit	17	9,969	9,969
Bank balances, deposits and cash	17	1,101,763	1,160,122
		<u>1,460,019</u>	<u>1,383,897</u>
<b>Current liabilities</b>			
Trade payables	18	141,366	71,844
Accruals and other payables	19	340,014	286,627
Contract liabilities		209,536	171,339
Lease liabilities		7,516	—
Bank loan	20	9,318	9,281
Provision for taxation		36,570	34,935
		<u>744,320</u>	<u>574,026</u>
<b>Net current assets</b>		<u>715,699</u>	<u>809,871</u>
<b>Total assets less current liabilities</b>		<u>1,063,866</u>	<u>918,834</u>
<b>Non-current liabilities</b>			
Lease liabilities		16,017	—
Deferred tax liabilities		21,260	16,234
		<u>37,277</u>	<u>16,234</u>
<b>Net assets</b>		<u><u>1,026,589</u></u>	<u><u>902,600</u></u>

# CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2019

	Notes	At	At
		30 June 2019	31 December 2018
		RMB'000 (Unaudited)	RMB'000 (Audited)
<b>EQUITY</b>			
Share capital	21	13,607	13,290
Reserves		<u>1,000,945</u>	<u>885,641</u>
Equity attributable to owners of the Company		1,014,552	898,931
Non-controlling interests		<u>12,037</u>	<u>3,669</u>
Total equity		<u><u>1,026,589</u></u>	<u><u>902,600</u></u>

The condensed consolidated financial statements were approved and authorised for issue by the board of directors and are signed on its behalf by:

Mr. Lin Zhong  
*Director*

Mr. Zhou Hongbin  
*Director*



# CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Share capital RMB'000 Note 21	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	Non-controlling interests RMB'000	Total Equity RMB'000
							attributable to owners of the Company RMB'000		
Balance at 1 January 2018	—	—	138,799	—	8,561	97,310	244,670	—	244,670
Profit and total comprehensive income for the period	—	—	—	—	—	41,178	41,178	—	41,178
Transfer to statutory reserves	—	—	—	—	4,118	(4,118)	—	—	—
Dividend approved in respect of the previous period	—	—	—	—	—	(24,500)	(24,500)	—	(24,500)
Initial authorised upon share capital upon incorporation	304	—	—	—	—	—	304	—	304
<b>Balance at 30 June 2018 (Audited)</b>	<b>304</b>	<b>—</b>	<b>138,799</b>	<b>—</b>	<b>12,679</b>	<b>109,870</b>	<b>261,652</b>	<b>—</b>	<b>261,652</b>
Balance at 31 December 2018 (Audited)	13,290	794,550	26,799	(117,600)	21,381	160,511	898,931	3,669	902,600
Initial application of HKFRS 16	—	—	—	—	—	—	—	—	—
<b>Balance at 1 January 2019 (Restated)</b>	<b>13,290</b>	<b>794,550</b>	<b>26,799</b>	<b>(117,600)</b>	<b>21,381</b>	<b>160,511</b>	<b>898,931</b>	<b>3,669</b>	<b>902,600</b>
Profit and total comprehensive income for the period	—	—	—	—	—	90,500	90,500	(44)	90,456
Transfer to statutory reserves	—	—	—	—	8,563	(8,563)	—	—	—
Step-up acquisition of an associate and joint venture and become subsidiaries	—	—	—	—	—	—	—	8,412	8,412
Dividends approved in respect of the previous period	—	—	—	—	—	(31,221)	(31,221)	—	(31,221)
Allotment of shares (note 21(b))	317	56,025	—	—	—	—	56,342	—	56,342
<b>Balance at 30 June 2019 (Unaudited)</b>	<b>13,607</b>	<b>850,575</b>	<b>26,799</b>	<b>(117,600)</b>	<b>29,944</b>	<b>211,227</b>	<b>1,014,552</b>	<b>12,037</b>	<b>1,026,589</b>

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

^ The balance is less than RMB1,000.

