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CIFI Ever Sunshine Services Group Limited

旭辉永升服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

HIGHLIGHTS

1. Revenue for the six months ended 30 June 2021 was approximately RMB2,058.6 million, representing an increase of 53.1% from approximately RMB1,344.9 million for the same period in 2020.
2. The gross profit of the Group for the six months ended 30 June 2021 was approximately RMB616.3 million, representing an increase of approximately 49.4% from approximately RMB412.5 million for the same period in 2020.
3. Profit for the first half of 2021 was approximately RMB322.0 million, representing an increase of approximately 61.0%, as compared with approximately RMB200.0 million for the same period in 2020. Meanwhile, profit attributable to owners of the Company for the first half of 2021 was approximately RMB283.0 million, representing an increase of approximately 65.3% as compared with approximately RMB171.2 million for the same period in 2020.
4. During the six months ended 30 June 2021, net cash inflow from operating activities of the Group amounted to approximately RMB425.3 million, representing an increase of approximately 77.2%, as compared with approximately RMB240.0 million for the same period in 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of CIFI Ever Sunshine Services Group Limited (the “**Company**”, “**We**” or “**us**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (together the “**Group**”) for the six months ended 30 June 2021 (the “**Period**”) with comparative figures for the corresponding period in 2020. These unaudited condensed consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended	
		30 June	
	Notes	2021	2020
		<i>RMB’000</i>	<i>RMB’000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenue	3	2,058,649	1,344,930
Cost of services		(1,442,307)	(932,430)
Gross profit		616,342	412,500
Other income and other gains and losses		52,304	34,855
Administrative expenses		(160,457)	(132,000)
Selling expenses		(43,647)	(27,192)
Administrative and selling expenses		(204,104)	(159,192)
Expected credit loss on financial assets		(34,304)	(17,713)
Finance costs		(1,541)	(747)
Other expenses		(2,970)	(1,475)
Profit before taxation		425,727	268,228
Income tax expense	6	(103,696)	(68,232)
Profit and total comprehensive income for the period		322,031	199,996

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

For the six months ended 30 June 2021

		For the six months ended	
		30 June	
	Note	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Unaudited)</i>
Profit and total comprehensive income for			
the period attributable to:			
Owners of the Company		282,967	171,174
Non-controlling interests		39,064	28,822
		<u>322,031</u>	<u>199,996</u>
Earnings per share (RMB)			
Basic earnings per share	7	<u>0.17</u>	<u>0.11</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June	31 December
	Note	2021	2020
		<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Unaudited)</i>	<i>(Audited)</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		89,903	86,201
Investment properties		54,253	55,119
Intangible assets		210,215	91,049
Goodwill		706,659	470,952
Financial assets at fair value through profit or loss		150,000	—
Deferred tax assets		32,481	20,620
Prepayments of property, plant and equipment		586	12,448
		<u>1,244,097</u>	<u>736,389</u>
Current assets			
Inventories		1,247	—
Trade and bills receivables	4	683,317	458,628
Prepayments and other receivables		304,608	264,688
Other financial assets		30,000	30,000
Restricted cash		7,418	6,873
Bank balances, deposits and cash		2,995,980	3,170,589
		<u>4,022,570</u>	<u>3,930,778</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(Continued)

As at 30 June 2021

	Note	30 June 2021 <i>RMB'000</i> <i>(Unaudited)</i>	31 December 2020 <i>RMB'000</i> <i>(Audited)</i>
Current liabilities			
Trade payables	5	524,873	362,848
Accruals and other payables		854,162	693,319
Contract liabilities		485,414	387,825
Lease liabilities		11,514	13,828
Provision for taxation		109,741	124,874
		<u>1,985,704</u>	<u>1,582,694</u>
Net current assets		<u>2,036,866</u>	<u>2,348,084</u>
Total assets less current liabilities		<u>3,280,963</u>	<u>3,084,473</u>
Non-current liabilities			
Lease liabilities		10,358	15,508
Other long-term payables		5,288	4,928
Deferred tax liabilities		68,133	46,602
		<u>83,779</u>	<u>67,038</u>
Net assets		<u>3,197,184</u>	<u>3,017,435</u>
EQUITY			
Share capital		14,830	14,830
Reserves		3,044,343	2,878,604
Equity attributable to owners of the Company		<u>3,059,173</u>	<u>2,893,434</u>
Non-controlling interests		<u>138,011</u>	<u>124,001</u>
Total equity		<u>3,197,184</u>	<u>3,017,435</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 (“**HKAS 34**”) “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

2 PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”)

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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

3 REVENUE

Revenue mainly comprises proceeds from property management services, community value-added services and value-added services to non-property owners. Information is reported to the executive directors of the Company, being the chief operating decision maker of the Group, for the purposes of resource allocation and performance assessment with a focus on revenue analysis. No other discrete financial information is provided other than the Group's results and financial position as a whole.

