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)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2018

HIGHLIGHTS

1. Revenue for 2018 was approximately RMB1,075.8 million, representing an increase of 48.3% from approximatley RMB725.3 million for 2017.

2. The gross profit of the Group for 2018 was approximately RMB309.0 million, representing an increase of 68.9% from approximately RMB182.9 million for 2017. Gross profit margin for 2018 was 28.7%, while that of 2017 was 25.2%, representing a year-on-year increase of 3.5 percentage point.

3. Profit for the year for 2018 was approximately RMB100.2 million, representing an increase of 31.2%, as compared with approximately RMB76.4 million for 2017.

4. The core profit (representing the profit of the Group excluding the impact of listing expenses) of the Group for 2018 was approximately RMB125.9 million, representing an increase of 64.8%, as compared with that for 2017.

5. As at 31 December 2018, the contracted GFA of the property management services of the Group was approximately 65.6 million sq.m, representing an increase of approximately 96.4%, as compared with approximately 33.4 million sq.m as at 31 December 2017.

6. The Board recommended the payment of a final dividend of HK$0.0231 per ordinary share of the Company for the year ended 31 December 2018.

The board of directors (the "**Board**") of Ever Sunshine Lifestyle Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") with comparative figures for the year ended 31 December 2017. These audited consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

Unless otherwise defined herein, capitalized terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 4 December 2018 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2018

	Notes	**For the year ended 31 December**	
		2018	2017
		RMB'000	*RMB'000*
Revenue	5	**1,075,830**	725,317
Cost of sales		**(766,802)**	(542,392)
Gross profit		**309,028**	182,925
Other income and other net gain		**16,011**	10,228
Administrative expenses		**(191,242)**	(87,937)
Share of joint venture's profit		**6,486**	—
Share of associate's profit		**2,486**	626
Finance cost		**(98)**	—
Other expense		**(884)**	(931)
Profit before income tax expense		**141,787**	104,911
Income tax expense	8	**(41,547)**	(28,469)
Profit for the year		**100,240**	76,442
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Financial assets at fair value through other comprehensive income ("**FVOCI**"):			
– Change in fair value		**—**	616
– Realised fair value gain on disposal		**—**	(616)
Other comprehensive income for the year, net of tax		**—**	—
Total comprehensive income for the year		**100,240**	76,442

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2018

	Notes	For the year ended 31 December	
		2018	2017
		RMB'000	*RMB'000*
Profit and total comprehensive income for the year			
Attributable to:			
Owners of the Company		**100,521**	76,442
Non-controlling interests		**(281)**	—
		100,240	76,442
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	9	**0.0885**	0.0683

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2018

	Notes	**31 December 2018** *RMB'000*	31 December 2017 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a joint venture		**6,986**	—
Interest in an associate		**4,642**	2,156
Property, plant and equipment		**27,007**	14,582
Investment properties		**49,279**	48,240
Goodwill		**17,230**	17,230
Deferred tax assets		**3,819**	2,977
		108,963	85,185
Current assets			
Inventories		**—**	267
Trade and bills receivables	6	**162,032**	121,461
Deposits, prepayments and other receivables		**51,323**	54,932
Income tax recoverable		**451**	2,291
Pledged bank deposit		**9,969**	—
Bank balance, deposits and cash		**1,160,122**	438,220
		1,383,897	617,171
Current liabilities			
Trade payables	7	**71,844**	36,730
Accruals and other payables		**286,627**	264,921
Contract liabilities		**171,339**	120,077
Bank loan		**9,281**	—
Provision for taxation		**34,935**	23,618
		574,026	445,346
Net current assets		**809,871**	171,825
Total assets less current liabilities		**918,834**	257,010
Non-current liabilities			
Deferred tax liabilities		**16,234**	12,340
Net assets		**902,600**	244,670
EQUITY			
Share capital		**13,290**	—
Reserves		**885,641**	244,670
Equity attributable to owners of the Company		**898,931**	244,670
Non-controlling interests		**3,669**	—
Total equity		**902,600**	244,670

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

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

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

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

3.1 Adoption of **new/revised HKFRSs**

The adoption of HKFRSs which are effective for the financial year beginning on 1 January 2018 has been consistently applied in the consolidated financial statements throughout the years ended 31 December 2018 and 2017.

Amendments to HKFRS 2	Classification and measurement of share-based payment transaction
Amendments to HKFRS 4	Applying HKFRS 9, 'Financial instruments' with HKFRS 4, 'Insurance contracts'
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKFRS 1, First-time adoption of Hong Kong Financial Reporting Standards
Annual Improvements to HKFRSs 2014-2016 Cycle	Amendments to HKAS 28, Investments in Associates and Joint Ventures
HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers
Amendments to HKFRS 15	Revenue from Contracts with Customers (Clarifications to HKFRS 15)
Amendments to HKAS 40	Transfers of Investment Property
HK(IFRIC)–Int 22	Foreign Currency Transactions and Advance Consideration

A. Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, removing transition provision exemptions relating to accounting periods that had already passed and were therefore no longer applicable.