Notes:

- Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.
- 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 STATEMENTS OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

	Six months ended 30 June	
	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
<i>Net cash generated from/(used in) operating activities</i>	<u>122,306</u>	<u>(7,328)</u>
<i>Net cash used in investing activities</i>	<u>(217,602)</u>	<u>(1,721)</u>
<i>Net cash generated from/(used in) financing activities</i>	<u>36,937</u>	<u>(24,196)</u>
Net decrease in cash and cash equivalents	(58,359)	(33,245)
Cash and cash equivalents at beginning of the period	<u>1,160,122</u>	<u>438,220</u>
Cash and cash equivalents at end of the period	<u>1,101,763</u>	<u>404,975</u>
Analysis of Bank balances, deposits and cash:		
Cash and bank balance	961,763	404,975
Time deposits	<u>140,000</u>	<u>—</u>
	<u>1,101,763</u>	<u>404,975</u>



# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

## 1. GENERAL INFORMATION

Ever Sunshine Lifestyle Services Group Limited (“the Company”) is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Laws of the Cayman Islands. The Company was listed on The Stock Exchange of Hong Kong Limited on 17 December 2018. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company’s principal place of business is located at the People’s Republic of China (“PRC”).

The Group, comprising the Company and its subsidiaries, is principally engaged in provision of property management service, community value-added service and value-added services to non-property owners.

## 2. BASIS OF PREPARATION

These condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34, “Interim Financial Reporting”, issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and the applicable disclosure Listing provision of Main Board Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. These condensed consolidated financial statements were authorised for issue on 14 August 2019.

These condensed consolidated financial statements have been prepared with the same accounting policies adopted in the 2018 annual financial statements, except for those that relate to new standards or interpretations effective for the first time for periods beginning on or after 1 January 2019. Details of any changes in accounting policies are set out in note 3.

The preparation of these condensed consolidated financial statements in compliance with HKAS 34 requires the use of certain judgements, estimates and assumptions that affect the application of policies and the reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The areas where significant judgments and estimates have been made in preparing the condensed consolidated financial statements and their effect are disclosed in note 4.

These condensed consolidated financial statements are presented in Renminbi (“RMB”), which is the same as the functional currency of the Company. These condensed consolidated financial statements contain condensed consolidated 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 2018 annual financial statements. These condensed consolidated financial statements and notes do not include all of the information required for a complete set of consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards (the “HKFRSs”) and should be read in conjunction with the 2018 consolidated financial statements.

## 2. BASIS OF PREPARATION (CONTINUED)

These condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the HKICPA. BDO Limited's independent review report to the Board of Directors is included on pages 35 and 36.

## 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:

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

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

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

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

#### *Impacts for the period*

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

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

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

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

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

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

### 3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### *Transitional impact*

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

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

Based on the foregoing, as at 1 January 2019:

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

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### *Transitional impact (continued)*

##### Right-of-use assets

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

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

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

### 3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### *Transitional impact (continued)*

##### Lease liabilities

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

The lease payments include:

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

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

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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 3. ADOPTION OF NEW/REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

#### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases (continued)

##### *Transitional impact (continued)*

##### Short-term leases and leases of low-value assets

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

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

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

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

#### 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In preparing this condensed consolidated 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 2018 annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of HKFRS 16 as described in note 3.

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

##### 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. The management reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the chief operating decision maker of the Company regards that there is only one segment which is used to make strategic decisions.