An analysis of the Group's revenue by category was as follows:

	Six months ended 30 June	
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Revenue from contract with customer	2,057,718	1,344,550
Others	931	380
Total	<u>2,058,649</u>	<u>1,344,930</u>

Revenue from contract with customer

(a) Disaggregated revenue information

For the six months ended 30 June 2021

Types of goods and services	Property management services	Community value-added services	Value-added services to non-property owners	Total
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<u>Property management services</u>				
Lump sum basis	1,145,050	—	—	1,145,050
Commission basis	1,660	—	—	1,660
	<u>1,146,710</u>	<u>—</u>	<u>—</u>	<u>1,146,710</u>
<u>Community value-added services</u>				
Home-living services	—	279,826	—	279,826
Parking unit management and leasing services	—	59,469	—	59,469
Property agency services	—	149,861	—	149,861
Common area value-added services	—	30,503	—	30,503
	<u>—</u>	<u>519,659</u>	<u>—</u>	<u>519,659</u>

For the six months ended 30 June 2021

	Property management services <i>RMB'000</i> <i>(Unaudited)</i>	Community value-added services <i>RMB'000</i> <i>(Unaudited)</i>	Value-added services to non-property owners <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
<u>Value-added services to non-property owners</u>				
Sales assistance services	—	—	164,829	164,829
Additional tailored services	—	—	139,647	139,647
Preliminary planning and design consultancy services	—	—	42,087	42,087
Housing repair services	—	—	29,822	29,822
Pre-delivery inspection services	—	—	14,964	14,964
	—	—	391,349	391,349
	<u>1,146,710</u>	<u>519,659</u>	<u>391,349</u>	<u>2,057,718</u>
Timing of revenue recognition				
A point in time	—	190,875	—	190,875
Over time	<u>1,146,710</u>	<u>328,784</u>	<u>391,349</u>	<u>1,866,843</u>
	<u>1,146,710</u>	<u>519,659</u>	<u>391,349</u>	<u>2,057,718</u>

For the six months ended 30 June 2020

	Property management services <i>RMB'000</i> <i>(Unaudited)</i>	Community value-added services <i>RMB'000</i> <i>(Unaudited)</i>	Value-added services to non-property owners <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
Types of goods and services				
<u>Property management services</u>				
Lump sum basis	795,843	—	—	795,843
Commission basis	5,557	—	—	5,557
	<u>801,400</u>	<u>—</u>	<u>—</u>	<u>801,400</u>
<u>Community value-added services</u>				
Home-living services	—	140,180	—	140,180
Parking unit management and leasing services	—	40,781	—	40,781
Property agency services	—	60,259	—	60,259
Common area value-added services	—	19,204	—	19,204
	<u>—</u>	<u>260,424</u>	<u>—</u>	<u>260,424</u>

For the six months ended 30 June 2020

	Property management services <i>RMB'000</i> <i>(Unaudited)</i>	Community value-added services <i>RMB'000</i> <i>(Unaudited)</i>	Value-added services to non-property owners <i>RMB'000</i> <i>(Unaudited)</i>	Total <i>RMB'000</i> <i>(Unaudited)</i>
<u>Value-added services to non-property owners</u>				
Sales assistance services	—	—	156,740	156,740
Additional tailored services	—	—	68,630	68,630
Preliminary planning and design consultancy services	—	—	31,842	31,842
Housing repair services	—	—	15,495	15,495
Pre-delivery inspection services	—	—	10,019	10,019
	—	—	282,726	282,726
	801,400	260,424	282,726	1,344,550
Timing of revenue recognition				
A point in time	—	72,892	—	72,892
Over time	801,400	187,532	282,726	1,271,658
	801,400	260,424	282,726	1,344,550

4. TRADE AND BILLS RECEIVABLES

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade receivables		
– Related parties	108,389	80,507
– Third parties	666,202	428,697
	774,591	509,204
Bills receivables	540	5,618
Total	775,131	514,822
Less: allowance for credit losses	(91,814)	(56,194)
	683,317	458,628

All bills received by the Group are with a maturity period of less than one year.

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade and bills receivables net of allowance of credit losses presented based on invoice date were as follows:

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	576,478	373,521
1 to 2 years	84,474	66,424
2 to 3 years	17,606	15,730
3 to 4 years	4,127	2,874
4 to 5 years	632	79
	683,317	458,628

5 TRADE PAYABLES

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Trade payables		
– Related parties	5,932	5,900
– Third parties	518,941	356,948
	524,873	362,848

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 2021 and 31 December 2020 were as follows:

	30 June	31 December
	2021	2020
	RMB'000	RMB'000
	(Unaudited)	(Audited)
Within 1 year	506,465	342,139
1 to 2 years	12,176	20,025
2 to 3 years	6,093	684
3 to 4 years	139	—
	524,873	362,848

6 INCOME TAX EXPENSE

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
PRC Enterprise Income Tax:		
Current tax	116,140	72,705
Over-provision in respect of prior year	(279)	(2,735)
	115,861	69,970
Deferred tax:		
Credited to profit or loss for the year	(12,165)	(1,738)
	103,696	68,232

7 EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to the equity owners of the Company is based on the following data:

	Six months ended 30 June	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Earnings</u>		
Profit attributable to the equity owners of the Company	<u>282,967</u>	<u>171,174</u>
	Six months ended 30 June	
	2021	2020
	'000	'000
	<i>(Unaudited)</i>	<i>(Unaudited)</i>
<u>Number of shares</u>		
Weighted average number of ordinary shares	<u>1,670,400</u>	<u>1,547,442</u>

No diluted earnings per share is presented as there were no potential ordinary shares in issue for the six months ended 30 June 2021 and 2020.

8 DIVIDENDS

During the current interim period, a final dividend of HK\$0.0838 per share in respect of the year ended 31 December 2020 (2020: HK\$0.0479 per share in respect of the year ended 31 December 2019) was declared and paid to owners of the Company. The aggregate amount of the final dividend declared and paid in the interim period amounted to RMB117,228,000 (2020: RMB75,418,000).

No interim dividend was declared for the six months ended 30 June 2021 and 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a respected and fast-growing comprehensive property management service provider in China. In April 2021, we were honourably elected as one of the “2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業)” by the China Index Academy. Our ranking in terms of overall strength is 11th, promoted by 1 place compared with that of 2020. As at 30 June 2021, we provided property management services and value-added services in 114 cities in China with total contracted gross floor area (“GFA”) amounting to approximately 219.1 million sq.m., among which, total GFA under management amounted to approximately 130.0 million sq.m., serving more than 490,000 households.