The adoption of these amendments has no impact on these financial statements as the periods to which the transition provision exemptions related have passed.

*B. **Annual Improvements to HKFRSs 2014-2016 Cycle - Amendments to HKAS 28, Investments in Associates and Joint Ventures***

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 28, Investments in Associates and Joint Ventures, clarifying that a Venture Capital organisation's permissible election to measure its associates or joint ventures at fair value is made separately for each associate or joint venture.

The adoption of these amendments has no impact on these financial statements as the Group is not a venture capital organisation.

C. HKFRS 9 - Financial Instruments

(i) Classification and measurement of financial instrument

HKFRS 9 replaces HKAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: (1) classification and measurement; (2) impairment; and (3) hedge accounting.

HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities designated at FVTPL, where the amount of change in fair value attributable to change in credit risk of the liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities. However, it eliminates the previous HKAS 39 categories for financial assets of held to maturity financial assets, loans and receivables and available-for-sale financial assets.

Under HKFRS 9, except for certain trade receivables (that the trade receivables do not contain a significant financing component in accordance with HKFRS 15), an entity shall, at initial recognition, measure a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVTPL**"), transaction costs. A financial asset is classified as: (i) financial assets at amortised cost ("**amortised costs**"); (ii) financial assets at fair value through other comprehensive income ("**FVOCI**"); or (iii) FVTPL (as defined in above). The classification of financial assets under HKFRS 9 is generally based on two criteria: (i) the business model under which the financial asset is managed; and (ii) its contractual cash flow characteristics (the "**solely payments of principal and interest**" criterion, also known as "**SPPI criterion**"). Under HKFRS 9, embedded derivatives is no longer required to be separated from a host financial asset. Instead, the hybrid financial instrument is assessed as a whole for the classification.

A financial asset is measured at amortised cost if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

A debt investment is measured at FVOCI if it meets both of the following conditions and it has not been designated as at FVTPL:

- It is held within a business model whose objective is to achieved by both collecting contractual cash flows and selling financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that meet the SPPI criterion.

On initial recognition of an equity investment that is not held for trading, the Group could irrevocably elect to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. All other financial assets not classified at amortised cost or FVOCI as described above are classified as FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

The following accounting policies would be applied to the Group's financial assets as follows:

Amortised cost	Financial assets at amortised cost are subsequently measured using the effective interest rate method. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain on derecognition is recognised in profit or loss.

(ii) Impairment of financial assets

The adoption of HKFRS 9 has changed the Group's impairment model by replacing the HKAS 39 "incurred loss model" to the "expected credit losses ("**ECLs**") model". HKFRS 9 requires the Group to recognised ECL for trade receivables, financial assets at amortised costs, contract assets and debt investment at FVOCI earlier than HKAS 39. Cash and cash equivalents are subject to ECL model but the impairment is immaterial for the current period.

Under HKFRS 9, the losses allowances are measured on either of the following bases: (1) 12 months ECLs: these are the ECLs that result from possible default events within the 12 months after the reporting date: and (2) lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Measurement of ECLs

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The shortfall is then discounted at an approximation to the assets' original effective interest rate.

The Group has elected to measure loss allowances for trade receivables from related parties and other receivables using HKFRS 9 general approach which permits to recognize 12-month expected credit losses. Trade receivables from third parties applies the simplified approach to calculated ECLs, which based on lifetime ECLs. The Group has established a provision matrix that is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For other debt financial assets, the ECLs are based on the 12-months ECLs. The 12-months ECLs is the portion of the lifetime ECLs that results from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECLs. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECL, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

Presentation of ECLs

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For debt investment at FVOCI, the loss allowance is recognised in OCI, instead of reducing the carrying amount of the assets.

D. HKFRS 15 – Revenue from Contracts with Customers

HKFRS 15 supersedes HKAS 11 Construction Contracts, HKAS 18 Revenue and related interpretations. HKFRS 15 has established a five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at the amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

E. Amendments to HKFRS 15 – Revenue from Contracts with Customers (Clarifications to HKFRS 15)

The amendments to HKFRS 15 included clarifications on identification of performance obligations; application of principal versus agent; licenses of intellectual property; and transition requirements.

F. Amendments to HKAS 40, Investment Property – Transfers of Investment Property

The amendments clarify that to transfer to or from investment properties there must be a change in use and provide guidance on making this determination. The clarification states that a change in use will occur when a property meets, or ceases to meet, the definition of investment property and there is supporting evidence that a change has occurred.

The amendments also re-characterise the list of evidence in the standard as a non-exhaustive list, thereby allowing for other forms of evidence to support a transfer.