##### 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 2019 and 2018.

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 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 2019 and 2018 was as follows:

#### (a) Disaggregated revenue information

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

## 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 2019 and 2018, 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 2019	At 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contract liabilities	<u>209,536</u>	<u>171,339</u>

#### (i) Significant changes in contract liabilities

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

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

### 7. OTHER INCOME AND OTHER NET GAIN

	Six months ended 30 June	
	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Bank interest income	8,463	1,079
Government grants (Note)	6,017	3,255
Penalty income	95	80
Gain on disposal of property, plant and equipment	82	4
Fair value gain of investment properties	—	603
Interest income from financial assets at FVTPL	—	1,168
Exchange gains	2,349	—
Others	800	618
	<u>17,806</u>	<u>6,807</u>

Note: Government grants mainly comprised of government subsidize received as support fund for enterprises.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 8. FINANCE COSTS

	Six months ended 30 June	
	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Interest on secured bank loan (note 20)	180	—
Interest on lease liabilities	548	—
	<u>728</u>	<u>—</u>

### 9. PROFIT BEFORE INCOME TAX EXPENSE

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

	Six months ended 30 June	
	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Depreciation of property, plant and equipment	3,284	1,378
Depreciation of Right-of-use assets	4,069	—
Impairment loss on trade receivables	6,496	4,793
Impairment loss on other receivables	5,925	2,503
Gain on disposal of property, plant and equipment	(82)	(4)
Loss on disposal of property, plant and equipment	—	8
Written-off on property, plant and equipment	32	—
Listing expense	—	5,983
Operating lease charges in respect of:		
Rented premises	2,105	1,908
Plant and machinery	69	85
Staff costs (including directors' emoluments):		
Salaries, wages and other benefits	236,284	205,604
Bonus	12,598	7,702
Retirement scheme contribution	44,332	33,248
	<u>293,214</u>	<u>246,554</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 10. INCOME TAX EXPENSE

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

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

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

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

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

### 11. DIVIDENDS

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

## 12. EARNINGS PER SHARE

	Six months ended 30 June	
	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
<b>Profits</b>		
Profit attributable to owners of the Company	<u>90,500</u>	<u>41,178</u>
	At 30 June 2019	At 30 June 2018
	Number'000 (Unaudited)	Number'000 (Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares (note)	<u>1,534,591</u>	<u>1,120,000</u>

Note:

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

Weighted average of 1,120,000,000 ordinary shares for the six months ended 30 June 2018, being the number of shares in issue immediately after the completion of capitalization issued in December 2018 as detailed in Note 21, deemed to have been issued throughout the year ended 31 December 2017 and up to 16 December 2018, immediately before the completion of the placing of the Company's new shares.

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

## 13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

During the six months ended 30 June 2019, the Group spent approximately RMB7,337,000 on acquisition of property, plant and equipment (six months ended 30 June 2018: approximately RMB3,976,000).

At 30 June 2019 and 31 December 2018, no property, plant and equipment was pledged.

During the six months ended 30 June 2019, the Group entered into a new lease agreement for the use of land and buildings for two years. The Group is required to make fixed monthly payments. On lease commencement, the Group recognised RMB57,000 of right-of-use asset and RMB57,000 lease liability.



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 14. DEPOSIT FOR ACQUISITION OF SUBSIDIARIES

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

### 15. TRADE AND BILLS RECEIVABLES

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

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

Trade receivables mainly arise from property management services income under 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 2019 and 31 December 2018 is within 6 months. As at 30 June 2019 and 31 December 2018, no bills receivable is due from related parties.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 15. TRADE AND BILLS RECEIVABLES (CONTINUED)

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

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

### 16. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	At 30 June 2019	At 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Deposits and other receivables		
– Related parties	23	10
– Third parties	<u>96,752</u>	<u>53,326</u>
Total	96,775	53,336
Less: allowance for impairment of deposit and other receivables	<u>(11,480)</u>	<u>(5,555)</u>
	85,295	47,781
VAT receivable	541	112
Prepayments	<u>5,095</u>	<u>3,430</u>
	<u>90,931</u>	<u>51,323</u>

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 17. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	At 30 June 2019	At 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Pledged bank deposit (note a)	9,969	9,969
Cash on hand	92	58
Cash at bank	961,671	1,160,064
Time deposits	140,000	—
	<b>1,101,763</b>	<b>1,160,122</b>