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

We embrace the philosophy of “Building Better Lives” and are committed to providing our wide range of clients with comprehensive, attentive and professional property management services, researching and developing our services to build up our multi-tiered and multi-faceted service brand, such as “Bowyer Steward” (鉞悦管家) for top-tier residential property projects, “Yueze Commercial” (悦澤商辦) for commercial and office projects and “All-Rounded Steward” (全能管家) for ordinary residential property projects. These all testify our dedication to provide premium services for our customers.

Our Business Model

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

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

Property Management Services

Continuous Increase in Area Size

The Group adhered to rapid expansion on management coverage area as one of its strategic targets, and it has achieved speedy growth in contracted GFA and GFA under management through its multi-wheel driven roadmap during the first half of 2021. As at 30 June 2021, our contracted GFA amounted to approximately 219.1 million sq.m., and the number of contracted projects totaled 1,265, representing an increase of approximately 53.4% and 60.5%, respectively, compared with those as at 30 June 2020. As at 30 June 2021, the GFA under our management reached approximately 130.0 million sq.m., and the number of projects under management totaled 784, representing an increase of approximately 68.4% and 57.7%, respectively, compared with those as at 30 June 2020.

The table below indicates the movement of changes for our contracted GFA and GFA under management for the six months ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June			
	2021		2020	
	Contracted GFA (<i>Sq.m. '000</i>)	GFA under management (<i>Sq.m. '000</i>)	Contracted GFA (<i>Sq.m. '000</i>)	GFA under management (<i>Sq.m. '000</i>)
As at the beginning of the period	181,192	101,625	110,558	65,151
New engagements ⁽¹⁾	37,833	28,165	32,382	13,037
Acquisitions ⁽²⁾	2,545	2,545	3,389	2,248
Terminations ⁽³⁾	(2,490)	(2,376)	(3,482)	(3,258)
As at the end of the period	<u>219,080</u>	<u>129,959</u>	<u>142,847</u>	<u>77,178</u>

Notes:

- (1) With respect to residential and non-residential projects under our management, new engagements primarily include preliminary management contracts for new properties developed by property developers, and property management service contracts pursuant to which we replace the previous property management service providers.

- (2) The acquisitions during the Period include Huaxi Xin'an (Beijing) Property Management Co., Ltd.* (華熙鑫安(北京)物業管理有限公司) (“**Huaxi Xin'an**”) and Shanghai Xingyue Property Service Co., Ltd.* (上海星悅物業服務有限公司) (“**Shanghai Xingyue**”).
- (3) These terminations include our voluntary non-renewal of certain property management service contracts as we reallocated our resources to more profitable engagements with an effort to optimize our property management portfolio.

Our Geographic Footprint

Since our inception up to 30 June 2021, we have expanded our geographic footprint from Shanghai to 114 cities in China.

The table below sets forth a breakdown, by geographic location, of our total GFA under management as at the dates indicated and revenue generated from property management services for the six months ended 30 June 2021 and 2020 respectively:

	As at 30 June or for the six months ended 30 June					
	2021			2020		
	GFA	Revenue		GFA	Revenue	
<i>Sq.m.'000</i>	<i>RMB'000</i>	<i>%</i>	<i>Sq.m.'000</i>	<i>RMB'000</i>	<i>%</i>	
Eastern region ⁽¹⁾	83,226	794,827	69.3	51,186	536,382	66.9
Northern region ⁽²⁾	13,028	101,121	8.8	6,990	71,682	9.0
Central Southern region ⁽³⁾	15,714	108,345	9.4	10,437	89,289	11.1
Western region ⁽⁴⁾	13,757	114,490	10.1	5,427	65,003	8.1
Northeastern region ⁽⁵⁾	4,234	27,927	2.4	3,138	39,044	4.9
Total	129,959	1,146,710	100.0	77,178	801,400	100.0

Notes:

- (1) Cities in the eastern region in which we have property management projects include Shanghai, Suzhou, Dezhou, Zhenjiang, Xuzhou, Nanjing, Hangzhou, Jiaying, Huzhou, Ningbo, Fuzhou, Xiamen, Chuzhou, Wuhu, Hefei, Heze, Bozhou, Qingdao, Wuxi, Jiangyin, Taizhou, Zhangzhou, Huainan, Wenzhou, Nantong, Quzhou, Jinan, Jining, Changzhou, Jinhua, Yixing, Zhangjiagang, Kunshan, Shishi, Weifang, Binzhou, Yantai, Quanzhou, Fuyang, Shaoxing, Yangzhou, Bengbu, Chizhou, Linyi, Taizhou, Weihai, Suqian, Xuancheng, Zibo, Lianyungang.

- (2) Cities in the northern region in which we have property management projects include Beijing, Tianjin, Langfang, Shijiazhuang, Taiyuan, Hohhot, Tangshan, Qinhuangdao.
- (3) Cities in the central southern region in which we have property management projects include Wuhan, Changsha, Guangzhou, Guilin, Zhuhai, Foshan, Yichang, Yiyang, Shaoyang, Hengyang, Shaoguan, Zhengzhou, Jiangmen, Nanning, Dongguan, Sanya, Huanggang, Zhongshan, Yueyang, Huizhou, Nanchang, Chenzhou, Luoyang, Zhoukou, Nanyang, Zhuzhou, Xuchang, Xinxiang, Xiangtan, Xianning, Pingdingshan, Luohe, Haikou, Shenzhen, Suizhou and Xiaogan.
- (4) Cities in the western region in which we have property management projects include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu, Guiyang, Liupanshui, Anshun, Baiyin, Bijie, Tongren, Xianyang, Meishan, Xining and Zunyi.
- (5) Cities in the northeastern region in which we have property management projects include Shenyang, Dalian, Dandong, Yingkou, Harbin and Changchun.