The adoption of these amendments has no impact on these financial statements as the clarified treatment is consistent with the manner in which the Group has previously assessed transfers.

G. HK(IFRIC)–Int 22 – Foreign Currency Transactions and Advance Consideration

The Interpretation provides guidance on determining the date of the transaction for determining an exchange rate to use for transactions that involve advance consideration paid or received in a foreign currency and the recognition of a non-monetary asset or non-monetary liability. The Interpretation specifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part thereof) is the date on which the entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

The adoption of these amendments has no impact on these financial statements as the Group has not paid or received advance consideration in a foreign currency.

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these consolidated financial statements, will or may have an effect on the Group's future consolidated financial statements:

HKFRS 16	Leases[1]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments[1]
Amendments to HKFRS 9	Prepayment Features with Negative Compensation[1]
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 3, Business Combinations[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKFRS 11, Joint Arrangements[1]
Annual Improvements to HKFRSs 2015-2017 Cycle	Amendments to HKAS 12, Income Taxes[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement[1]
Amendments to HKAS 28	Long-term Interests in Associates and joint ventures[1]
Amendments to HKAS 1 and HKAS 8	Definition of materials[2]
Amendments to HKFRS 3	Definition of Business[2]

Notes:

1 Effective for annual period beginning on or after 1 January 2019

2 Effective for annual period beginning on or after 1 January 2020

3 Effective for annual period beginning on or after 1 January 2021

4 The amendments were originally intended to be effective for periods beginning on or after 1 January 2017. The effective date has now been deferred/removed. Early application of the amendments of the amendments continue to be permitted.

A. HKFRS 16 – Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 "Leases" and related interpretations, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of use asset and interest on the lease liability, and also classify cash repayments of the lease liability into a principal portion and an interest portion and present them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, HKAS 17.

In respect of the lessor accounting, HKFRS 16 substantially carries forward the lessor accounting requirements in HKAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

B. HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

4 SEGMENT INFORMATION

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

For the years ended 31 December 2018 and 2017, revenue from a shareholder - CIFI Holdings (Group) Co. Ltd., its subsidiaries and joint venture (the "**CIFI Group**") contributed 19.5% and 20.3% 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 years ended 31 December 2018 and 2017.

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

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC for the years ended 31 December 2018 and 2017.

As at 31 December 2018 and 2017, all of the non-current assets of the Group were located in the PRC.

5 REVENUE

Revenue mainly comprises proceeds from property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue by category for the years ended 31 December 2018 and 2017 was as follows:

(a) Disaggregated revenue information

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue from contract with customer		
Property management services	**666,853**	472,268
Value-added services to non-property owners	**210,530**	142,985
Community value-added services	**198,447**	110,064
	1,075,830	725,317
Geographical markets		
Mainland China	**1,075,830**	725,317
Timing of revenue recognition		
Services transferred over time	**1,075,830**	725,317

(b) Unsatisfied performance obligations

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

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

For the years ended 31 December 2018 and 2017, there were no significant incremental costs to obtain a contract.

(d) Details of contract liabilities

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

	31 December 2018 RMB'000	31 December 2017 *RMB'000*
Contract liabilities	**171,339**	120,077

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

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

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management services	**79,760**	61,367
Value-added service to non-property owners	**25,217**	3,077
Community value-added services	**5,468**	4,871
	110,445	69,315

6 TRADE AND BILLS RECEIVABLES

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Related parties	**42,787**	38,425
Third parties	**128,439**	89,310
Total	**171,226**	127,735
Less: impairment	**(9,515)**	(6,274)
	161,711	121,461
Bill receivables	**321**	—
	162,032	121,461

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

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

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

As at 31 December 2018 and 2017, the ageing analysis of the trade receivables based on invoice date were as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Within 1 year	**151,921**	105,216
1 to 2 years	**16,507**	19,994
2 to 3 years	**1,335**	1,180
3 to 4 years	**626**	619
4 to 5 years	**339**	405
Over 5 years	**498**	321
	171,226	127,735

7 TRADE PAYABLES

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Related parties	**—**	—
Third parties	**71,844**	36,730
	71,844	36,730

Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade payables as at 31 December 2018 and 2017 were as follows:

	31 December 2018	31 December 2017
	RMB'000	*RMB'000*
Within 1 year	**71,570**	36,702
1 to 2 years	**274**	2
2 to 3 years	**—**	13
3 to 4 years	**—**	13
	71,844	36,730

8 INCOME TAX EXPENSE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax		
Tax for the current year	**44,599**	30,471
Over-provision in respect of prior year	**—**	(48)
	44,599	30,423
Deferred tax		
Credited to profit or loss for the year	**(3,052)**	(1,954)
	41,547	28,469

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

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

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the years ended 31 December 2018 and 2017.

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.