Notes:

- a) Pledged bank deposits represents deposits pledged to banks to secure the bank borrowing granted to the Group (note 20). Deposits amounting to RMB9,969,000 (2018: RMB9,969,000) have been pledged to secure the bank borrowing and are classified as current assets.
- b) As at 30 June 2019, cash and cash equivalents in the amount of RMB599,739,000 (at 31 December 2018: RMB575,668,000) and RMB502,024,000 (at 31 December 2018: RMB584,454,000) 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.
- c) As at 31 December 2018, cash and cash equivalents did not include housing maintenance funds of RMB100,800 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.

### 18. TRADE PAYABLES

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

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 18. TRADE PAYABLES (CONTINUED)

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 2019 and 31 December 2018 as follows:

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

### 19. ACCRUALS AND OTHER PAYABLES

	At 30 June 2019	At 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Accruals and other payables		
– Related parties (Note a)	7,570	7,192
– Third parties	<u>243,628</u>	<u>179,044</u>
	251,198	186,236
Amount due to a director (Note a)	10	1,992
Provision for legal dispute (Note b)	347	209
Salaries payables	63,035	77,668
Other tax payables	<u>25,424</u>	<u>20,522</u>
	<u>340,014</u>	<u>286,627</u>

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.

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### 20. BANK LOAN

	At 30 June 2019	At 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Current		
Bank loan due for repayment within one year	<u>9,318</u>	<u>9,281</u>

Note:

On 6 August 2018, a banking facility of approximately RMB21,905,000 (equivalent to HK\$25,000,000) was granted by Bank of East Asia (China) Limited (東亞銀行(中國)有限公司). On 7 August 2018 and 18 September 2018, two loans amounted to approximately RMB4,873,000 (equivalent to HK\$5,506,000) and RMB4,503,000 (equivalent to HK\$5,087,000) was borrowed by the Company respectively. The loans bore interest charges at 3M HIBOR + 200bps and were secured by a pledge bank deposit of RMB9,969,000 as disclosure in note 17.

### 21. SHARE CAPITAL

	Notes	At 30 June 2019		At 31 December 2018	
		Number '000	Amount RMB'000 (Unaudited)	Number '000	Amount RMB'000 (Audited)
Authorised:					
As at 1 January		4,000,000	35,462	—	—
Initial authorised share capital upon incorporation	(a)	—	—	38,000	304
Increase in share capital upon capitalisation	(c)	—	—	<u>3,962,000</u>	<u>35,158</u>
		<u>4,000,000</u>	<u>35,462</u>	<u>4,000,000</u>	<u>35,462</u>

	Notes	At 30 June 2019		At 31 December 2018	
		Number '000	Amount RMB'000 (Unaudited)	Number '000	Amount RMB'000 (Audited)
Issued and fully paid:					
At 1 January		1,500,000	13,290		
Allotment of shares	(b)	36,400	317	22	— <sup>^</sup>
Issue of ordinary shares upon capitalisation	(d)	—	—	1,119,978	9,938
Issue of ordinary shares upon global offering	(e)	—	—	<u>380,000</u>	<u>3,352</u>
		<u>1,536,400</u>	<u>13,607</u>	<u>1,500,000</u>	<u>13,290</u>

<sup>^</sup> The balance is less than RMB1,000.

## 21. SHARE CAPITAL (CONTINUED)

Note:

(a) The Company was incorporated on 16 April 2018 in the Cayman Islands with an authorised share capital of HK\$380,000 (equivalent to RMB321,636) divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one share of par value HK\$0.01 was allotted and issued to a subscriber, which was then transferred to a shareholder - Elite Force Development Limited ("Elite Force Development") at par on the same date.

(b) On 30 April 2018, 3 shares and 1 share of par value HK\$0.01 were allotted and issued to 2 shareholders - Elite Force Development and Best Legend Development (PTC) Limited ("Best Legend") respectively.