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

Growing together with CIFI Group

As a long-term service partner of CIFI Holdings (Group) Co. Ltd. (“**CIFI Holdings**”) (Stock Exchange Code: 00884) and its subsidiaries (“**CIFI Group**”), our services are overwhelmingly recognized by them. As such, a consolidated collaborative partnership between us and CIFI Group was established and we have been benefiting from CIFI Group’s steady growth in the property development business.

Based on the announcement published by CIFI Holdings on 5 July 2021, in the first half of 2021, CIFI Group recorded aggregated contracted sales (including contracted sales by joint ventures and associated companies) of approximately RMB136.15 billion, representing a year-on-year increase of 68.6%, and contracted sales area of approximately 7.97 million sq.m., representing a year-on-year increase of 62.9%. As of 31 December 2020, CIFI Group had a land bank with total GFA of approximately 56.5 million sq.m., and most of the land bank was concentrated in first-tier and second-tier cities.

Seize Market Opportunities in Independent Third-Party Markets

Apart from the substantial support we received from CIFI Group, we also explored third-party markets via diversified channels actively. Therefore, we expanded resources into different independent markets to increase our market share. Our principle targets regarding market expansion include independent regional property developers, property owners' committees, local governments, etc.. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In the first half of 2021, we secured premium first-hand projects such as Changsha Huiju Jiayuan (長沙匯聚嘉園) and Nanning Fuyi Town (南寧福弈城). To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In the first half of 2021, we acquired premium second-hand projects including the eastern part of Qingdao Shui'an Fudi (青島水岸府邸東區) and Wuxi Guoxin Guanhu Bay (無錫國信觀湖灣) through open tender bidding. We also participated in government procurements, including the tendering and bidding of public facility projects such as sports ground, rail transit, transportation hub points and office buildings. In the first half of 2021, we acquired premium public facility projects including Hunan University of Technology (湖南工業大學) and Suzhou Dushu Lake Sports Center Property Service Center (蘇州獨墅湖體育中心物業服務中心).

Meanwhile, we actively seek opportunities to enter into strategic partnership with various property developers and set up joint ventures to provide property management services. Until now, we have successfully achieved strategic cooperation with 21 property development companies or investment groups, and on account of such, we can enjoy priorities to acquire the property management rights of properties developed by these strategic partners.

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

With the encouragement from governmental policies and the evolution of the property management industry's own capabilities, the property management industry acquired more opportunities on expansion of new businesses. During the Period, through the adoption of city service positioning as one of our strategic development directions, we have successfully established strategic cooperation relationship with Jieshou Urban & Rural Construction Co., Ltd.* (界首市城鄉建設有限公司) in Hunan Province and Handan City Hanshan District Urban Construction Investment Group Co., Ltd.* (邯鄲市邯山區城市建設投資集團有限公司), and won the bid for the maintenance project of Jinan City Section of Xiaoqing River striving to jointly create a smart city.

Strategic Mergers and Acquisitions

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

During the Period, the Group successfully acquired 50% equity interests in Huaxi Xin'an which has become a subsidiary of the Company since then. The project of Huaxi Xin'an, Wukesong Arena (華熙Live·五棵松) is a unique cultural and sports landmark in Beijing including high-end commercial and official buildings, large sports halls and other diversified sectors.

In June 2021, we completed the acquisition of Shanghai Xingyue. Shanghai Xingyue is principally engaged in property management services for home furnishing stores. Its projects are mainly located in Shanghai and developed cities in Jiangsu and Zhejiang provinces.

The table below sets forth a breakdown, by type of property developer, of our total GFA under management as at the dates indicated:

	As at 30 June			
	2021		2020	
	GFA		GFA	
	<i>Sq.m. '000</i>	<i>%</i>	<i>Sq.m. '000</i>	<i>%</i>
CIFI Group ⁽¹⁾	24,101	18.5	18,408	23.9
Third-party property developers ⁽²⁾	105,858	81.5	58,770	76.1
Total	129,959	100.0	77,178	100.0

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

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

Transforming into a comprehensive property management service provider

We manage a large variety of properties, including residential and non-residential properties. We have accumulated massive experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and school campus. Meanwhile, with the further opening up of the non-residential market, we are offered with more opportunities to participate in the tender bidding in such market and expand market share. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including highway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We will take the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the expansion of GFA under management as well as increase in the concentration

in local market. Despite the fact that revenue generated from residential property projects has contributed and will continue to contribute the largest proportion of our property management revenue, we strive to diversify our service portfolio to cover more types of properties. As at 30 June 2021, non-residential properties accounted for approximately 32.7% in our GFA under management, while that was 23.8% as at 30 June 2020. To date, we have achieved initial full industry chain coverage, with an aim to eventually become a comprehensive property management service provider.

The table below sets forth a breakdown, by different types of properties as they were developed, of total GFA under management as at the dates indicated and revenue from property management services generated therefrom for the six months ended 30 June 2021 and 2020 respectively:

	As at 30 June or for the six months ended 30 June					
	2021			2020		
	GFA	Revenue		GFA	Revenue	
	<i>Sq.m.'000</i>	<i>RMB'000</i>	<i>%</i>	<i>Sq.m.'000</i>	<i>RMB'000</i>	<i>%</i>
Residential Properties	87,491	687,997	60.0	58,786	479,726	59.9
Non-residential Properties	42,468	458,713	40.0	18,392	321,674	40.1
Total	129,959	1,146,710	100.0	77,178	801,400	100.0

Lump Sum Basis and Commission Basis

We generally price our services by taking into account, among others, factors such as the characteristics and locations of the residential communities, our budget, targeted profit margins, property owner and resident profiles and the scope and quality of our services. We charge property management fees primarily on a lump sum basis, with a small portion of which charged on a commission basis.