The income tax expense for the years ended 31 December 2018 and 2017 can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profit before income tax expense	**141,787**	104,911
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**35,447**	26,228
Tax effect of share of profit of an associate	**(621)**	(156)
Tax effect of share of profit of an joint venture	**(1,621)**	—
Tax effect of expenses not deductible for tax purposes	**5,539**	1,287
Tax effect of income not taxable for tax purposes	**(180)**	—
Effect of deductible temporary differences/(tax losses) not recognised	**(1,009)**	(1,164)
Effect of tax exemptions granted to PRC subsidiaries	**453**	38
Over-provision of tax for the prior year	**—**	(48)
Deferred tax on undistributed earnings of PRC subsidiaries	**3,539**	2,284
Income tax expense	**41,547**	28,469

9 EARNINGS PER SHARE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Profits		
Profit attributable to owners of the Company	**100,521**	76,442

	2018	2017
	Number'000	*Number'000*
Number of shares		
Weighted average number of ordinary shares	**1,135,618**	1,120,000

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

Weighted average of 1,135,618,000 ordinary shares for the year ended 31 December 2018, includes the weighted average of 380,000,000 ordinary shares issued immediately after the completion of placing, in addition to the aforementioned 1,120,000,000 ordinary shares for the year ended 31 December 2017.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the years ended 31 December 2018 and 2017.

10 DIVIDENDS

A final dividend of HK$0.0231 per ordinary share of the Company has been proposed for the year ended 31 December 2018 (2017: Nil).

11 SUBSEQUENT EVENTS

On 4 January 2019, the Over-allotment Option described in the Prospectus of the Company has been partially exercised by Haitong International Securities Company Limited, the Sole Global Coordinator, on behalf of the International Underwriters, in respect of an aggregate of 36,400,000 shares to facilitate the partial return of the 57,000,000 shares borrowed by Haitong International Securities Company Limited, the Stabilizing Manager, from Elite Force Development for covering the over- allocation of Shares under the International Placing. The Over-allotment shares was issued and allotted by the Company at HK$1.78 per share, being the final Offer Price under the Global Offering.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

We are a reputable and fast-growing property management service provider in China. In June 2018, we were named one of the "2018 China's Top 100 Property Management Companies (2018中國物業服務百強企業)" in terms of overall strength by the China Index Academy, ranking 20th among our peers in the industry. As at 31 December 2018, we had provided property management services and value-added services in 43 cities in China with a contracted gross floor area ("**GFA**") of approximately 65.6 million sq.m., a total GFA under management of approximately 40.2 million sq.m., serving more than 200,000 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 customers with access to quality tailored services. In June 2018, we were honoured with the title of "2018 China Leading Office Property Management Companies (2018年中國辦公物業管理領先企業)".

We embrace a concept of "Build a Better Life with Heart (用心構築美好生活)" and we are committed to providing all of our clients with comprehensive and considerate professional property management services, researching and developing our services to build up our high-end service brand name, such as "Bowyer Steward" (鉑悦管家) for high-end residential properties and "Yueze Commercial" (悦澤商辦) 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, among others, (i) home living services; (ii) parking space management, leasing and sales services; (iii) property agency services; and (iv) common area value-added services.

Property Management Services

Significant 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 two-wheel drive. As of 31 December 2018, our contracted GFA was approximately 65.6 million sq.m., and the number of contracted projects was 380, increased by 96.4% and 63.8% respectively, while the GFA under management generating revenue was 40.2 million sq.m., the number of projects under management reached 258, up by 52.0% and 37.2% respectively as compared with those as of 31 December 2017. Benefited from the increase in GFA under management, the Group recorded revenue of approximately RMB1,075.8 million for the year 2018, representing a significant increase of 48.3% over the year 2017.

The table below indicates the movement of our contracted GFA and GFA under management for the year ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	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 year	**33,367**	**26,479**	22,644	16,122
New engagements[1]	**34,198**	**15,774**	8,298	7,932
Acquisitions [2]	**—**	**—**	4,261	4,261
Terminations [3]	**(2,014)**	**(2,014)**	(1,836)	(1,836)
As at the end of the year	**65,551**	**40,239**	33,367	26,479

Notes:

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

(2) These refer to engagements obtained through our acquisition of Ningbo Yongda Property Management Co., Ltd. in 2017.

