



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

2018
ANNUAL REPORT

Build a Better Life with Heart



CONTENTS

	Page
Corporate Information	2
Awards and Honors	4
Definitions	5
Chairman's Statement	8
Management Discussion and Analysis	11
Profile of Directors and Senior Management	28
Corporate Governance Report	36
Directors' Report	50
Independent Auditor's Report	67
Consolidated Statements of Profit or Loss and Comprehensive Income	72
Consolidated Statements of Financial Position	73
Consolidated Statements of Changes in Equity	75
Consolidated Statements of Cash Flows	77
Notes to the Consolidated Financial Statements	79
Financial Summary	146





BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. LIN Feng
Mr. GE Ming

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. YEUNG Ching Man

AUTHORISED REPRESENTATIVES

Mr. LIN Zhong
Mr. LIN Feng

STRATEGY COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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



PRINCIPAL BANKS

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

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

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

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

AUDITOR

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

COMPLIANCE ADVISER

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

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG SHARE REGISTRAR

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

STOCK CODE

1995

WEBSITE

www.ysservice.com.cn







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

AGM	the annual general meeting to be held by the Company on 28 May 2019
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee under the Board
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share incentive scheme to be adopted by the Company at least six months after Listing
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the “Board Committee” means any of them
BVI	the British Virgin Islands
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
China or PRC	the People’s Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to “China” and the “PRC” do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
CIFI Group	CIFI Holdings and its subsidiaries
CIFI Holdings	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (stock code: 0884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board
CIFI (PRC)	CIFI Group Co., Ltd. (旭輝集團股份有限公司) (formerly known as Shanghai Yongsheng Real Estate Co., Ltd. (上海永升置業有限公司) and CIFI Group Company Limited (旭輝集團有限公司)), a joint stock company with limited liability established in the PRC and an indirect wholly-owned subsidiary of CIFI Holdings
Company, we or us	Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and the Shares of which are listed on the Main Board





Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, Elite Force Development, CIFI Holdings, Xu Sheng, Spectron and Best Legend
Deed of Non-Competition	the deed of non-competition dated 26 November 2018 given by our Ultimate Controlling Shareholders in favor of the Company (for itself and as trustee for each of the subsidiaries)
Director(s)	director(s) of the Company
Elite Force Development	Elite Force Development Limited, a limited liability company incorporated in the BVI on 4 April 2018, one of our Controlling Shareholders and is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Independent Third Party(ies)	an individual(s) or a company(ies) who or which is/are not connected with (within the meaning of the Listing Rules) any Director, chief executive or substantial shareholders (within the meaning of the Listing Rules) of the Company, its subsidiaries or any of their respective associates
IPO	the initial public offering of the Company
Listing	the listing of the Shares on the Main Board
Listing Date	the date on which dealings in the Shares on the Main Board first commence, being 17 December 2018
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange, as amended, supplemented or otherwise modified from time to time
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Memorandum or Memorandum of Association	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee under the Board



Over-allotment Option	the option granted by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 57,000,000 additional new Shares to, among other things, cover the over-allocations (if any) in the placing of Shares to professional, institutional and other investors (the portion of which has not been exercised has lapsed on 6 January 2019)
Over-allotment Shares	an aggregate of 36,400,000 Shares issued and allotted by the Company at HK\$1.78 per Share following the partial exercise of the Over-allotment Option on 4 January 2019
Prospectus	the prospectus of the Company dated 4 December 2018
Remuneration Committee	the remuneration committee under the Board
Renminbi or RMB	the lawful currency of the PRC
SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board
Spectron	Spectron Enterprises Limited, a limited liability company incorporated in the BVI on 18 September 2014 and one of our Controlling Shareholders
Stock Exchange or Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee under the Board
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd. (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company





Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of the Group for the year ended 31 December 2018.

2018 is the Group's first year of listing on the Main Board of the Stock Exchange. With the support from our Shareholders as well as the diligent and dedicated employees of the Company, and benefiting from the favourable development trend within the industry, as well as the rapid growth in market demand, our performance rides on the overall upward trend and achieved steady growth.

As a reputable and fast-growing property management service provider in China, the Group breaks away from the traditional mode of basic property services and designs its services around the whole life cycle and different scenarios in life by being perceptive of its customers' need. Our ultimate aim is to establish the Company as a trustworthy service provider for smart community. In terms of business development, the Group adheres to our nationwide expansion roadmap and market development strategy of "Four-wheel Driven Business". Our effort is gradually showing good results, and the strategic orientation of diversified development also provides a broader space for the Group's overall performance growth.

As China's urban population continues to rise, real estate remains one of the important pillars of economic development. In 2018, CIFI Holdings continued to expand its business scope to more cities, providing a powerful boost to Ever Sunshine's market development. At the same time, based on the Group's multi-brand and diversified development strategy, we continue to expand operations across the nation. We insist on the tactics of in-depth regional work and constantly explore innovative cooperation models to promote diversified horizontal expansion, such as penetrating into high-end residential, public and commercial properties. We actively seek strategic cooperation with real estate developers with sufficient land reserves and long-term market competitiveness, and work together for a win-win situation.

Our good market reputation, brand recognition, well-respected service quality and professional market development teams are strong support for the rapid development of our business. In 2018, we successively signed Chongqing BBMG Dacheng New Metropolis (重慶金隅大成新都會), Suzhou Guanlan Siji Jiayuan (蘇州觀瀾四季佳苑), Changsha North Star Delta Aocheng D2 zone (長沙北辰三角洲奧城D2區) and other benchmark residential projects, reflecting our powerful edge in residential project services.

In the field of public property services, we have acquired the property service contracts of projects including Dezhou Solar Town (太陽能德州小鎮), the Second People Hospital of Dezhou (德州市第二人民醫院) and Xiamen Meteorological Station (廈門市氣象台). We are also proud that one of our subsidiaries, Shandong Luban Yongsheng Property Management Company Limited ("Shandong Yongsheng"), has outcompeted its peers and become the sole full-service provider to the "2nd Solar Decathlon China 2018 (2018年第二屆中國國際太陽能十項全能競賽)" hosted by China Industrial Overseas Development Association (中國產業海外發展協會) and jointly sponsored by China's National Energy Administration and the Department of Energy of the United States. Shandong Yongsheng was awarded the title of "Excellent Service Provider" in this event.



In the field of commercial property services, we have successively won service contracts for the Qingdao International Innovation Park (青島國際創新園) (a national industrial park), the super high-rise landmarks Orange Star Square (橙星廣場) and Orange Star Building (橙星大廈) in Jiangyin. Among them, the Qingdao International Innovation Park project, with a total construction area of 640,000 sq. m., is a two-level key project of Shandong Province and Qingdao City.

In terms of basic service quality, the Group has established the residential, high-end and commercial property divisions respectively by differentiating the divisions according to the industry landscape, and focused on building six major community caring systems for life, security, environment, maintenance, inquiries and intelligent service. We introduced 37°C community cultural service system, which provides the property owners with diversified living services such as painting, reading, parent-child education, sports and fitness, on top of basic property services. 37°C community has won unanimous praise from the owners we served.

Meanwhile, the “Bowyer Steward” (鉞悅管家) launched by the Group in March 2018 is our brand for high-end residential properties, and has commenced services at nine properties located in Suzhou, Shanghai, Beijing, Nanjing and Hefei. In accordance with our brand value “worry-free private butlers, all-attentive privileged care”, we offer our clients with community butler services that see to all their personal needs in a carefree environment. Bowyer Steward will be introduced to other high-end projects of the Company, providing unique service experience to more property owners.

Yueze Commercial (悅澤商辦) is one of our brands introduced specifically for commercial properties, committed to creating a full-cycle value chain business service system covering the initial, middle and later-stage of the enterprise and customer demand contact points. In April 2018, the Group introduced the Yueze Commercial service system and service grading standards system, and implemented them in 56 projects in Shanghai, Beijing, Tianjin, Wuhan, Xi'an, Chongqing, Qingdao, Suzhou. The target of obtaining seven flagship projects for Yueze Commercial was swiftly achieved. We aim to provide a worry-free work environment for the companies we serve and add value to their assets. Customers spreading words of satisfaction will soon be the best publicity for Yueze Commercial services.

BUSINESS REVIEW

As at 31 December 2018, the contracted GFA of the Group's property management services was approximately 65.6 million sq. m., representing an increase of approximately 96.4% as compared with that at the end of 2017. For the year ended 31 December 2018, the Group's revenue increased by 48.3% to approximately RMB 1,075.8 million due to our continued business development. Among them, the revenue from property management services was approximately RMB666.9 million, the revenue from value-added services to non-property owners was RMB210.5 million, and the revenue from community value-added services was RMB198.4 million. The profit for the year of 2018 was approximately RMB100.2 million, representing an increase of approximately 31.2% from RMB76.4 million for 2017. The core profit (representing the profit excluding the impact of the listing expenses) was approximately RMB125.9 million, representing an increase of 64.8% over 2017.





PROPOSED FINAL DIVIDEND

The Board believes that the Group had excellent operation and financial performances during the year, and its philosophy is to share the fruits of growth with shareholders through dividends. As the Group has sufficient funds to meet its operational and investment needs in the foreseeable future, 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.

OUTLOOK

The Group will adhere to the overall strategy of “platform + ecology” to achieve sustainable and quality growth. We are committed to becoming a reliable service provider for smart community life, and helping to build a better life with heart. We shall uphold our five core service concepts: devotion, commitment, attention, love and care, seek continuous improvement and innovation to provide customers with “satisfaction + surprise”. We shall guard against complacency and take every step of the way, fulfil our duty with wisdom and responsibility, and reward the investors and shareholders with growth in value and corporate development. At the same time, we shall also enable our employees to attain personal enhancement through the continuous growth of the Company.

Furthermore, our management team is far-sighted, experienced, diligent and pragmatic. They dare to challenge high goals and excel at tackling difficulties, and are willing to offer help and continue to lead the team to win future battles. I believe that in long run, under the leadership of our excellent management team, all members of the Company will work hard to start a new chapter of the Group's booming development.