The following table sets forth a breakdown, by revenue model, of our total GFA under management as at the dates indicated and revenue from property management services for the six months ended 30 June 2021 and 2020 respectively:

	As at 30 June or for the six months ended 30 June					
	2021			2020		
	GFA	Revenue		GFA	Revenue	
	<i>Sq.m.'000</i>	<i>RMB'000</i>	<i>%</i>	<i>Sq.m.'000</i>	<i>RMB'000</i>	<i>%</i>
Lump sum basis	128,124	1,145,050	99.9	75,196	795,843	99.3
Commission basis	1,835	1,660	0.1	1,982	5,557	0.7
Total	129,959	1,146,710	100.0	77,178	801,400	100.0

Community Value-Added Services

In the first half of 2021, revenue from community value-added services increased significantly by approximately 99.6% from approximately RMB260.4 million in the corresponding period of 2020 to approximately RMB519.7 million, mainly due to the expansion in scale of our management area, the increase in the number of serviced households, and the continuous market penetration due to our diversified products.

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

Leveraging on our expanded service scope, enriched experience in developing community value-added services and continuous improvement and upgrade of talents, we continued to deepen our research on community conditions and targeted service groups, and proceeded from multiple areas including demand identification, product and service design, channel and supplier selection, as well as marketing plan formulation. In particular, after the outbreak of the Coronavirus Disease 2019 epidemic (“**COVID-19**”) in 2020, we set up the “Quality Product Institution (好物研究院)”, whereby increased our exploration on the demand in different property sectors, as well as potential demands and service methods that might exist among property owners and tenants after the COVID-19. In the first half of 2021, we continued with the development trend of community value-added services. The revenue generated from community value-added services accounted for 25.2% of our total revenue and maintained at a high level, and the Group will continue to adhere to the strategy of promoting the increase in the percentage of revenue from community value-added services.

We adhered to our strategy of “Platform” + “Ecology” by applying the business unit (“**BU**”) approach to our growing specialized business units. Through adopting the expanding community as a platform base and providing specialized assistance, we enabled our specialized business units to grow up independently on such platform. On the basis of the rapid development of such business units as community maintenance and repairing, and home decoration, we applied the BU approach to the property agency business in the first half of 2021, introduced high-level talents, formed a professional team, and gained phased achievements. In the future, we will continue to promote the application of the BU approach to value-added services which are in line with our business development strategies.

Currently, our community value-added services cover four major areas, namely home-living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the six months ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Home-living services ⁽¹⁾	279,826	53.8	140,180	53.8
Parking unit management and leasing services ⁽²⁾	59,469	11.5	40,781	15.7
Property agency services ⁽³⁾	149,861	28.8	60,259	23.1
Common area value-added services ⁽⁴⁾	30,503	5.9	19,204	7.4
Total	<u>519,659</u>	<u>100.0</u>	<u>260,424</u>	<u>100.0</u>

Notes:

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

Value-Added Services to Non-Property Owners

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

In the first half of 2021, revenue from value-added services to non-property owners increased by 38.4% to approximately RMB391.3 million as compared to RMB282.7 million for the corresponding period in 2020, mainly due to the substantial increase in the number of projects developed by CIFI Group and the partner property developers, which in turn drove a surge in demand for our services. Under the guidance of the “Vertical Industry Chain Expansion Strategy”, we have enhanced professional capabilities and service quality. Along with providing services to CIFI Group, more third-party property developers have commissioned us to provide value-added services. During the Period, the revenue from value-added services to non-property owners accounted for 19.1% of the Group’s total revenue.

The table below sets forth a breakdown of our revenue generated from our value-added services provided to non-property owners for the six months ended 30 June 2021 and 2020 respectively:

	For the six months ended 30 June			
	2021		2020	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	164,829	42.1	156,740	55.4
Additional tailored services	139,647	35.7	68,630	24.3
Preliminary planning and design consultancy services	42,087	10.8	31,842	11.3
Housing repair services	29,822	7.6	15,495	5.5
Pre-delivery inspection services	14,964	3.8	10,019	3.5
Total	<u>391,349</u>	<u>100.0</u>	<u>282,726</u>	<u>100.0</u>

OUTLOOK

The outbreak of the COVID-19 pandemic has brought great challenges to society and disrupted economic activities. As a responsible property management company, we are always on the front line by actively participating in community work to help fight the disease while protecting its employees as its first priority. The Group has also been cooperating with the local government in its neighbourhood governance work in order to safeguard the health and safety of property owners and provide them with daily necessities. During this process, the trust and relationship built up between us and property owners, as well as the brand we have established through all this, will be a growth driver for us and will pave the way for the long-term development of the Group. In the face of the new challenges and opportunities in the future, the management of the Group will lead our staff to overcome obstacles and march forward according to our schedule.

Step-up increase in our business size and market share

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

Continuous endeavour to diversify our services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services. We will enhance full industry chain coverage for property development, sales and management so as to achieve vertical industry extension. We aim to acquire more opportunities to secure property management projects while providing value-added services to property developers. We also plan to provide consultancy services to local property management companies to expand our business and enhance our brand awareness.

Further investment in technologies and intelligent operations

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

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

FINANCIAL REVIEW

Revenue

During the Period, due to our continuous multi-wheel driven business development and the Group's business recovering from the impact of the COVID-19 pandemic, the Group's revenue amounted to approximately RMB2,058.6 million, representing an increase of 53.1% from approximately RMB1,344.9 million for the corresponding period of 2020.