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

Our Geographic Presence

Since our inception up to 31 December 2018, we have expanded our geographic presence from Shanghai to 43 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 years ended 31 December 2018 and 2017:

	As at 31 December or for the year ended 31 December					
	2018			**2017**		
	GFA	**Revenue**		**GFA**	**Revenue**	
	sq.m.'000	***RMB'000***	*%*	*sq.m.'000*	*RMB'000*	*%*
Eastern region [1]	**27,865**	**447,499**	**67.1**	18,649	307,286	65.1
Northern region [2]	**4,118**	**99,071**	**14.8**	3,236	87,847	18.6
Central Southern region[3]	**4,831**	**64,462**	**9.7**	2,403	45,426	9.6
Western region[4]	**2,495**	**48,389**	**7.3**	1,934	28,671	6.1
Northeastern region [5]	**930**	**7,432**	**1.1**	257	3,038	0.6
Total	**40,239**	**666,853**	**100.0**	26,479	472,268	100.0

Notes:

(1) Cities in which we have property management projects in the eastern region include Shanghai, Suzhou, Dezhou, Zhenjiang, Xuzhou, Nanjing, Hangzhou, Jiaxing, Huzhou, Ningbo, Fuzhou, Xiamen, Chuzhou, Wuhu, Hefei, Heze, Bozhou, Qingdao, Wuxi, Jiangyin and Wenzhou.

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

(3) Cities in which we have property management projects in the central southern region include Wuhan, Changsha, Guangzhou, Guilin, Zhuhai, Fushan, Yichang, Wuhan, Yiyang, Shaoyang, Hengyang and Zhengzhou.

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

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

Two-wheel Driven Business Strategies

We have been benefited from the rapid growth of the property development business of CIFI Holdings (Group) Co. Ltd. and its subsidiaries ("**CIFI Group**").

While getting support from the CIFI Group, we are also actively making efforts towards market-oriented operation and insisting on expanding into independent third-party markets. We are proud of these strategies, and trust that it would enable us to actively develop a diversified customer basis. The principle targets of independent third-party business include independent regional real estate developers, and we seek to obtain management rights of first-hand projects through participating in the bidding of their development projects. We actively participate in the owners' committees' bidding process to replace the original property management companies, so as to obtain management rights for second-hand projects. Meanwhile, we seek strategic cooperation with certain real estate developers to increase our chances of winning such property management rights. In 2018, we have achieved successful strategic cooperations with several property development companies, including Suzhou Gaoxin Property Group Company Limited (蘇州高新地產集團有限公司), and Shandong Fuhan Group (山東福漢集團), and will have priorities to the property management rights of properties developed by these enterprises.

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

Continuous Increase in Average Property Management Fee

Through continuously optimising our management service projects, enhancing the price standard of our new projects and raising the fee of certain projects under management, our average property management fee was also increased.

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 and average unit price of management fee for the year ended 31 December 2018 and 2017:

	As at 31 December or for the year ended 31 December							
	2018				2017			
	GFA	**Revenue**		**RMB/ sq.m./ month**	GFA	Revenue		RMB/ sq.m./ month
	sq.m.'000	***RMB'000***	***%***		*sq.m.'000*	*RMB'000*	*%*	
CIFI Group(1)	**14,640**	**437,931**	**65.7**	**3.22**	13,200	337,308	71.4	2.65
Third-party property developers(2)	**25,599**	**228,922**	**34.3**	**1.83**	13,279	134,960	28.6	1.47
Total	**40,239**	**666,853**	**100.0**		26,479	472,268	100.0	

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

(2) Refers to properties solely developed by third-party 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 Types of Properties under Management

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

We have contracted to manage industrial parks, hospitals, factories, exhibition centers, gymnasiums, parks and educational institutions, including Suzhou Entrepreneurship Park (蘇州創業園), Qingdao International Innovation Park (青島國際創新園), the Second People Hospital of Dezhou (德州市第二人民醫院) and the Xiamen branch office of a PRC telecom corporation.

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 for the years ended 31 December 2018 and 2017:

	As at 31 December or for the year ended December 31,					
	2018			2017		
	GFA	Revenue		GFA	Revenue	
	sq.m.'000	*RMB'000*	*%*	*sq.m.'000*	*RMB'000*	*%*
Residential properties	**32,808**	**464,281**	**69.6**	22,308	346,120	73.3
Non-residential properties	**7,431**	**202,572**	**30.4**	4,171	126,148	26.7
Total	**40,239**	**666,853**	**100.0**	26,479	472,268	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, 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 2017 and 2018, 99.2% and 98.7% of our revenue generated from property management services was charged on a lump sum basis, respectively, while 0.8% and 1.3% of our revenue generated from property management services was charged on a commission basis for those years, 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 years ended 31 December 2018 and 2017:

	As at 31 December or for the year ended 31 December					
	2018			2017		
	GFA	Revenue		GFA	Revenue	
	sq.m.'000	*RMB'000*	*%*	*sq.m.'000*	*RMB'000*	*%*
Lump sum basis	**35,827**	**658,129**	**98.7**	25,746	468,439	99.2
Commission basis	**4,412**	**8,724**	**1.3**	733	3,829	0.8
Total	**40,239**	**666,853**	**100.0**	26,479	472,268	100.0

Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services (primarily includes case management services), additional tailored services, preliminary planning and design consultancy services, housing repair services, pre-delivery inspection services, and extend the professional services of property management to the front end of real estate development. Most of these non-property owners are property developers.