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 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” (鉑悅管家) for high-end residential properties and “Yueze Commercial” (悅澤商辦) for commercial properties and office buildings, in our endeavor to provide quality services for our customers.

Our Business Model

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

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





- Community value-added services: We provide community value-added services to property owners and residents to improve their living experiences and to preserve and increase the value of their assets. These services primarily include, 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

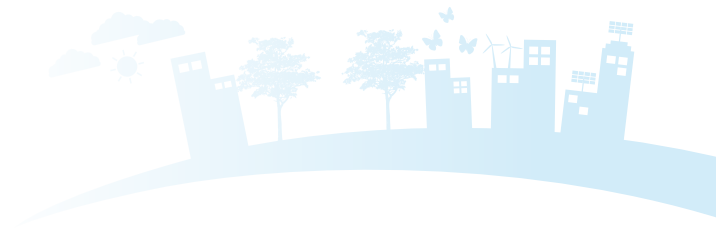
The Group adhered to the strategic goal of rapidly expanding our management coverage area, and achieved rapid growth in contracted area and management area through two-wheel drive. As of 31 December 2018, our contracted GFA was approximately 65.6 million sq.m., and the number of contracted projects was 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 years ended 31 December 2018 and 2017:

	For the year ended 31 December			
	2018		2017	
	Contracted GFA (‘000 sq.m.)	GFA under management (‘000 sq.m.)	Contracted GFA (‘000 sq.m.)	GFA under management (‘000 sq.m.)
As at the beginning of the 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	<u>65,551</u>	<u>40,239</u>	<u>33,367</u>	<u>26,479</u>

Notes:

- In relation to residential communities we manage, new engagements primarily include preliminary management contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.
- These refer to engagements obtained through our acquisition of Ningbo Yongda Property Management Co., Ltd. in 2017.
- 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 sq.m.'000	Revenue RMB'000	%	GFA sq.m.'000	Revenue 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, Foshan, 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 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 years ended 31 December 2018 and 2017:

	As at 31 December or for the year ended 31 December							
	2018				2017			
	GFA	Revenue		RMB/	GFA	Revenue		RMB/
sq.m.'000	RMB'000	%	sq.m./	sq.m.'000	RMB'000	%	sq.m./	
			month				month	
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 China Telecom.

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 different type of properties for the years ended 31 December 2018 and 2017:

	As at 31 December or for the year ended December 31,					
	2018			2017		
	GFA sq.m.'000	Revenue RMB'000	%	GFA sq.m.'000	Revenue 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 December 31,					
	2018			2017		
	GFA sq.m.'000	Revenue RMB'000	%	GFA sq.m.'000	Revenue 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 display units 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 RMB210.5 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 sales assistance 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 awareness 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	<u>1,075,830</u>	<u>100.0</u>	<u>725,317</u>	<u>100.0</u>





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 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	<u>191,242</u>	<u>87,937</u>

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 on 17 December 2018, thus we incurred the professional fees in relation to the 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 Management Company Limited (上海永升怡置物業管理有限公司) ("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 Management Company Limited (重庆旭原天澄物業管理有限公司) ("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 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.

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 bidding 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 IPO 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.

Interest rate risk

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

Foreign exchange risk

The principal activities of the Group are conducted in the PRC, and 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 except certain bank balances were denominated in Hong Kong dollars. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees.

As at 31 December 2018, the Group had 6,066 employees (as at 31 December 2017: 4,799 employees).



Use of proceed raised from IPO

On 17 December 2018, the Shares of our Company were successfully listed on the Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. Net proceeds raised from the IPO were approximately HK\$619.8 million.

As stated in the Prospectus, we intended to use (i) approximately 55%, or approximately HK\$340.9 million for strategic acquisition and investment, (ii) approximately 26%, or approximately HK\$161.1 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 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 as for our general corporate purposes and working capital. For the expected timeline of the intended use of proceeds, please refer to the implementation plan as set out in the Prospectus.

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 and were deposited with a licensed financial institution in Hong Kong.





PROFILE OF DIRECTORS AND SENIOR MANAGEMENT



EXECUTIVE DIRECTORS

Mr. LIN Zhong (林中), aged 50, was appointed as our Director on 16 April 2018 and re-designated as our executive Director and appointed as the chairman of our Board on 25 July 2018. Mr. Lin Zhong is the chairman of the Strategy Committee and the Nomination Committee and a member of the Remuneration Committee of the Company. Mr. Lin Zhong is primarily responsible for overall strategic decisions, business planning and major operational decisions. Mr. Lin Zhong has been serving as the director of Yongsheng Property since its establishment and served as the chairman of the board from October 2016 to March 2018.

Prior to joining our Group, Mr. Lin Zhong has been serving as the chairman and director of the board at CIFI (PRC) since August 2000, where he is responsible for overall business planning and significant decisions in business operations. Since May 2011, he has been serving as an executive director and the chairman of the board at CIFI Holdings, where he is responsible for formulating corporate strategies, business development and overall management.

Mr. Lin Zhong was appointed as an honorary chairman of Shanghai Sub-Chamber of National Real Estate Chamber of Commerce (全國房地產商會聯盟上海聯合會) in 2013, the vice chairman of Shanghai Population Welfare Foundation (上海市人口福利基金會) in 2014 and an honorary chairman of Fujian Chamber of Commerce in Shanghai (上海市福建商會) and the legal representative of Xiamen Chamber of Commerce in Shanghai (上海市廈門商會) in 2016.

Mr. Lin Zhong graduated from Xiamen University (廈門大學) in the PRC in July 1990, where he obtained a bachelor degree in economics. He graduated from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2009, where he obtained an executive master of business administration degree.

Mr. Lin Zhong is the brother of Mr. Lin Feng, one of our non-executive Directors.



Mr. ZHOU Hongbin (周洪斌), aged 49, was appointed as our executive Director on 25 July 2018 and has been the president of our Group since he joined in December 2017. Mr. Zhou is a member of the Strategy Committee of the Company. Mr. Zhou is primarily responsible for overall business operations and management, major decision making and executing the decisions of our Board.

Prior to joining our Group, from July 1992 to July 1997, Mr. Zhou served as a deputy director of finance department at CCTEG Chongqing Engineering Co., Ltd. (中煤科工集團重慶設計研究院有限公司), an institute mainly engaged in mining engineering, construction engineering and municipal construction, where he was responsible for daily financial accounting. From July 1997 to January 2003, Mr. Zhou served as an accounting supervisor at Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (formerly known as Chongqing Zhongjianke Real Estate Co., Ltd. (重慶中建科置業有限公司)), a company mainly engaged in property development and indirectly wholly owned by Longfor Group Holdings Co., Ltd. (龍湖集團控股有限公司) (formerly known as Longfor Properties Co., Ltd. (龍湖地產有限公司)) which is listed on the Stock Exchange (stock code: 0960), where he was primarily responsible for financial accounting, financial analysis and fund management. From January 2003 to August 2007, he served as a deputy general manager at Chongqing Longhu Real Estate Development Co., Ltd. Commercial Management Branch Office (重慶龍湖地產發展有限公司商業經營管理分公司), where he was responsible for daily management, investment promotion, business development and shopping mall management. From August 2007 to December 2014, he served as the chairman of the board, general manager of the company and general manager of the property management department at Longhu Property Service Co., Ltd. (龍湖物業服務集團有限公司) and was responsible for overall management and development and property management. From January 2015 to December 2017, he served as a senior vice president at Beijing Qianding Internet Company Limited (北京千丁互聯科技有限公司), a company offering value added services to residential communities, where he was responsible for platform operations and market development.

Mr. Zhou has been serving as a vice president at China Property Management Institute (中國物業管理協會) since October 2014, a deputy director at China Property Management Institute Industry Development Research Center (中國物業管理協會行業發展研究中心) since March 2014.

Mr. Zhou graduated from China University of Mining and Technology (中國礦業大學) in the PRC in July 1992, where he obtained a bachelor degree in accounting.





NON-EXECUTIVE DIRECTORS

Mr. LIN Feng (林峰), aged 43, was appointed as our non-executive Director and the deputy chairman of our Board on 25 July 2018. Mr. Lin Feng is a member of the Strategy Committee and Audit Committee of the Company. Mr. Lin Feng is primarily responsible for provision of guidance for the overall development of our Group. Mr. Lin Feng served as the director of Yongsheng Property from October 2016 to March 2018 and re-designated as the director in June 2018.

Since November 2001, Mr. Lin Feng served in various positions at CIFI (PRC) including sales director from November 2001 to June 2003, where he was responsible for market development, financial director from July 2003 to November 2008, where he was responsible for financial management and president since November 2008, where he is responsible for overall management in operation decisions. He has been serving as an executive director and the chief executive officer at CIFI Holdings since May 2011, where he is responsible for overseeing business operations and overall management.

Mr. Lin Feng was awarded the “Shanghai Youth Five Four Medal” by the Communist Youth League Shanghai Committee (共青團上海市委員會) in April 2013 and the “Outstanding Builder of Socialism with Chinese Characteristics in the Putuo District of Shanghai” by Shanghai Putuo Committee of the Communist Party of China (中共上海市普陀區委員會) in November 2013. From May 2015 to May 2017, Mr. Lin Feng served as the rotational director of Zhongcheng Alliance General Manager 3C Meeting (中城聯盟總經理3C會). Mr. Lin Feng also served as the deputy of the 14th and 15th National People’s Congress of Putuo District.

Mr. Lin Feng graduated from Xiamen University (廈門大學) in the PRC in July 1998, where he obtained a bachelor degree in economics. He graduated from University of Dundee in the United Kingdom in July 2001, where he obtained a master degree in business administration.

Mr. Lin Feng is the brother of Mr. Lin Zhong, one of the executive Directors.