Revenue of the Group by business line was as follows:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	1,146,710	55.7	801,400	59.6
Community value-added services	519,659	25.2	260,424	19.4
Value-added services to non-property owners	391,349	19.1	282,726	21.0
Others	931	—	380	—
Total revenue	2,058,649	100.0	1,344,930	100.0

The property management services business is still our largest source of income. During the Period, the revenue from property management services was approximately RMB1,146.7 million, accounting for 55.7% of the Group's total revenue. This increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. Our total GFA under management was approximately 130.0 million sq.m. as at 30 June 2021, while that was approximately 77.2 million sq.m. as at 30 June 2020. This increase was a result of both our steady cooperation with CIFI Group and our efforts to expand the third-party customer base, as well as our acquisition of other property management service providers.

The following table sets out the Group's revenue derived from property management services by type of property developer during the Period:

	For the six months ended 30 June			
	2021		2020	
	RMB'000	%	RMB'000	%
CIFI Group ⁽¹⁾	359,806	31.4	315,031	39.3
Third-party property developers ⁽²⁾	786,904	68.6	486,369	60.7
Total revenue	<u>1,146,710</u>	<u>100.0</u>	<u>801,400</u>	<u>100.0</u>

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

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

During the Period, the Group further optimized the business structure. Both the amount and the percentage of the revenue from value-added services continued to record an upward trend.

The revenue from community value-added services increased from approximately RMB260.4 million for the six months ended 30 June 2020 to approximately RMB519.7 million for the six months ended 30 June 2021, representing a significant increase of approximately 99.6%. Such increase was mainly due to a growing customer base which was brought about by the increase of our management area, as well as our further development in the provision of specialized value-added services such as decoration services and property agency services to meet diversified customer needs.

The revenue from value-added services to non-property owners increased by approximately 38.4% from approximately RMB282.7 million for the six months ended 30 June 2020 to approximately RMB391.3 million for the six months ended 30 June 2021, which was mainly driven by the increase in the revenue generated from additional tailored services, housing repair services, as well as preliminary planning and design consultancy services. During the Period, we further strengthened our cooperation relationship with partner property developers and provided them with professional and quality services.

Cost of services

Cost of services increased by approximately 54.7% from approximately RMB932.4 million for the six months ended 30 June 2020 to approximately RMB1,442.3 million for the six months ended 30 June 2021, 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 services was slightly higher than that in our revenue, principally because of the withdrawal of the national social security reduction policy. 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 49.4% from approximately RMB412.5 million for the six months ended 30 June 2020 to approximately RMB616.3 million for the six months ended 30 June 2021.

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

	For the six months ended	
	30 June	
	2021	2020
Property management services	23.5%	24.8%
Community value-added services	46.5%	53.8%
Value-added services to non-property owners	26.6%	25.8%
Overall	29.9%	30.7%

During the Period, the gross profit margin of the Group was 29.9%, representing a decrease of 0.8 percentage point as compared with that of 30.7% for the corresponding period in 2020, which was primarily due to the decrease in gross profit margin of our property management services and community value-added services.

The gross profit margin of property management services was 23.5%, representing a decrease as compared with that of 24.8% for the corresponding period in 2020. The decrease was primarily due to the withdrawal of the national social security reduction policy put in place initially by the government in 2020 to mitigate the impact of the COVID-19 on enterprises, which was also helpful in relieving our burden then. Along with the expansion of our management scale, the Group is also devoted to promote the construction of intelligent community and standardization of management system to provide property owners with a better experience.

The gross profit margin of community value-added services was 46.5%, representing a decrease as compared to that of 53.8% for the corresponding period in 2020, which was mainly due to the development of the new community maintenance and repairing business as well as the home decoration business, which were at the growth stage and thereby had a relatively lower gross profit margin and suffered relatively higher expenditures.

The gross profit margin of value-added services to non-property owners was 26.6%, representing an increase as compared to that of 25.8% for the corresponding period in 2020, which was mainly due to the overall efficiency improvement and economies of scale.

Other income and other net gain

During the Period, the Group's other income and other net gain amounted to approximately RMB52.3 million, representing an increase of approximately 49.9% from approximately RMB34.9 million for the corresponding period in 2020, primarily due to an increase in gain from fair value changes of financial assets at fair value through profit and loss (“FVTPL”).

Administrative and selling expenses

During the Period, the Group's total administrative and selling expenses amounted to approximately RMB204.1 million, representing an increase of approximately 28.2% from approximately RMB159.2 million for the corresponding period in 2020, which was mainly due to the increase of personnel investment caused by the increase in the headcount of administrative and sales staff and the increase of other expenses caused by the growth of our business volume. The Group attached great importance to improving management efficiency. During the Period, the growth rate of the Group's administrative and selling expenses was much lower than that of the Group's revenue.

Other expenses

During the Period, the Group recorded other expenses of approximately RMB3.0 million, representing an increase from approximately RMB1.5 million for the corresponding period of 2020.

Profit before income tax expense

During the Period, the profit before income tax expense was approximately RMB425.7 million, representing an increase of approximately 58.7%, as compared with that of approximately RMB268.2 million for the six months ended 30 June 2020.

Income tax expense

During the Period, the Group's income tax expense was approximately RMB103.7 million, representing 24.4% of the profit before income tax expense, compared with that of approximately RMB68.2 million, representing 25.4% of the profit before income tax expense for the six months ended 30 June 2020.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for the six months ended 30 June 2021 was approximately RMB283.0 million, representing an increase of approximately 65.3%, as compared with that of approximately RMB171.2 million for the corresponding period in 2020.