In 2018, revenue from value-added services to non-property owners has increased significantly by 47.2% from approximately RMB143.0 million in 2017 to approximately 210.5 million, mainly due to the substantial increase in the number of projects developed by CIFI Group and the cooperating third-party developers, as well as the increase in demand for services such as case management services and delivery inspection. In 2018, the revenue from value-added services to non-property owners accounted for 19.6% 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 years indicated:

	For the year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Sales assistance services	**134,163**	**63.7**	82,694	57.8
Additional tailored services	**30,337**	**14.4**	24,937	17.4
Preliminary planning and design consultancy services	**15,838**	**7.5**	12,400	8.7
Housing repair services	**22,997**	**10.9**	16,728	11.7
Pre-delivery inspection services	**7,194**	**3.4**	5,126	3.6
Others	**1**	**0.1**	1,100	0.8
Total	**210,530**	**100.0**	142,985	100.0

Community Value-Added Services

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

In 2018, revenue from community value-added services increased significantly by 80.3% from approximately RMB110.1 million in 2017 to approximately RMB198.4 million, mainly due to the expansion of our management area, the substantial increase in service users, and the increasing market penetration of our diversified products.

Based on the research of community conditions and service target groups, we have built the comprehensive "UP Life" system through years of research, including sub-brands such as the "Ever Sunshine Community" (旭惠團), "Ever Sunshine Tours" (鄰聚遊), "Ever Sunshine Home Décor" (旭惠美家) and "Sales and Leasing Assistance" (租售中心), and have developed value-added service products suitable for owners within the communities, so as to boost the revenue generated from our community value-added services. In 2018, the revenue generated by our community value-added services reached 18.4% of our total revenue.

Currently, our community value-added services include four major areas, i.e. home living services, parking space management, leasing and sales services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our communities value-added services for the years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		**2017**	
	RMB'000	**%**	*RMB'000*	*%*
Home living services [1]	**90,410**	**45.6**	47,205	42.9
Parking space management, leasing and sales services [2]	**33,392**	**16.8**	15,170	13.8
Property agency services [3]	**43,668**	**22.0**	23,406	21.2
Common area value-added services [4]	**30,977**	**15.6**	24,283	22.1
Total	**198,447**	**100.0**	110,064	100.0

Notes:

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

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

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

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

OUTLOOK

Further increase our business scale and market share

We plan to increase the number of properties and GFA under management. We will further expand and optimise 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 socialisation and diversify the portfolio of properties under management by managing more non-residential properties, such as hospitals, exhibition centres 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 presence and enhance our brand awareness.

Further invest in technologies and intelligent operations

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

We plan to further invest in the upgrade of our internal management system. We plan to optimise 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 centralised command centre 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 standardisation, centralisation, digitalisation and automation to ensure the delivery of consistently 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 capabilities by organising offline branding events, such as press conferences and industry events, and publicising our brand stories.

FINANCIAL REVIEW

Revenue

During the year 2018, due to our continuous business development, the Group's revenue was approximately RMB1,075.8 million, representing an increase of 48.3% from approximately RMB725.3 million in 2017.

Revenue of the Group by business line is as follows:

	For the year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
Property management services	**666,853**	**62.0**	472,268	65.1
Value-added services to non-property owners	**210,530**	**19.6**	142,985	19.7
Community value-added services	**198,447**	**18.4**	110,064	15.2
Total revenue	**1,075,830**	**100.0**	725,317	100.0

The property management services is still our largest source of income. During 2018, the revenue from property management services was approximately RMB666.9 million, accounting for 62.0% 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 26.5 million sq.m. as of 31 December 2017 to approximately 40.2 million sq.m. as of 31 December 2018. The following table sets out the Group's revenue derived from property management services by type of property developer during the year:

	For the year ended 31 December			
	2018		2017	
	RMB'000	*%*	*RMB'000*	*%*
CIFI Group	**437,931**	**65.7**	337,308	71.4
Third-party property developers	**228,922**	**34.3**	134,960	28.6
Total revenue	**666,853**	**100.0**	472,268	100.0

The increase in revenue from value-added services to non-property owners and community value-added services was mainly due to our expansion in the scope of value-added services provided, as well as the increase of our management area.

Cost of sales

Cost of sales increased by approximately 41.4% from approximately RMB542.4 million for 2017 to approximately RMB766.8 million for 2018, primarily due to the increase 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 our investment in intelligent operation and effective cost control measures primarily including employing technological solutions to control labour costs and standardising our procedures in relation to our various services.

Gross Profit

As a result of the above principal factors, the Group's gross profit increased by approximately 68.9% from approximately RMB182.9 million for 2017 to approximately RMB309.0 million for 2018.