Mr. GE Ming (葛明), aged 39, was appointed as our non-executive Director on 25 July 2018. Mr. Ge is primarily responsible for provision of guidance for the overall development of our Group.

From September 2008 to October 2009, Mr. Ge served as a general manager at Shanghai Tonghe Management Consultation Company Limited (上海通和企業諮詢公司), a company mainly engaged in management consultation, where he was responsible for providing consultation services in human resources management and administration. From October 2009 to April 2012, he served as a director of human resources and a member of the executive committee at Oriental Cambridge Education Group (東方劍橋教育集團), where he was responsible for overall management in human resources. Since April 2012, he worked at CIFI (PRC) and served in various positions including human resources director from April 2012 to June 2016, assistant president from June 2016 to December 2017 and vice president and general manager of human resources center since January 2018.

Mr. Ge graduated from Fudan University (復旦大學) in the PRC in July 2002, where he obtained a bachelor degree in international finance. Mr. Ge graduated from China Europe International Business School (中歐國際工商學院) in the PRC in August 2018, where he obtained a master degree in business management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MA Yongyi (馬永義), aged 54, was appointed as our independent non-executive Director on 26 November 2018. Mr. Ma is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee of the Company.

In February 2004, Mr. Ma joined Beijing National Accounting Institute (北京國家會計學院) and successively served as the director of the distance education center from February 2004 to September 2008 and the director of the administrative office from September 2008 to December 2015 and has been serving as the director of teacher management committee since January 2016.

Since April 2014, Mr. Ma has been serving as an independent supervisor at Chanjet Information Technology Company Limited (暢捷通資訊技術股份有限公司), a company listed on the Stock Exchange (stock code: 1588). Since April 2016, he has been serving as an independent director at Zhejiang Dun'an Artificial Environmental Company Limited (浙江盾安人工環境股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002011). Since February 2018, he has been serving as an external supervisor at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Stock Exchange (stock code: 01606).

Mr. Ma graduated from the Central University of Finance and Economics (中央財經大學) (formerly known as Central College of Finance and Economics (中央財政金融學院)) in the PRC and obtained a bachelor degree of accounting in June 1989 and a doctorate degree in management in June 2003.





Mr. WANG Peng (王鵬), aged 43, was appointed as our independent non-executive Director on 26 November 2018. Mr. Wang is the chairman of the Remuneration Committee and a member of the Nomination Committee of the Company.

Since July 2003, Mr. Wang successively served as a director of publicity department, deputy secretary general, secretary general and vice president at China Property Management Institute, an industry association of property management enterprises, where he is responsible for administration, human resources, financial budgeting and internal management. Since August 2017, he has been serving as an independent non-executive director at A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司), a company listed on the Stock Exchange (stock code: 3319).

Mr. Wang graduated from Hebei University of Technology (河北工業大學) in the PRC in January 2015, where he obtained an executive master of business administration degree.

Mr. CHEUNG Wai Chung (張偉聰), aged 48, was appointed as our independent non-executive Director on 26 November 2018. Mr. Cheung is the chairman of the Audit Committee of the Company.

From September 1995 to January 1998, he initially served as an investment junior manager and then was promoted to an assistant manager II at Sun Hung Kai Real Estate Agency Ltd. (新鴻基地產代理有限公司), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (新鴻基地產發展有限公司) which is listed on the Stock Exchange (stock code: 0016). From January 1998 to March 2000, he served as an assistant investment manager and then was promoted to a deputy investment manager at China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on the Stock Exchange (stock code: 0308). From March 2000 to April 2001, he served as a project manager at CDC Corporation (formerly known as Chinadotcom Corporation), a company mainly engaged in the provision of online information. From May 2001 to January 2009, he successively served as a research director and portfolio manager at HSZ (Hong Kong) Limited and portfolio manager at Nomura Asset Management Hong Kong Limited (野村投資管理香港有限公司), both companies are engaged in investment management. In November 2012, he joined Culturecom Enterprises Limited (文化傳信企業有限公司), a subsidiary of Culturecom Holdings Limited (文化傳信集團有限公司) which is listed on the Stock Exchange (stock code: 0343), and served as the president and chief financial officer until December 2016. Since January 2017, he has been serving as a senior consultant at RHL International Limited (永利行國際有限公司), a company mainly engaged in corporate valuation and advisory.

Mr. Cheung graduated from The Chinese University of Hong Kong in December 1992, where he obtained a bachelor degree in business administration. He has been a member and a fellow of The Association of Chartered Certified Accountants since March 1996 and March 2001, respectively, and a charter holder of Chartered Financial Analyst awarded by the Association for Investment Management and Research since November 1999.



SENIOR MANAGEMENT

Mr. LIANG Bin (梁斌), aged 35, has been appointed as the Group's vice president since he joined the Group on 1 September 2018. Mr. Liang is primarily responsible for the Group's organizational strategy and overall management of human resources.

Prior to joining the Group, from July 2005 to May 2009, Mr. Liang joined P&G (China) Co., Ltd. as a management trainee and was promoted to the post of human resources manager. From June 2009 to September 2012, he worked as a senior human resources manager in Tencent Technology (Shenzhen) Co., Ltd. (a company listed on the Hong Kong Stock Exchange, stock code: 700), mainly responsible for talent recruitment and organization development. From October 2012 to September 2013, he served as assistant director of human resources at Standard Chartered Bank (China) Limited. From October 2013 to May 2016, he was the director of human resources at Shimao Real Estate Holdings Limited (a company listed on the Hong Kong Stock Exchange, stock code: 813). From June 2016 to June 2017, he served as the vice president of human resources of YOOZOO Interactive Co. Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002174), responsible for human resources management. From July 2017 to August 2018, he worked for CIFI Group (a company listed on the Stock Exchange, stock code: 884) as human resources director. Mr. Liang has extensive management experience in the areas of top-level organizational strategy design, organizational change and transformation, cultivation of corporate culture system, senior talent headhunt and building talent echelon.

Mr. Liang graduated from Sun Yat-sen University in June 2005 with a bachelor of science degree.

Mr. LIU Chang (劉暢), aged 41, was appointed as the chief financial officer since he joined our Group on 16 April 2018. Mr. Liu is primarily responsible for overall financial management of our Group.

Prior to joining our Group, from July 2001 to November 2004, Mr. Liu served as a budget supervisor at Kingdee Software (China) Company Limited (金蝶軟件(中國)有限公司), a company mainly engaged in the development of computer hardware and software. From November 2004 to November 2009, Mr. Liu worked at Huawei Technologies Company Limited (華為技術有限公司), a company mainly engaged in the provision of information and communication technology solutions, and served as a regional financial manager and was later promoted to a regional financial director. From November 2009 to April 2015, he served as an assistant executive president at GCL-Poly Energy Holdings Limited (保利協鑫能源控股有限公司), a company listed on the Stock Exchange (stock code: 3800), where he was responsible for group strategy management and capital operation. He was a financial director at Shenzhen Nuopuxin Agrochemical Co., Ltd. (深圳諾普信農化股份有限公司) from April 2015 to May 2016, a company listed on the Shenzhen stock exchange (stock code: 002215). From June 2016 to April 2018, he had been a chief financial officer at Shenzhen Color Life Services Group Limited (深圳市彩生活服務集團有限公司), a company mainly engaged in providing property management services, where he was mainly responsible for capital operations, investment and financing, auditing, internal control and budget management.

Mr. Liu graduated from Xi'an Jiaotong University (西安交通大學) in the PRC in July 2001, where he obtained a bachelor degree in finance. He graduated from Alliance Manchester Business School in the United Kingdom in June 2016, where he obtained a master degree in business administration. Mr. Liu became an associate member of the Association of International Accountants in the United Kingdom in December 2013 and a fellow of the Institute of Public Accountants in Australia in January 2014.



Mr. CHEN Chuanchao (陳傳超), aged 42, was appointed as the general manager of Huadong business department of Yongsheng Property since he joined our Group on 3 March 2014. Mr. Chen is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Shanghai and Shandong Province.

Prior to joining our Group, from March 1999 to March 2014, Mr. Chen worked as a manager at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司), where he was responsible for overall project management and safety management.

Mr. Chen graduated from Central Radio and Television University (中央廣播電視大學) in the PRC in July 2011, where he obtained a diploma in law.

Mr. LUO Xinguo (駱信國), aged 37, was appointed as the general manager of Jiangsu business department of Yongsheng Property since he joined our Group on 19 March 2013. Mr. Luo is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Jiangsu Province.

Prior to joining our Group, from January 2006 to March 2009, Mr. Luo served as a project manager at Shanghai Vanke Property Services Company Limited (上海萬科物業服務有限公司). From May 2009 to October 2010, Mr. Luo served as the responsible person of Tianjin branch office at Shanghai Jingrui Property Management Company Limited Tianjin Branch Office (上海景瑞物業管理有限公司天津分公司). In June 2011, he joined Jiangsu Sunan Vanke Property Services Co., Ltd. (江蘇蘇南萬科物業服務有限公司) as a deputy manager of the quality management department until April 2012 and then served as a project manager from May 2012 to March 2013.

Mr. Luo graduated from Zhengzhou University (鄭州大學) in February 2014, where he obtained a diploma in business administration through long distance learning.



Mr. JIANG Junhui (蔣駿輝), aged 41, was appointed as the general manager of commercial property business department of Yongsheng Property since he joined our Group on 7 March 2018. Mr. Jiang is primarily responsible for our overall business planning, establishment and development of the operation and management system of our commercial property business and overseeing the implementations.