Property, plant and equipment

Property, plant and equipment of the Group mainly consist of buildings, electronic equipment, right-of-use assets, as well as other fixed assets. As at 30 June 2021, the Group's property, plant and equipment amounted to approximately RMB89.9 million, representing a slight increase from approximately RMB86.2 million as at 31 December 2020.

Investment properties

Our investment properties mainly comprise parking spaces and storage rooms at the properties we owned. As at 30 June 2021, the Group's investment properties amounted to approximately RMB54.3 million, representing a slight decrease from approximately RMB55.1 million as at 31 December 2020.

Intangible assets

The Group's intangible assets mainly comprise property management contracts and customer relationship attributable to acquired companies, and information technology systems. As at 30 June 2021, the Group's intangible assets amounted to approximately RMB210.2 million, representing an increase from approximately RMB91.0 million as at 31 December 2020, which was mainly caused by the property management contracts and customer relationship arising from the acquisitions completed by the Group during the Period, and our continuous investment in information technology systems for the purpose of improving our managerial competence and delivering better services to our clients.

Goodwill

As at 30 June 2021, the Group's goodwill amounted to approximately RMB706.7 million, representing an increase from approximately RMB471.0 million as at 31 December 2020. This increase in goodwill was mainly a result of the acquisitions of Huaxi Xin'an and Shanghai Xingyue.

Trade and bill receivables

As at 30 June 2021, trade and bills receivables of the Group amounted to approximately RMB683.3 million, representing an increase from approximately RMB458.6 million as at 31 December 2020, which was consistent with the increase in our revenue.

Prepayments and other receivables

Our prepayments and other receivables mainly consist of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements and bidding deposits in relation to the public biddings. As at 30 June 2021, our prepayments and other receivables amounted to approximately RMB304.6 million, representing an increase from approximately RMB264.7 million as at 31 December 2020, which was mainly due to the growth of our business.

Bank balances, deposits and cash

As at 30 June 2021, the Group's bank balances, deposits and cash were approximately RMB2,996.0 million, representing a decrease from approximately RMB3,170.6 million as at 31 December 2020.

Trade payables

As at 30 June 2021, trade payables of the Group amounted to approximately RMB524.9 million, representing an increase from approximately RMB362.8 million as at 31 December 2020, which was mainly a result of the scale-up of our business, the increase of the sub-contracting cost as we continued to sub-contract certain services to third parties to optimize our operations, and the development of our new community construction and decoration business.

Accruals and other payables

As at 30 June 2021, our accruals and other payables were approximately RMB854.2 million, representing an increase from approximately RMB693.3 million as at 31 December 2020, which was mainly due to the increase of other payables caused by the increase of our management scale and the expansion of our business.

Contract liabilities

Contract liabilities of the Group were property management fees paid by customers in advance for the services which had not yet been provided and not been recognized as revenue. As at 30 June 2021, our contract liabilities amounted to approximately RMB485.4 million, representing an increase of 25.2% from approximately RMB387.8 million as at 31 December 2020, primarily due to the increase in our GFA under management and our customer base during the Period.

Cash flows

During the six months ended 30 June 2021, net cash inflow from operating activities of the Group amounted to approximately RMB425.3 million, representing a significant increase from approximately RMB240.0 million for the corresponding period in 2020, which was mainly attributable to the increase of our operating profit.

During the six months ended 30 June 2021, net cash outflow from investing activities amounted to RMB440.5 million, while there was net cash inflow from investing activities amounting to approximately RMB18.5 million for the corresponding period in 2020. The cash outflow from investing activities in the first half of 2021 was mainly due to the payment of consideration for the acquisition of Shanghai Xingyue as well as the purchase of financial assets at FVTPL.

Net cash outflow from financing activities amounted to approximately RMB152.3 million for the six months ended 30 June 2021, while there was net cash inflow from financing activities amounting to approximately RMB1,282.8 million for the corresponding period in 2020. The cash outflow from financing activities in the first half of 2021 was mainly due to the dividends payment while the net cash inflow for the corresponding period in 2020 was mainly caused by the net proceeds from the Subscription (as defined hereinafter).

Gearing ratio and the basis of calculation

As at 30 June 2021 and 31 December 2020, the gearing ratio of the Group was both nil. The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.

Capital structure

As at 30 June 2021, the Group's cash and bank balances were mainly held in Renminbi and Hong Kong dollar, and the Group's borrowings were nil.

As at 30 June 2021, equity attributable to owners of the company amounted to approximately RMB3,059.2 million, compared to approximately RMB2,893.4 million as at 31 December 2020.

Financial position of the Group remained stable. As at 30 June 2021, the Group's net current assets was approximately RMB2,036.9 million, compared to approximately RMB2,348.1 million as at 31 December 2020.

Liquidity and financial resources

During the Period, the Group's principal use of cash was working capital and consideration payment for acquisition of subsidiaries, which was mainly funded from cash flow from operations. 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 company's initial public offering of its shares on the Stock Exchange (the "IPO") and the Subscription to finance some of our capital expenditures.

As at 30 June 2021, the Group's borrowings were nil. Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at 30 June 2021.

Pledging of assets

As at 30 June 2021 and 31 December 2020, the Group had no pledging of assets.

Contingent liabilities

As at 30 June 2021, the Group had no material contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims. Having considered relevant legal advice and made best estimation in respect of the liability, the Group expects that the claims will not incur any material adverse effect on our business, financial condition or operating results.

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities other than bank deposits, the Group's exposure to the interest rate risk is limited to the market risk for changes in interest rates which relates primarily to bank balances that bear floating interest rates. Management monitors the interest rate risk and take prudent measures to reduce the interest rate risk.