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

	For the year ended 31 December	
	2018	2017
Property management services	**20.7%**	18.0%
Value-added services to non-property owners	**21.6%**	20.3%
Community value-added services	**63.4%**	62.4%
Overall	**28.7%**	25.2%

During the year 2018, the gross profit margin of the Group increased by 3.5 percentage points, which was primarily due to the growth of our community value-added services which has higher gross profit margin, and operation process optimisation which drove to the overall improvement of gross profit margin.

Our gross profit margin of property management service increased by 2.7 percentage points, primarily due to our successful implementation of cost-control measures, such as further adopting technologies and automated equipment to replace manual labour. The Group has continuously promoted the construction of intelligent community and management system, which successfully reduced our cost and improved our efficiency.

During the year 2018, the Group vigorously promoted the development of value-added services to non-property owners and community value-added services. The revenue derived from value-added services to non-property owners and community value-added services grew rapidly. The increase in gross profit margin of value-added services to non-property owners and community value-added services was mainly attributable to the economies of scale.

Other income and other net gain

During the year 2018, the Group's other income and other net gain amounted to approximately RMB16.0 million, representing an increase of approximately 56.9% from approximately RMB10.2 million for 2017, primarily due to an increase in government grant in relation to tax refund.

Administrative expenses

During the year 2018, the Group's total administrative expenses amounted to approximately RMB191.2 million, representing an increase from approximately RMB87.9 million for 2017, which was mainly due to the growth of our business volume, the increase of personnel investment as well as the occurrence of listing expenses.

The following table sets out a summary for administrative expenses:

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Staff costs	**103,774**	54,889
Listing expenses	**25,650**	—
Travelling and entertainment	**14,598**	6,760
Office and communication expenses	**8,474**	6,492
Rental expenses	**11,748**	4,986
Bank charge	**3,036**	2,120
Depreciation	**2,123**	1,092
Impairment loss	**4,087**	3,820
Other tax expenses	**229**	318
Legal and professional service fees	**7,184**	4,078
Others	**10,339**	3,382
Total administrative expenses	**191,242**	87,937

The increase of staff costs was mainly caused by the increase in both the headcount and average salary of our administrative staff. During the 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 specialised 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.

The shares of our Company were successfully listed on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 December 2018, thus we incurred the professional fees in relation to the Company's listing during the year.

The increase of our travelling and entertainment expenses, office and communication expenses, rental expenses and other related expenses was mainly due to the expansion of our business volume.

Share of joint venture's profit

During the year 2018, the share of joint venture's profit amounting to approximately RMB6.5 million was the share of profit 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. The Group recognises the share of profit and loss of Yongsheng Yizhi by applying equity method.

Share of associate's profit

During the year 2018, the share of associate's profit was share of profit of Chongqing Xuyuan Tiancheng Property Service Company Limited (重庆旭原天澄物业管理有限公司) ("**Xuyuan Tiancheng**"), which was principally engaged in provision of property management services. 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.

Other expenses

During the year 2018, the Group recorded other expenses of approximately RMB0.9 million, almost the same with approximately RMB0.9 million for 2017.

Profit before income tax expense

During the year 2018, the profit before income tax was approximately RMB141.8 million, representing an increase of approximately 35.2%, as compared with approximately RMB104.9 million for 2017.

Income tax expense

During the year 2018, the Group's income tax was approximately RMB41.5 million, representing 29.3% of the profit before income tax expense, compared with approximately RMB28.5 million, representing 27.1% of the profit before income tax expense in 2017. The higher income tax rate during the year was mainly due to the non-deductible expenses suffered during the year such as professional fees for the listing of the Company.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for 2018 was approximately RMB100.5 million, representing an increase of approximately 31.5%, as compared with approximately RMB76.4 million for 2017.

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 31 December 2018, the Group's property, plant and equipment amounted to approximately RMB27.0 million, representing an increase from approximately RMB14.6 million as at the end of 2017, which was mainly due to the purchase of information technology systems and leasehold improvements 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 31 December 2018, the Group's investment properties amounted to approximately RMB49.3 million, while that was approximately RMB48.2 million as at 31 December 2017. The slight increase was mainly caused by the change in fair value.

Trade and bill receivables

Our trade and bill receivables mainly arise from property management services income under a lump sum basis and value-added services to non-property owners. As at 31 December 2018, trade and bills receivables of the Group amounted to approximately RMB162.0 million, representing an increase from approximately RMB121.5 million as at 31 December 2017, which was in consistency with the increase in our revenue.

Prepayments, deposits and other receivables

Our prepayments, deposits and other receivables mainly consist of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements and biding deposits in relation to the public biddings. As at 31 December 2018, our prepayments, deposits and other receivables amounted to approximately RMB51.3 million, representing a slight decrease from approximately RMB54.9 million as at 31 December 2017.