Prior to joining our Group, Mr. Jiang served as a regional manager at Shanghai Ruixiang Shangfang Property Management Co., Ltd. (上海銳翔上房物業管理有限公司) from July 2002 to September 2004 and later as the head of the market development department and a deputy general manager at Zhejiang Yefeng Property Services Co., Ltd. (浙江野風物業服務有限公司) from July 2006 to October 2009, where he was responsible for daily operation management, market expansion and project management. From October 2009 to November 2014, Mr. Jiang served as a deputy general manager at Greentown Property Services Group Company Limited Ningbo Branch Office (綠城物業服務集團有限公司寧波分公司), where he was responsible for high-end and public-built property management and operations and market development. From December 2014 to March 2016, he served as a general manager at Longhu Property Services Group Company Limited Ningbo Branch Office (龍湖物業服務集團有限公司寧波分公司), where he was responsible for overall management and operations. From April 2016 to March 2018, he served as the director of the market development center at Longhu Property Services Group Company Limited (龍湖物業服務集團有限公司), where he was responsible for market development and business management.

Mr. Jiang graduated from Zhejiang University (浙江大學) in the PRC in July 2002, where he obtained a bachelor degree in business management.





The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2018.

CORPORATE GOVERNANCE PRACTICES

The Company's Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has complied with the code provisions as set out in the CG Code from the Listing Date and up to 31 December 2018 (the "Reporting Period"). The Company will continue to review and enhance its corporate governance practices, and identify and formalise appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board Committees including the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.



Composition of the Board

The Board currently comprises seven Directors, including two executive Directors, two non-executive Directors and three independent non-executive Directors. Members of the Board are listed below:

Member of the Board	Position	Date of appointment
Executive Directors		
Mr. Lin Zhong	Chairman of the Board and executive Director	16 April 2018
Mr. Zhou Hongbin	Executive Director and president	25 July 2018
Non-executive Directors		
Mr. Lin Feng	Non-executive Director and deputy chairman of the Board	25 July 2018
Mr. Ge Ming	Non-executive Director	25 July 2018
Independent Non-executive Directors		
Mr. Ma Yongyi	Independent non-executive Director	26 November 2018
Mr. Wang Peng	Independent non-executive Director	26 November 2018
Mr. Cheung Wai Chung	Independent non-executive Director	26 November 2018

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Biography of each Director is set out in the section headed “Profile of Directors and Senior Management” of this annual report. Save as disclosed in the section headed “Profile of Directors and Senior Management” of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

Chairman and President

Mr. Lin Zhong is the chairman of the Board. According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Lin Zhong currently assumes the role of chairman of the Board while Mr. Zhou Hongbin, our executive Director and president, assumes the role of chief executive. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company’s strategies.





Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors exceeds one third of the number of the Board members.

According to Rule 3.13 of the Listing Rules, the independent non-executive Directors of the Company have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Appointment and Re-election of Directors

The code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Memorandum and the Articles of Association.

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Article 84 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with the Memorandum and the Articles of Association, any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.



Training and Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statutes, laws, rules and regulations. Prior to the Listing, all Directors have attended a training session in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2018.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

As at 31 December 2018, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The statements by external auditor, BDO Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in this annual report.





Board Meetings and General Meeting

As the Company was listed on the Stock Exchange on 17 December 2018, the Company did not hold any general meetings during the Reporting Period. Since the Listing Date and up to the date of this annual report, one meeting of the Board was held and the attendance record of the Board members is set out in the table below:

Name of Directors	Attendance/no of meetings held
Mr. Lin Zhong	1/1
Mr. Zhou Hongbin	1/1
Mr. Lin Feng	1/1
Mr. Ge Ming	1/1
Mr. Ma Yongyi	1/1
Mr. Wang Peng	1/1
Mr. Cheung Wai Chung	1/1

Notices for all regular Board meetings will be given to all Directors at least 14 days before the meetings and the agenda and accompanying Board paper will be given to all Directors at least 3 days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.



BOARD COMMITTEES

Audit Committee

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung (Chairman). Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

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. Since the Listing Date and up to the date of this annual report, one meeting of the Audit Committee was held and the attendance record of the Audit Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Feng	1/1
Mr. Ma Yongyi	1/1
Mr. Cheung Wai Chung	1/1

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.





Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Peng (chairman), Mr. Lin Zhong and Mr. Ma Yongyi, the majority of them are independent non-executive Directors. The primary duties of the Remuneration Committee are, among other things, to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management.

As the Company was listed on the Stock Exchange on 17 December 2018, no Remuneration Committee meeting was held during the year ended 31 December 2018.

Since the Listing Date and up to the date of this annual report, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Wang Peng	1/1
Mr. Lin Zhong	1/1
Mr. Ma Yongyi	1/1

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Lin Zhong (chairman), Mr. Ma Yongyi and Mr. Wang Peng, the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are, among other things, to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the management, to assess the independence of the independent non-executive Directors, and to review the policy on Board diversity (the "Board Diversity Policy") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.



As the Company was listed on the Stock Exchange on 17 December 2018, no Nomination Committee meeting was held during the year ended 31 December 2018.

Since the Listing Date and up to the date of this annual report, one meeting of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Ma Yongyi	1/1
Mr. Wang Peng	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

Strategy Committee

The Strategy Committee comprises three members, namely Mr. Lin Zhong (chairman), Mr. Zhou Hongbin and Mr. Lin Feng.

The primary duties of the Strategy Committee are, among other things, to assist the Board in formulating and evaluating the development strategies and implementation plans of the company's medium- and long-term strategic objectives; and make recommendations to the Board on material matters, material investment and financing plans.

As the Company was listed on the Stock Exchange on 17 December 2018, no Strategy Committee meeting was held during the year ended 31 December 2018 and since the Listing Date and up to the date of this annual report.





BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in accordance with the requirements of the Listing Rules with effect from 26 November 2018 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is intended to set out the basic principles to ensure that members of the Board achieve an appropriate balance of skills, experience and perspectives to enhance the effective function of the Board and maintain a high standard of corporate governance.

Nominations and Appointments

All Board nominations and appointments shall be based on the principle of meritocracy, daily business needs and the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is primarily responsible for identifying persons with suitable qualifications and selecting nominees to serve as director or to advise the Board on this.

Measureable Objectives

Selection of candidates will be based on a range of diversity and refer to the business model and specific needs of the Company, including but not limited to gender, age, ethnicity, language, cultural background, educational background, industry experience and professional experience.

Policy Statement

In order to achieve sustainable and balanced development, the Company regards the increment of diversification in board level as the key element to support its strategic goals and sustainable development. All appointments of the Board are based on the principle of meritocracy and considering the benefits of diversity of the Board.

Monitoring and Reporting

The Nomination Committee is responsible for reviewing the Board Diversity Policy, expanding and reviewing measurable objectives to ensure the implementation of the Board Diversity Policy and to monitor progress towards measurable objectives. The Nomination Committee reviews the Board Diversity Policy and measurable objectives at least annually, or at the appropriate time, to ensure the Board continues to be effective. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2018.



CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

COMPANY SECRETARY

Ms. Yeung Ching Man, the vice president of SWCS Corporate Services Group (Hong Kong) Limited, has been appointed as the company secretary of the Company on 25 July 2018 and has taken no less than 15 hours of relevant professional training during 2018 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Ms. Yeung Ching Man at the Company is Mr. Liu Chang, the chief financial officer.

AUDITOR

The financial statements contained in this report have been audited by BDO Limited. The remuneration of the Company's auditor, BDO Limited, paid/payable is set out below:

Services rendered	Amount (RMB)
Audit services	1,200,000
As reporting accountants for the Company's IPO	3,380,000
Total	<u>4,580,000</u>

The statement of the external auditor of the Company about its reporting responsibilities for the consolidated financial statements is set out in the independent auditor's report of this annual report on pages 67 to 71.





RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The Group utilises an integrated risk management system to minimise and protect against a range of strategic, business, financial and legal risks. Through our risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our risk management system is implemented on three levels. Its implementation starts with the manager of each department who is responsible for organising the daily work in accordance with the relevant policies. The second level involves the active role of the risk management centre and internal audit department which centralise our risk management policies and supervise the individual departments through periodic audits. The heads of the risk management centre and internal audit department have extensive experience in risk management, auditing and financial management. Finally, the highest level involves decision-making by Board regarding certain risk management decisions. The relevant personnel at these three levels are in frequent communication in order to ensure accurate information is shared between all parties.

In order to formulate and implement effective policies, our risk management system emphasises continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and results of operation, costs of services, changes in intellectual property law, company laws and possible legal disputes.

The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurring are more closely examined in order to ensure accurate results. We then determine what countermeasures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies. The Board, through the review of the Audit Committee, considers that the current monitoring systems of the Company are effective and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under code provisions C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.



DISCLOSURE OF INSIDE INFORMATION

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIVIDEND

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects, as well as any other factors which our Directors may consider relevant. We have no policy for dividend pay-out ratio. The Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 58 of the Articles of Association, general meetings can be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.





The procedures and contact details for putting forward proposals at Shareholders' meeting

The annual general meeting and other general meetings provide an important opportunity for Shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer Shareholders' questions.

Shareholders attending the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

The procedures by which enquires may be put to the Board and sufficient contact details to enable these enquires to be properly directed

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at:

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

Tel: (852) 2862 8555

Fax: (852) 2119 9137

Website: <https://www.computershare.com>

To contact the Company in relation to your query about the Company, the contact details are as follows:

Tel: (86-21) 6120 8582

Email: IR@ysservice.com.cn

INVESTOR RELATIONS AND COMMUNICATIONS

The Company has set up a website at www.ysservice.com.cn as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner.



DEED OF NON-COMPETITION BY ULTIMATE CONTROLLING SHAREHOLDERS

The Ultimate Controlling Shareholders have made an annual declaration to the Company that from the Listing Date to 31 December 2018, he/she/it and his/her/its associates have complied with the terms of the Deed of non-Competition given in favour of the Company. Details of the Deed of Non-Competition are set out in the section headed “Relationship with the Controlling Shareholders” of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by the Ultimate Controlling Shareholders with the undertakings in the Deed of Non-Competition and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition.

CHANGE IN CONSTITUTIONAL DOCUMENTS

The Memorandum and Articles of Association have been amended and restated with effect from the Listing Date. Copies of the amended and restated Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.





The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2018.