Foreign exchange risk

The principal activities of the Group are conducted in China, and a majority of the Group's income and expenses were denominated in Renminbi. Certain bank balances were denominated in Hong Kong dollars and US 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 staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessment is paid to the employees to reward their contribution. In compliance with the applicable statutory requirements in China and existing requirements of the local government, the Group has participated in different social welfare plans for the employees.

As at 30 June 2021, the Group had 12,049 employees (31 December 2020: 11,263 employees).

Use of proceeds raised from IPO

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

As stated in the prospectus of the Company, we intended to use the Net Proceeds for the following purposes and in the following amounts: (i) approximately 55%, or approximately HK\$375.6 million for strategic acquisition and investment; (ii) approximately 26%, or approximately HK\$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our

customers; (iii) approximately 9%, or approximately HK\$61.5 million for the development of a one-stop service community platform and our “Joy Life” online service platform; and (iv) approximately 10%, or approximately HK\$68.3 million as for our general corporate purposes and working capital.

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

As at 30 June 2021, our planned use and actual use of the Net Proceeds was as follows:

	Percentage of Net Proceeds	Available to utilise (HK\$ million)	Net Proceeds		Expected timeline for the unutilised Net Proceeds
			Utilised during the period under review (HK\$ million)	Utilised (up to 30 June 2021) (HK\$ million)	
To pursue strategic acquisition and investment opportunities	55%	375.6	—	215.4	160.2 By 31 December 2021
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	16.9	35.3	142.3 By 31 December 2023
To develop a one-stop service community platform and our “Joy Life” (悦生活) online service platform	9%	61.5	1.3	5.3	56.2 By 31 December 2022
For general corporate purposes and working capital	10%	68.3	—	68.3	— N/A
	<u>100%</u>	<u>683.0</u>	<u>18.2</u>	<u>324.3</u>	<u>358.7</u>

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

Placing and Subscription

On 4 June 2020, the Company, Elite Force Development Limited and three placing agents (the "**Placing Agents**") entered into a placing and subscription agreement (the "**Placing and Subscription Agreement**"), pursuant to which, (a) Elite Force Development Limited has agreed to appoint the Placing Agents, and the Placing Agents have agreed to act as agents of Elite Force Development Limited on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the HK\$11.78 per share (the "**Placing Price**") (the "**Placing**"); and (b) Elite Force Development Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development Limited, a total of 134,000,000 new Shares at the HK\$11.78 per share (being the same as the Placing Price) (the "**Subscription**").

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

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

The Company received net proceeds from the Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,564,476,000 and intended to use the net proceeds from the Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. The net price of the Shares issued in connection with the Subscription is approximately HK\$11.68 per Share. Details of the planned use and actual use of net proceeds from the Subscription were as follows:

	Net proceeds from the Subscription				Expected timeline for the unutilised net proceeds
	Percentage of net proceeds	Available to utilise <i>(HK\$ million)</i>	Utilised (up to 30 June 2021) <i>(HK\$ million)</i>	Unutilised (as at 30 June 2021) <i>(HK\$ million)</i>	
Strategic acquisition and investment opportunities	80%	1,251.6	—	1,251.6	By 31 December 2023
Information technology related development	5%	78.2	—	78.2	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	234.7	—	N/A
	<u>100%</u>	<u>1,564.5</u>	<u>234.7</u>	<u>1,329.8</u>	

INTERIM DIVIDEND

The Board does not recommend the payment of any interim dividend for the six months ended 30 June 2021.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) during the six months ended 30 June 2021.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct and procedures governing Directors’ securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors’ securities transactions during the six months ended 30 June 2021.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company’s financial reporting system, risk management and internal control system, the audit process and proposals of internal management, and communicating independently with, monitoring and verifying the work of internal audit and external auditors. The Audit Committee has reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company’s accounting and financial reporting function), risk management systems and processes and the

reappointment of the external auditor and fulfilled duties as required aforesaid. The Board has not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. The Audit Committee has also reviewed the unaudited interim results for the six months ended 30 June 2021. In addition, the Company's auditor, Deloitte Touche Tohmatsu, has reviewed the unaudited consolidated interim financial statements of the Group for the six months ended 30 June 2021. There are proper arrangements for employees to raise concerns, in confidence, about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the six months ended 30 June 2021.

EVENTS AFTER THE REPORTING PERIOD

As stated in the announcement of the Company dated 9 July 2021, the English name of the Company has been changed from "Ever Sunshine Lifestyle Services Group Limited" to "CIFI Ever Sunshine Services Group Limited" and the dual foreign name in Chinese of the Company has been changed from "永升生活服务集团有限公司" to "旭辉永升服务集团有限公司". The stock short names of the Company for trading in the Shares on the Stock Exchange has been changed from "EVERSUNSHINE LS" to "CIFI ES SERVICE" in English and from "永升生活服务" to "旭辉永升服务" in Chinese with effect from 9:00 a.m. on 15 July 2021. To reflect the change of company name, the Company has adopted a new logo which has been printed on the corporate documents of the Company. The website of the Company has been changed from "<http://www.ysservice.com.cn>" to "<http://www.cifis.com>" with effect from 15 July 2021. For further details of the change of company name, stock short names, logo and company website, please refer to the announcement of the Company dated 9 July 2021.

PUBLICATION OF INTERIM RESULTS ANNOUNCEMENT AND INTERIM REPORT

The 2021 interim report of the Company, containing all the information required under the Listing Rules, will be dispatched to the shareholders of the Company (the “Shareholders”) and published on the Stock Exchange’s website at www.hkexnews.hk and the Company’s website at www.cifis.com in due course. This announcement can also be accessed on these websites.

APPRECIATION

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

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

Hong Kong, 24 August 2021

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

* *For identification purposes only*