Cash and cash equivalents

As at 31 December 2018, the Group's cash and cash equivalents were approximately RMB1,160.1 million, representing a significant increase of 164.7% from approximately RMB438.2 million as at 31 December 2017, which was primarily attributable to net proceeds from the initial public offering of the Company on 17 December 2018.

Trade payables

As at 31 December 2018, trade payables of the Group amounted to approximately RMB71.8 million, representing an increase from approximately RMB36.7 million as at 31 December 2017, 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 optimise our operations.

Accruals and other payables

As at 31 December 2018, our accruals and other payables was approximately RMB286.6 million, representing an increase from approximately RMB264.9 million as at 31 December 2017, which is mainly due to the increase of salaries payable and other tax payable, caused by the increase of our employees 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 31 December 2018, our contract liabilities amounted to approximately RMB171.3 million, representing an increase of 42.6% from approximately RMB120.1 million as at 31 December 2017, primarily due to the increase in our GFA under management and our customer base during the year.

Cash flows

During the year 2018, net cash inflow from operating activities of the Group amounted to approximately RMB174.8 million, as compared to approximately RMB189.7 million in 2017, which was mainly due to the increase of income tax paid during the year of 2018.

During the year 2018, net cash outflow from investing activities amounted to approximately RMB5.8 million, as compared to approximately RMB6.2 million in 2017. The lower cash outflow was mainly attributable to the increase of bank interest income received.

Net cash inflow from financing activities amounted to approximately RMB553.0 million for 2018, while there was net cash inflow from financing activities amounted to approximately RMB2.3 million for 2017, which was mainly due to net proceeds from issuance of ordinary shares.

Gearing ratio and the basis of calculation

As at 31 December 2018, the gearing ratio of the Group was 1.0%, while that was nil as at 31 December 2017. 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 year 2018, capital expenditure of the Group amounted to approximately RMB16.0 million, representing an increase from approximately RMB3.0 million for 2017, primarily due to capital expenditure arising from purchase of information technology systems as well as leasehold improvements.

Capital structure

As at 31 December 2018, 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 31 December 2018, equity attributable to owners of the company amounted to approximately RMB898.9 million, compared to approximately RMB244.7 million as at 31 December 2017.

Financial position of the Group remained stable. As at 31 December 2018, the Group's net current assets was approximately RMB809.9 million, compared to approximately RMB171.8 million as at 31 December 2017.

Liquidity and financial resources

During the year 2018, the Group's principal use of cash was working capital, 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 global offering to finance some of our capital expenditures.

As at 31 December 2018, 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 nil as at 31 December 2017. 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 end of 2018.

Pledging of assets

As at 31 December 2018, the Group's pledged bank deposits amounted to approximately RMB10.0 million (as at 31 December 2017: nil), which is to secure the bank borrowing granted to the Group.

Contingent liabilities

As at 31 December 2018, the Group had no contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims 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.

Foreign exchange risk

The principal activities of the Group are conducted in the PRC, and the 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. 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 31 December 2018, the Group had 6,066 employees (31 December 2017: 4,799 employees).

Use of proceed raised from initial public offering

On 17 December 2018, the shares of our Company were successfully listed on the Stock Exchange. Our initial public offering ("**IPO**") was well received by investors in both the international offering and the Hong Kong public offering. Net proceeds raised from the IPO were approximately HK$619.8 million (equivalent to approximately RMB546.6 million).

As stated in the Prospectus, we intended to use (i) approximately 55%, or approximately HK$340.9 million (equivalent to approximately RMB300.6 million) for strategic acquisition and investment, (ii) approximately 26%, or approximately HK$161.1 million (equivalent to approximately RMB142.1 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$55.8 million (equivalent to approximately RMB49.2 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$62.0 million (equivalent to approximately RMB54.7 million) as for our general corporate purposes and working capital.

As at 31 December 2018, due to the effective operational management and sufficient working capital of the Group, the net proceeds raised from IPO had not been utilised.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0231 per ordinary share of the Company for the year ended 31 December 2018. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on 28 May 2019 (the "**AGM**") and, subject to the approval by the Shareholders at the AGM, is expected to be paid on or about 28 June 2019 to the Shareholders whose names appear on the register of members of the Company on 5 June 2019.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the financial year ended 31 December 2018.

AUDIT COMMITTEE

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors. As the Company was listed on the Stock Exchange on 17 December 2018, no Audit Committee meeting was held during the year ended 31 December 2018. The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 23 May 2019 to 28 May 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 22 May 2019; and

(ii) from 1 June 2019 to 5 June 2019, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 31 May 2019.

ANNUAL GENERAL MEETING

The annual general meeting of the Company will be held on 28 May 2019, the notice of which will be published and dispatched to Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2018 Annual Report of the Company will be dispatched to Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ysservice.com.cn in due course. This announcement can also be accessed on these websites.

APPRECIATION

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

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

Hong Kong, 22 March 2019

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