GLOBAL OFFERING

The Company carried out the global offering on 4 December 2018, comprising of 380,000,000 Shares at HK\$1.78 per Share. For details of the relevant use of proceeds, please see the section headed “Use of Net Proceeds from the IPO” in this annual report.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. 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 activities and particulars of the Company’s subsidiaries are shown under note 30 to the consolidated financial statements in this annual report. An analysis of the Group’s revenue and operating profit for the year by principal activities is set out in the section headed “Management Discussion and Analysis” in this annual report and notes 6 and 9 to the consolidated financial statements in this annual report.

RESULTS

The consolidated results of the Group for the year ended 31 December 2018 are set out on pages 72 to 78 of this annual report.

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 at the AGM and 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.



CLOSURE OF THE 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 Hong Kong 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 Hong Kong 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.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last four financial years is set out on page 146 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM THE IPO

The Company was successfully listed on the Main Board on 17 December 2018. The net proceeds from the IPO and the issue of the Over-allotment Shares amounted to approximately HK\$683 million after deducting share issuance costs, listing expenses, underwriting commissions and other offering expenses payable by the Company in relation to the exercise of the Over-allotment Option. As at 31 December 2018, the proceeds raised by the Company from the IPO have not been utilised. In 2019, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds. Detailed information is set out under "Use of proceed raised from IPO" in the section headed "Management Discussion and Analysis" in this annual report.





MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer, CIFI Group, accounted for 15.0% of the Group's total revenue. The Group's five largest customers accounted for 16.6% of the Group's total revenue.

In the year under review, the Group's largest supplier accounted for 4.8% of the Group's total purchase. The Group's five largest suppliers accounted for 16.0% of the Group's total purchase.

For the year ended 31 December 2018, revenue derived from CIFI Group and its associates amounted to RMB214.2 million, representing approximately 19.9% of our annual revenue. Except for the above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property and equipment of the Group during the year ended 31 December 2018 are set out in note 16 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2018 are set out in note 27 to the consolidated financial statements in this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2018 are set out in the consolidated statements of changes in equity and note 29 to the consolidated financial statements in this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2018, the Company's distributable reserves were RMB\$775.8 million.



BORROWINGS

As at 31 December 2018, the Group had outstanding bank borrowings of RMB\$9.3 million. Details of the borrowings are set out in the section headed “Management Discussion and Analysis” in this annual report and note 25 to the consolidated financial statements in this annual report.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make charitable contributions.

DIRECTORS

The Board currently consists of the following seven Directors:

Executive Directors

Mr. LIN Zhong (*Chairman*) (appointed on 16 April 2018)

Mr. ZHOU Hongbin (*President*) (appointed on 25 July 2018)

Non-executive Director

Mr. LIN Feng (*Deputy Chairman*) (appointed on 25 July 2018)

Mr. GE Ming (appointed on 25 July 2018)

Independent Non-executive Directors

Mr. MA Yongyi (appointed on 26 November 2018)

Mr. WANG Peng (appointed on 26 November 2018)

Mr. CHEUNG Wai Chung (appointed on 26 November 2018)

In accordance with article 83(3) of the Articles of Association, all directors shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 23 April 2019.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 28 to 35 in the section headed “Profile of Directors and Senior Management” to this annual report.

The Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent from the date of their appointment to 31 December 2018 and remain so as of the date of this annual report.





DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

MANAGEMENT CONTRACTS

Other than the Directors' service contract and letters of appointment, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2018.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the highest paid individuals in the Group by band are set out in note 13 to the consolidated financial statements in this annual report.

For the year ended 31 December 2018, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2018.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2018, by our Group to or on behalf of any of the Directors.



HUMAN RESOURCES

The Group had approximately 6,066 employees as at 31 December 2018, as compared to 4,799 employees as at 31 December 2017. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2018, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number of ordinary shares interested ⁽¹⁾	Approximate percentage in the Company's issued share capital
Mr. LIN Zhong ⁽²⁾⁽³⁾⁽⁴⁾	Interest in a controlled corporation	1,057,000,000 (L)	70.47%
Mr. LIN Feng ⁽²⁾⁽³⁾⁽⁴⁾	Interest in a controlled corporation	1,057,000,000 (L)	70.47%





Note:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.
- (3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.
- (4) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.

Interest in Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. LIN Zhong ⁽¹⁾⁽²⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	3,497,990,596	45.03%
Mr. LIN Feng ⁽²⁾⁽³⁾	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	2,523,856,555	32.49%
Mr. Ge Ming	CIFI Holdings	Beneficial owner	1,062,801	0.01%
Mr. LIN Zhong ⁽⁴⁾	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng ⁽⁴⁾	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Zhong ⁽⁵⁾	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng ⁽⁵⁾	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong ⁽⁶⁾	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Feng ⁽⁶⁾	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Zhong ⁽⁷⁾	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng ⁽⁷⁾	Best Legend	Beneficial owner	1	100%



Note:

- (1) 1,185,177,671 shares are held by Ding Chang Limited (“**Ding Chang**”). The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust (Singapore) Limited (“**Standard Chartered Trust**”) as the trustee of the Sun Success Trust via SCTS Capital Pte. Ltd. (“**SCTS Capital**”). The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,185,177,671 Shares held by Ding Chang pursuant to Part XV of the SFO.
- (2) 2,305,855,975 shares are held by Rosy Fortune Investments Limited (“**Rosy Fortune**”). The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin’s Family Trust via SCTS Capital. The Lin’s Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin’s Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin’s Family Trust is taken to be interested in the 2,305,855,975 Shares held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) 210,600,580 shares are held by Rain-Mountain Limited (“**Rain-Mountain**”). The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 210,600,580 Shares held by Rain-Mountain pursuant to Part XV of the SFO.
- (4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held by Xu Sheng.
- (5) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By revenue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held of Spectron.
- (6) The entire issued share capital of Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force Development pursuant to Part XV of the SFO.
- (7) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see “History, Reorganization and Corporate Structure” in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2018, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.





ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 31 December 2018, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested ⁽¹⁾	Approximate percentage in the Company's issued share capital
Mr. LIN Wei ⁽²⁾⁽³⁾⁽⁴⁾	Interest in a controlled corporation	1,057,000,000 (L)	70.47%
Elite Force Development ⁽²⁾	Beneficial owner	440,000,000 (L)	29.33%
Spectron	Beneficial owner	330,000,000 (L)	22.00%
Xu Sheng ⁽³⁾	Interest in a controlled corporation	330,000,000 (L)	22.00%
CIFI Holdings ⁽⁴⁾	Interest in a controlled corporation	330,000,000 (L)	22.00%
Best Legend ⁽⁵⁾	Beneficial owner	287,000,000 (L)	19.13%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei are deemed to be interested in the Shares held by Elite Force Development.
- (3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.
- (4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.
- (5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.

Save as disclosed herein, as at 31 December 2018, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.



DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the section headed "Related Party Transactions", in note 31 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

LOAN AND GUARANTEE

During the year ended 31 December 2018, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Related Party Transactions", in note 31 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2018 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the year ended 31 December 2018 or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the year under review, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its continuing connected transactions. Details of the relevant continuing connected transactions are as follows:





Continuing Connected Transaction Fully Exempt From the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

Trademark License Agreement

On 22 November 2018, a trademark license agreement was entered into between our Company and CIFI (PRC) (the "Trademark License Agreement"), pursuant to which CIFI (PRC) agreed to irrevocably and unconditionally grant us a non-transferable license to use certain trademarks registered by CIFI (PRC) in the PRC for a perpetual term commencing from the date of the Trademark License Agreement in the PRC on a royalty-free basis. For details of the licensed trademarks, see "Appendix IV — Statutory and General Information — B. Information about the Business — 2. Intellectual Property Rights of Our Group" to the Prospectus.

The Trademark License Agreement is not unilaterally terminable by CIFI (PRC). We have the sole discretion to decide whether to require CIFI (PRC) to renew and maintain the registration of the licensed trademarks upon expiry.

We believe that the entering into of the Trademark License Agreement with a term of more than three years can ensure the stability of our operations, and is beneficial to us and the Shareholders as a whole.

CIFI (PRC), as the registered proprietor of the licensed trademarks, is an indirect wholly-owned subsidiary of CIFI Holdings. CIFI Holdings is one of the Controlling Shareholders and CIFI (PRC) is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transaction under the Trademark License Agreement constitutes a continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

As the right to use the licensed trademarks is granted to us on a royalty-free basis, the transaction under the Trademark License Agreement within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. CIFI Property Management Services Master Agreement

On 30 December 2016 and 22 November 2018, Yongsheng Property entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "CIFI Property Management Services Master Agreement") with CIFI (PRC), pursuant to which Yongsheng Property and its subsidiaries agreed to provide to CIFI Group property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties owned by CIFI Group; (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning



and house inspection services to the property projects developed by CIFI Group upon completion of construction and before delivery of the same to homeowners and other value-added services (the “CIFI Property Management Services”). The CIFI Property Management Services Master Agreement has a term commencing from 1 January 2017 until 31 December 2019.

For each of the years ended 31 December 2017 and 2018, the transaction amounts under the CIFI Property Management Services amounted to approximately RMB121.8 million and 161.6 million, respectively.

The fees to be charged for the CIFI Property Management Services are determined after arm’s length negotiations with reference to the market rate (taking into consideration the location and the conditions of the property project and the scope of the property management services) and the prices charged by the Group for providing similar services to Independent Third Parties.

It was estimated that the maximum amounts of service fee payable by CIFI Group in relation to the CIFI Property Management Services for the year ending 31 December 2019 will not exceed RMB200.0 million.

The following factors were considered in arriving at the above annual caps:

- (i) the historical transaction amounts;
- (ii) the transaction amount of the second half was greater than it of the first half for each year;
- (iii) the estimated revenue to be recognised based on the existing signed contracts;
- (iv) the expected volume of sale, number of sales offices, size and number of the properties of CIFI Group to be managed by the Group based on the total GFA of properties developed by CIFI Group under our management, the properties under development held by CIFI Group as of 31 December 2018 and the estimated time of pre-sales and delivery based on public available information; and
- (v) the property management services and standard being proposed by Yongsheng Property.