On July 6, 2018, 8,796 Shares, 6,600 Shares, 5,739 Shares and 860 Shares were allotted and issued to 4 shareholders - Elite Force Development, Spectron Enterprises Limited ("Spectron"), Best Legend and Wise-man Development International Limited ("Wise-man Development"), respectively at the consideration of RMB90,200,000, RMB67,650,000, RMB58,835,000 and HK\$10,455,471.

On July 6, 2018, our Company acquired the entire issued share of Prominent Intellectuals from Wise-man Development at a consideration of HK\$5,100,000. The consideration was satisfied by allotting and issuing 400 Shares, credited as fully paid at par, to Wise-man Development.

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 shares.

(c) Pursuant to the written resolutions passed on November 26, 2018, the authorized share capital was increased from HK\$380,000 to HK\$40,000,000 by the creation of additional 3,962,000,000 Shares.

(d) Pursuant to written resolutions passed on 26 November 2018, conditional upon the share premium account of the Company being credited by way of global offering, the directors were authorised to allot and issue a total of 1,119,977,600 shares credited as fully paid at par by way of capitalisation of the sum of HK\$11,199,776 (equivalent to RMB9,938,000) standing to the credit of the share premium account of the Company.

(e) On 17 December 2018, 380,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$1.78 by way of placing. On the same date, the Company's ordinary shares were listed on the Stock Exchange. The proceeds of HK\$3,800,000 (equivalent to RMB 3,352,000) representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$672,600,000 (equivalent to RMB593,193,000), before issuing expenses of approximately HK\$21,679,000 (equivalent to RMB18,305,000), were credited to share premium account.

## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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### 22. OPERATING LEASE COMMITMENT AND ARRANGEMENT

#### The Group as lessee

From 1 January 2019, the Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see note 3.1 for further information. As at 31 December 2018, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	At 31 December 2018
	RMB'000 (Audited)
Premises	
Within one year	10,947
In the second to fifth year, inclusive	21,900
After five years	—
	<u>32,847</u>
Plant and machinery	
Within one year	111
In the second to fifth year, inclusive	50
After five years	—
	<u>161</u>
	<u>33,008</u>

The Group leases premises and office equipment under operating lease. The leases run for an initial period of 3 months to 5 years. The leases do not include any contingent rental.

### 23. CAPITAL COMMITMENT

The Group had the following capital commitments at the end of the reporting period:

	At 30 June 2019	At 31 December 2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
Contracted, but not provided for:		
Acquisition of subsidiaries	<u>242,000</u>	<u>—</u>

## 24. MATERIAL RELATED PARTIES TRANSACTIONS

During the period, 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 Feng
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 Huazihaode 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
Laoling 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



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 JUNE 2019

### 24. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

#### (b) Related parties transactions

	Six months ended 30 June	
	2019	2018
	RMB'000 (Unaudited)	RMB'000 (Audited)
CIFI Holdings (Group) Co. Ltd.		
– Provision of services		
• Property management services	21,245	21,669
• Community value-added services	46	—
• Value-added services to non-property owners	83,063	56,730
Mr. Lin Feng		
– Provision of Property management services	26	18
Ms. Zeng Yirong		
– Provision of Property management services	—	7
Mr. Lin Xianglin		
– Provision of Property management services	3	1
Mr. Chen Chuanchao		
– Provision of Property management services	2	2
Mr. Luo Xinguo		
– Provision of Property management services	1	2
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.		
– Provision of Property management services	1,323	—
Dezhou Huazihaode Real Estate Co., Ltd.		
– Provision of Property management services	456	—
Shandong Jinluban Group Co., Ltd.		
– Provision of Property management services	578	—
Laoling Luban Real Estate Development Co., Ltd.		
– Provision of Property management services	285	—

### 25. EVENTS AFTER THE REPORTING DATE

Save as disclosed above, the Group has no material events after the reporting date.