CIFI (PRC) is an indirect wholly-owned subsidiary of CIFI Holdings, one of our Controlling Shareholders, and CIFI (PRC) is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the CIFI Property Management Services Master Agreement are expected to be more than 5% on an annual basis, the transactions under the CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.





2. *Lin Brothers Property Management Services Master Agreement*

On 22 November 2018, the Ultimate Controlling Shareholders entered into a property management services master agreement (the “**Lin Brothers Property Management Services Master Agreement**”) with the Company, pursuant to which the Group agreed to provide property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (ii) on-site securing, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, properties owned by the Ultimate Controlling Shareholders and other value-added services (the “**Lin Brothers Property Management Services**”), for a term commencing from the Listing Date until 31 December 2020.

For each of the years ended 31 December 2017 and 2018, the transaction amounts in respect of the Lin Brothers Property Management Services amounted to approximately RMB27.5 million and RMB52.7 million, respectively.

The fees to be charged for the Lin Brothers Property Management Services are determined after arm’s length negotiations with reference to the market rate (taking into consideration the location and the condition of the property project and the scope of the property management service) and the prices charged by the Group for providing similar services to Independent Third Parties.

It is estimated that the maximum amounts of service fee payable by the companies controlled by the associates of the Ultimate Controlling Shareholders (except for CIFI Group) in relation to the Lin Brothers Property Management Services for the two years ending 31 December 2020 will not exceed RMB80.0 million and RMB90.0 million, respectively.

The following factors were considered in arriving at the above annual caps:

- (i) the historical transaction amounts;
- (ii) the transaction amount of the second half was greater than it of the first half for each year;
- (iii) the estimated revenue to be recognised in relation to the signed property management service contracts;
- (iv) the expected volume of sale, number of sales offices, size and number of the property projects to be managed by the Group based on the total GFA of the properties delivered by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) under our management, the properties under development held by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) as of 31 December 2018 and the estimated time of pre-sales and delivery based on public available information; and
- (v) the property management services and standard being proposed by Yongsheng Property.



The transactions under the Lin Brothers Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual caps in relation to the Lin Brothers Property Management Services Master Agreement are expected to be more than 5% on an annual basis, the transactions under the Lin Brothers Property Management Services Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of the continuing connected transactions contemplated under the CIFI Property Management Services Master Agreement and the Lin Brothers Property Management Services Master Agreement, pursuant to Rule 14A.105 of the Listing Rules, the Company have applied for, and the Stock Exchange has granted, a waiver exempting our Company from strict compliance with the announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules in respect of the continuing connected transactions as mentioned above, subject to the condition that the aggregate amounts of the continuing connected transactions for each financial year shall not exceed the relevant amounts set forth in the respective agreements (as stated above).

Save as disclosed above, during the year ended 31 December 2018, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

The Company adjusts the scope and amount of continuing connected transactions and the annual caps exempted from disclosure (where necessary) in accordance with its internal control procedures. During the year ended 31 December 2018, the Company has followed the pricing policies and guidelines for each of the continuing connected transactions disclosed in this annual report when determining the price and terms of such transactions conducted. The Directors are of the view that the Company's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive directors of the Company have reviewed the continuing connected transactions carried out during the year and confirm the transactions thereunder had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.





The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules:

- (i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.
- (ii) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions.
- (iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2018 has been provided by the Company to the Hong Kong Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2018 are set out in note 31 to the consolidated financial statements in this annual report.

Save as disclosed above, during the year under review, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2018.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.



MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2018.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2018, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2018.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2018, saved as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.





CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 36 to 49 of this annual report.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the financial year ended 31 December 2018 are set out in the Environmental, Social and Governance Report to be issued within three months after the publication of this annual report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 35 to the financial statements.

AUDITOR

The Shares were only listed on the Stock Exchange on 17 December 2018, and there has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2018 have been audited by BDO Limited, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2018, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

By order of the Board

LIN Zhong

Chairman

Hong Kong, 22 March 2019



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OPINION

We have audited the consolidated financial statements of Ever Sunshine Lifestyle Services Group Limited (the “Company”) and its subsidiaries (together the “Group”) set out on pages 72 to 145, which comprise the consolidated statement of financial position as at 31 December 2018 and the consolidated statement of profit or loss and comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2018 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS OF OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKASs”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matter are those matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Assessing potential impairment of goodwill

Refer to summary of significant accounting policies in Note 3, accounting estimates and judgements in Note 4 and disclosure of goodwill in Note 18 to the consolidated financial statements.

As at 31 December 2018, the Group’s goodwill, which amounted to RMB17.2 million, was allocated to the cash-generating unit (“CGU”), representing Ningbo Yongda Property Management Company Limited.



An annual impairment assessment of goodwill is performed by management. The recoverable amounts of the assets allocated to the property management business operated by Ningbo Yongda Property Service Company Limited are determined by management based on value in use calculations.

The value in use was estimated by preparing discounted cash flow forecasts. The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in forecasting future revenue, future gross profit margins and future operating and administrative expenses and in determining the long-term growth rates and discounted rates applied.

No impairment losses of goodwill were recognised for the year ended 31 December 2018 as the recoverable amount of the CGU as determined on the basis set out above was higher than the carrying amount.

We identified assessing potential impairment of goodwill as a key audit matter because the impairment assessment prepared by management is complex and involves a significant degree of judgement in determining the assumptions, particular the long term growth rates and the discount rates applied, and could be subject to management bias.

OUR RESPONSE

Our procedures in relation to assess potential impairment of goodwill included the following:

- evaluating management's identification of CGU and the amount of goodwill and asset allocated to the CGU;
- using our internal valuation specialists to assist us in evaluating the methodology used by management in the preparation of the discounted cash flow forecasts with reference to the requirements of the prevailing accounting standards;
- comparing the significant inputs used in the discounted cash flow forecasts, including future revenue, future gross profit margins and future operating and administrative expenses with the relevant data in the financial budgets approved by the board of directors, industry reports and agreements signed subsequent to the reporting date, if any;
- comparing the significant inputs used in discounted cash flow forecasts prepared in the prior year with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified;
- assessing the long-term growth rate and discount rate used in the discounted cash flow forecasts by benchmarking against other similar property management companies;
- obtaining sensitivity analyses of the key assumptions adopted in the discounted cash flow forecasts prepared by management and considering the resulting impact on the impairment charges for the year and whether there were any indicators of management bias; and
- considering the disclosures in the consolidated financial statements in respect of the impairment assessment of goodwill, including the key assumptions and sensitivities to changes in such assumptions, with reference to the requirements of the prevailing accounting standards.

Impairment assessment of trade receivables

Refer to summary of significant accounting policies in Note 3, accounting estimates and judgements in Note 4 and disclosure of impairment on trade receivables in Note 34 to the consolidated financial statements.



As at 31 December 2018, the gross amount of the Group's trade receivables totalled RMB171.2 million, against which a loss allowance of RMB9.5 million was made. The carrying value of the Group's trade receivables represented approximately 10.8% of the total assets of the Group as at 31 December 2018.

The Group's loss allowances for trade receivables from related parties using HKFRS 9 general approach, which is measured at an amount equal to 12-month expected credit losses ("ECLs"). Loss allowance for trade receivables from third parties applies the simplified approach to calculate ECLs, which is measured at an amount equal to lifetime expected credit losses. Both of the above approaches are based on management's estimated loss rates for each category of trade receivables. The estimated loss rates take into account the aging of the trade receivables, overdue balances and information regarding the ability and intent of the debtor to pay and historical data on default rates.

Management is required to apply judgement in assessing the loss allowance for trade receivables under the ECLs model. The ability of the debtors to repay the Group depends on shared credit risk characteristics of trade receivables groups and market conditions which involves inherent uncertainty.

We identified the loss allowance for trade receivables as a key audit matter because of the inherent uncertainty in assessing if trade receivables will be recovered and because the assessment of the ECLs requires the exercise of management judgement.

OUR RESPONSE

Our procedures in relation to management's impairment assessment on trade receivables included the following:

- obtaining an understanding of and assessing the design, implementation and operating effectiveness of key internal controls relating to credit control, debt collection and the calculation of the ECLs;
- assessing the trade receivables ageing report by group based on shared credit risk characteristics and the days past due by comparing the details of individual items with underlying invoices on a sample basis;
- obtaining an understanding of the basis of management's approach to measuring ECLs of trade receivable balances and assessing the reasonableness of management's loss allowance estimates by examining the information used by management to form such judgements, including testing the accuracy of the historical default data, evaluating whether the historical loss rate are appropriately adjust based on current economic conditions and Forward-looking information;
- comparing cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2018 with bank statements and relevant underlying documentation on a sample basis.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibilities in this regard.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.



- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

BDO Limited

Certified Public Accountants

Wan Che Bun

Practising Certificate Number

P05804

Hong Kong, 22 March 2019



CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018	2017
		RMB'000	RMB'000
Revenue	6	1,075,830	725,317
Cost of sales		<u>(766,802)</u>	<u>(542,392)</u>
Gross profit		309,028	182,925
Other income and other net gain	7	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	8	(98)	—
Other expense		<u>(884)</u>	<u>(931)</u>
Profit before income tax expense	9	141,787	104,911
Income tax expense	10	<u>(41,547)</u>	<u>(28,469)</u>
Profit for the year		100,240	76,442
Other comprehensive income, net of tax			
<i>Items that will not be reclassified to profit or loss:</i>			
Financial assets at fair value through other comprehensive income ("FVOCI"):			
– Change in fair value		—	616
– Realized fair value gain on disposal		—	<u>(616)</u>
Other comprehensive income for the year, net of tax		<u>—</u>	<u>—</u>
Total comprehensive income for the year		<u>100,240</u>	<u>76,442</u>
Profit and total comprehensive income for the year			
Attributable to:			
Owners of the Company		100,521	76,442
Non-controlling interests		<u>(281)</u>	<u>—</u>
		<u>100,240</u>	<u>76,442</u>
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	12	<u>0.0885</u>	<u>0.0683</u>



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 DECEMBER 2018

	Notes	2018	2017
		RMB'000	RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a joint venture	14	6,986	—
Interest in an associate	15	4,642	2,156
Property, plant and equipment	16	27,007	14,582
Investment properties	17	49,279	48,240
Goodwill	18	17,230	17,230
Deferred tax assets	26	3,819	2,977
		<u>108,963</u>	<u>85,185</u>
Current assets			
Inventories	19	—	267
Trade and bills receivables	20	162,032	121,461
Deposits, prepayments and other receivables	21	51,323	54,932
Income tax recoverable		451	2,291
Pledged bank deposit	22	9,969	—
Bank balance, deposits and cash	22	1,160,122	438,220
		<u>1,383,897</u>	<u>617,171</u>
Current liabilities			
Trade payables	23	71,844	36,730
Accruals and other payables	24	286,627	264,921
Contract liabilities	6	171,339	120,077
Bank loan	25	9,281	—
Provision for taxation		34,935	23,618
		<u>574,026</u>	<u>445,346</u>
Net current assets		<u>809,871</u>	<u>171,825</u>
Total assets less current liabilities		<u>918,834</u>	<u>257,010</u>
Non-current liabilities			
Deferred tax liabilities	26	16,234	12,340
Net assets		<u>902,600</u>	<u>244,670</u>



CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 DECEMBER 2018



	Notes	2018	2017
		RMB'000	RMB'000
EQUITY			
Share capital	27	13,290	—
Reserves		<u>885,641</u>	<u>244,670</u>
Equity attributable to owners of the Company		898,931	244,670
Non-controlling interests		<u>3,669</u>	<u>—</u>
Total equity		<u>902,600</u>	<u>244,670</u>

The Consolidated financial statements on pages 72 to 145 were approved and authorised for issue by the board of directors and are signed on its behalf by:

Mr. Lin Zhong
Director

Mr. Zhou Hongbin
Director



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Share capital RMB'000 Note 27	Share premium* RMB'000 Note (a)	Capital reserve* RMB'000	Other reserve* RMB'000	Statutory reserve* RMB'000 Note (b)	Fair value reserve* RMB'000 Note (c)	Retained earnings* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 1 January 2017										
Profit for the year	—	—	18,451	110,000	917	—	38,412	167,780	—	167,780
Other comprehensive income	—	—	—	—	—	—	76,442	76,442	—	76,442
Unrealized fair value gain on financial assets at FVOCI	—	—	—	—	—	616	—	616	—	616
Realized fair value gain on financial assets at FVOCI	—	—	—	—	—	(616)	—	(616)	—	(616)
Profit and total comprehensive income for the year	—	—	18,451	110,000	917	—	114,854	244,222	—	244,222
Transfer to statutory reserves	—	—	—	—	7,644	—	(7,644)	—	—	—
Dividend approved in respect of the previous year (note 11)	—	—	—	—	—	—	(9,900)	(9,900)	—	(9,900)
Capital contribution subsidiaries by equity holders of subsidiaries	—	—	8,360	2,000	—	—	—	10,360	—	10,360
Legal and professional fee — NEEQ	—	—	(12)	—	—	—	—	(12)	—	(12)
Balance at 31 December 2017	—	—	26,799	112,000	8,561	—	97,310	244,670	—	244,670
Balance at 1 January 2018	—	—	26,799	112,000	8,561	—	97,310	244,670	—	244,670
Profit and total comprehensive income for the year	—	—	—	—	—	—	100,521	100,521	(281)	100,240
Transfer to statutory reserves	—	—	—	—	12,820	—	(12,820)	—	—	—
Issued of one ordinary share upon incorporation (note 27(a))	— [^]	—	—	—	—	—	—	— [^]	—	— [^]
Effect of Group Reorganisation (Note (d))	—	—	—	(229,600)	—	—	—	(229,600)	—	(229,600)
Capital contribution by non-controlling shareholders	—	—	—	—	—	—	—	—	3,950	3,950
Dividends approved in respect of the previous year (Note 11)	—	—	—	—	—	—	(24,500)	(24,500)	—	(24,500)
Allotment of shares (note 27(b))	— [^]	229,600	—	—	—	—	—	229,600	—	229,600
Shares issued pursuant to the public offering and placing (note 27(d))	3,352	593,193	—	—	—	—	—	596,545	—	596,545
Shares issued pursuant to the capitalisation (note 27(c))	9,938	(9,938)	—	—	—	—	—	—	—	—
Transactions cost attributable to the public offering and placing (note 27(e))	—	(18,305)	—	—	—	—	—	(18,305)	—	(18,305)
Balance at 31 December 2018	13,290	794,550	26,799	(117,600)	21,381	—	160,511	898,931	3,669	902,600



CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018



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

^ The balance is less than RMB1,000.

Notes:

- (a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.
- (b) The statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserves reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.
- (c) Fair value reserves represented the cumulative net change in the financial assets at fair value through other comprehensive income held at the end of each reporting period and is dealt with in accordance with the accounting policy set out in Note 3.11.
- (d) On 22 June 2018, City Lights Assets Limited ("**City Light**") acquired 1.79% equity interest in Yongsheng Property from their shareholders at an aggregate consideration of RMB4,100,000 which was based on the fair value of Yongsheng Property as of 31 December 2017.

On 2 July 2018, Elite Force International Limited ("**Elite Force International**") acquired 98.21% equity interest in Yongsheng Property from their shareholders at an aggregate consideration of RMB225,500,000 which was based on the fair value of Yongsheng Property as of 31 December 2017.

After the acquisition of Yongsheng Property, the Company became the holding company of the Group thereafter. The amount transferred to capital reserve represents the nominal value of the share capital of Yongsheng Property.



CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	2018	2017
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before income tax expense	141,787	104,911
Adjustments for:		
Depreciation of property, plant and equipment	3,591	1,937
Impairment loss on trade receivables	3,460	472
Reversal of impairment loss on trade receivables	(219)	(1,628)
Impairment loss on other receivables	627	3,349
Reversal of impairment loss on other receivables	(255)	(472)
Share of an associate's profits	(2,486)	(626)
Share of a joint venture's profits	(6,486)	—
Bank interest income	(2,551)	(686)
Interest income from financial assets at FVTPL	(2,472)	(2,470)
Finance cost	98	—
Gain on disposal of property, plant and equipment	(4)	—
Loss on disposal of property, plant and equipment	12	34
Gain on disposal of investment properties	(205)	(158)
Gain on disposal of financial assets at FVTOCI	—	(616)
Fair value gain of investment properties	(1,464)	(725)
	<hr/>	<hr/>
Operating profit before working capital changes	133,433	103,322
Increase in trade and bills receivables	(43,812)	(3,979)
Decrease in inventories	267	46,266
Decrease/(increase) in prepayment, deposits and other receivables	3,237	(23,345)
Increase in trade payables	35,114	15,890
Increase in accruals and other payables	20,613	36,809
Increase in contract liabilities	51,262	29,615
	<hr/>	<hr/>
Cash generated from operations	200,114	204,578
Income tax paid	(25,340)	(14,879)
	<hr/>	<hr/>
<i>Net cash generated from operating activities</i>	174,774	189,699
	<hr/>	<hr/>
Cash flows from investing activities		
Capital contribution by NCI	3,950	—
Purchase of property, plant and equipment	(14,946)	(3,029)
Purchase of financial asset at FVTPL	(198,000)	(393,250)
Payment for acquisition of a subsidiary	—	(26,039)
Payment for acquisition of an associate	—	(1,530)
Payment for acquisition of a joint venture	(500)	—
Proceed from disposal of property, plant and equipment	17	—
Proceed from disposal of investment properties	630	584
Proceed from disposal of financial assets at FVTOCI	—	20,616
Proceed from purchase of financial assets at FVTPL	198,000	393,250
Bank interest income received	2,551	686
Interest income from financial assets at FVTPL	2,472	2,470
	<hr/>	<hr/>
<i>Net cash used in investing activities</i>	(5,826)	(6,242)
	<hr/>	<hr/>



CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018



	2018	2017
	RMB'000	RMB'000
Cash flows from financing activities		
Interest received	—	5,319
Injection of capital	—	10,360
Issue of shares capital	3,352	—
Shares issued pursuant to the public offering and placing	593,193	—
Transaction costs attributable to the public offering and placing	(18,305)	—
Proceed from bank loan	9,281	—
Increase in pledged deposits	(9,969)	—
Finance cost	(98)	—
Advance to related parties	—	(3,483)
Listing fee capitalized during listing in National Exchange and Quotations (NEEQ)	—	(12)
Dividends paid	(24,500)	(9,900)
	<u>552,954</u>	<u>2,284</u>
<i>Net cash generated from financing activities</i>		
	<u>552,954</u>	<u>2,284</u>
Net increase in cash and cash equivalents	721,902	185,741
Cash and cash equivalents at beginning of the year	438,220	252,479
	<u>438,220</u>	<u>252,479</u>
Cash and cash equivalents at end of the year	<u>1,160,122</u>	<u>438,220</u>



NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018



1. GENERAL INFORMATION

Ever Sunshine Lifestyle Services Group Limited (“the Company”) is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies laws. The 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 PRC. The Group, comprising the Company and its subsidiaries, is principally engaged in provision of property management service, community value-added service and value-added services to non-property owners.

The consolidated financial statements for the year ended 31 December 2018 comprise the Company and its subsidiaries (together referred to as “the Group”). The consolidated financial statements were authorized for issue by the Directors on 22 March 2019.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

2.1 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 Transactions
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





2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.1 Adoption of new/revised HKFRSs (continued)

A. *Amendments to HKFRS 2 – Classification and Measurement of Share-Based Payment Transactions*

The amendments provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments; share-based payment transactions with a net settlement feature for withholding tax obligations; and a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

The adoption of these amendments has no impact on these financial statements as the Group does not have any cash-settled share-based payment transaction and has no share-based payment transaction with net settlement features for withholding tax.

B. *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.

C. *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.



2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.1 Adoption of new/revised HKFRSs (continued)

D. 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 are met 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.





2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.1 Adoption of new/revised HKFRSs (continued)

D. HKFRS 9 - Financial Instruments (continued)

(i) Classification and measurement of financial instrument (continued)

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.



2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.1 Adoption of new/revised HKFRSs (continued)

D. HKFRS 9 - Financial Instruments (continued)

(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 recognise 12-month expected credit losses. Trade receivables from third parties applies the simplified approach to calculate 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.



2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.1 Adoption of new/revised HKFRSs (continued)

D. HKFRS 9 - Financial Instruments (continued)

(ii) Impairment of financial assets (continued)

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.

Impact of the ECL model

(a) Impairment of trade receivables

As mentioned above, the Group applies the HKFRS 9 simplified approach to measure ECLs which adopts a life time ECLs for all trade receivables. To measure the ECLs, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

(b) Impairment other receivables

Other financial assets at amortised cost of the Group includes deposits and other receivables. Applying the ECL model result in the recognition of ECL of RMB5,183,000 on 1 January 2018 and a further ECL of RMB372,000 for the year ended 31 December 2018.

E. 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-steps 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.

F. Amendments 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.



2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.1 Adoption of new/revised HKFRSs (continued)

G. 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 provides guidance on making this determination. The clarification states that a change of 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.

H. 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 Interpretations 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.





2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.2 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 financial statements, will or may have an effect on the Group's future 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 Material ²
Amendments to HKFRS 3	Definition of a Business ²

- 1 Effective for annual periods beginning on or after 1 January 2019
- 2 Effective for annual periods beginning on or after 1 January 2020
- 3 Effective for annual periods 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.



2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (continued)

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 classifies cash repayments of the lease liability into a principal portion and an interest portion and presents 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.

As set out in Note 28 below, the future aggregate minimum lease payments under non-cancellable operating lease of the Group as at 31 December 2018 amounted to approximately RMB33,008,000 (2017: RMB4,099,000). Based on current leasing patterns, the Group expects the adoption of HKFRS 16 as compared with the current accounting policy would not significantly impact the Group’s financial performance but it is expected that a certain portion of the operating lease commitments would be recognized in the consolidated statement of financial position as right-of-use assets and lease liabilities.

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.



2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

2.2 New/revised HKFRSs that have been issued but are not yet effective (continued)

C. Amendments to HKFRS 9 - Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

D. Amendments to HKAS 28

The amendment clarifies that HKFRS 9 applies to long-term interests (“LTI”) in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

E. Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 3, Business Combinations

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 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

F. Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKFRS 11, Joint Arrangements

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 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

G. Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, 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 Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited.

(b) Basis of measurement and going concern assumption

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 as explained in the accounting policies set out below.

(c) Functional and presentation currency

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

3.2 Business combination and basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries (“the Group”). Inter-company transactions and balances between group companies together with unrealised profits are eliminated in full in preparing the consolidated financial statements. Unrealised losses are also eliminated unless the transaction provides evidence of impairment on the asset transferred, in which case the loss is recognised in profit or loss.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the dates of acquisition or up to the dates of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination and basis of consolidation (Continued)

Acquisition of subsidiaries or businesses is accounted for using the acquisition method. The cost of an acquisition is measured at the aggregate of the acquisition-date fair value of assets transferred, liabilities incurred and equity interests issued by the Group, as the acquirer. The identifiable assets acquired and liabilities assumed are principally measured at acquisition-date fair value. The Group's previously held equity interest in the acquiree is re-measured at acquisition-date fair value and the resulting gains or losses are recognised in profit or loss. The Group may elect, on a transaction-by-transaction basis, to measure the non-controlling interests that represent present ownership interests in the subsidiary either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other non-controlling interests are measured at fair value unless another measurement basis is required by HKFRSs. Acquisition-related costs incurred are expensed unless they are incurred in issuing equity instruments in which case the costs are deducted from equity.

Any contingent consideration to be transferred by the acquirer is recognised at acquisition-date fair value. Subsequent adjustments to consideration are recognised against goodwill only to the extent that they arise from new information obtained within the measurement period (a maximum of 12 months from the acquisition date) about the fair value at the acquisition date. All other subsequent adjustments to contingent consideration classified as an asset or a liability are recognised in profit or loss.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of.

Subsequent to acquisition, the carrying amount of non-controlling interests that represent present ownership interests in the subsidiary is the amount of those interests at initial recognition plus such non-controlling interest's share of subsequent changes in equity. Total comprehensive income is attributed to such non-controlling interests even if this results in those non-controlling interests having a deficit balance.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Subsidiary

A subsidiary is an investee over which the Company is able to exercise control. The Company controls an investee if all three of the following elements are present: power over the investee, exposure, or rights, to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

3.4 Associate

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a joint arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not control or joint control over those policies.

Associates are accounted for using the equity method whereby they are initially recognized at cost and thereafter, their carrying amount are adjusted for the Group's share of the post-acquisition change in the associates' net assets except that losses in excess of the Group's interest in the associate are not recognized unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognized only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate. Where unrealized losses provide evidence of impairment of the asset transferred they are recognized immediately in profit or loss.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

In the Company's statement of financial position, interest in an associate is carried at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Joint arrangements

The group is a party to a joint arrangement where there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries.

The group classifies its interests in joint arrangements as either:

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

The Group accounts for its interests in joint ventures in the same manner as investments in associates (see note 4.4).

Any premium paid for an investment in a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalized and included in the carrying amount of the investment in joint venture. Where there is objective evidence that the investment in a joint venture has been impaired the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

The Group accounts for its interests joint operations by recognizing its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

The Company's interests in joint ventures are stated at cost less impairment losses, if any. Results of joint ventures are accounted for by the Company on the basis of dividends received and receivable.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Goodwill

Where the fair value of identifiable assets and liabilities exceed the aggregate of the fair value of consideration paid, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognized in profit or loss on the acquisition date, after re-assessment.

Goodwill is measured at cost less impairment losses. For the purpose of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units that are expected to benefit from the synergies of the acquisition. A cash-generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, by comparing its carrying amount with its recoverable amount (see note 4.2), and whenever there is an indication that the unit may be impaired.

For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro-rata on the basis of the carrying amount to each asset in the unit. However, the loss allocated to each asset will not reduce the individual asset's carrying amount to below its fair value less cost of disposal (if measurable) or its value in use (if determinable), whichever is the higher. Any impairment loss for goodwill is recognized in profit or loss and is not reversed in subsequent periods.

3.7 Property, plant and equipment

Property, plant and equipment including buildings, electronic equipment, transportation equipment and furniture and equipment in the production or supply of goods and services, or for administrative purposes as described below are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

The cost of property, plant and equipment includes its purchase price and the costs directly attributable to the acquisition of the items.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Property, plant and equipment (Continued)

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are recognized as an expense in profit or loss during the financial period in which they are incurred.

Property, plant and equipment are depreciated so as to write off their costs net of estimated residual values over their estimated useful lives on straight line method. The useful lives, residual value and depreciation method are reviewed, and adjusted if appropriate, at the end of each reporting period. The useful lives are as follows:

Buildings	20 years
Leasehold improvement	Lease term
Computer software	3 years
Electronic equipment	5 years
Transportation equipment	5 years
Furniture and equipment	5 years

An asset is written down immediately to its recoverable amount if its carrying amount is higher than the asset's estimated recoverable amount.

The gain or loss on disposal of an item of property, plant and equipment is the difference between the net sale proceeds and its carrying amount, and is recognized in profit or loss on disposal.

3.8 Inventories

Inventories are initially recognized at cost, and subsequently at the lower of cost and net realizable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method/ first-in first out method. Net realizable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Investment properties

Investment property is property held either to earn rentals or for capital appreciation or for both, but not held for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognized in profit or loss.

3.10 Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to lessee. All other leases are classified as operating leases.

The Group as lessor

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on the straight-line basis over the lease term.

The Group as lessee

Assets held under finance leases are initially recognised as assets at their fair value or, if lower, the present value of the minimum lease payments. The corresponding lease commitment is shown as a liability. Lease payments are analysed between capital and interest. The interest element is charged to profit or loss over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

The land and buildings elements of property leases are considered separately for the purposes of lease classification.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments

(i) *Financial assets*

A financial asset (unless it is a trade receivable without a significant financing component) is initially measured at fair value plus, for an item not at fair value through profit or loss (“FVTPL”), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at 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.

Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at fair value through OCI. Debt investments at fair value through other comprehensive income are subsequently measured at fair value. Interest income calculated using the effective interest rate method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (Continued)

(i) **Financial assets (Continued)**

Debt instruments (Continued)

Fair value through profit or loss (“FVTPL”): Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through other comprehensive income, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Equity instruments

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. Equity investments at fair value through other comprehensive income are measured at fair value. Dividend income are recognised in profit or loss unless the dividend income clearly represents a recovery of part of the cost of the investments. Other net gains and losses are recognised in other comprehensive income and are not reclassified to profit or loss. All other equity instruments are classified as FVTPL, whereby changes in fair value, dividends and interest income are recognised in profit or loss.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (Continued)

(ii) *Impairment loss on financial assets*

The Group recognises loss allowances for expected credit loss (“ECL”) on trade receivables, contract assets, financial assets measured at amortised cost and debt investments measured at FVOCI. The ECLs 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. The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the difference between all contractual cash flows that are due to the Group 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 and contract assets using HKFRS 9 simplified approach and has calculated ECLs 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. 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 analysis, based on the Group’s historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group considers a financial asset to be credit-impaired when: (1) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (2) the financial asset is more than 90 days past due.

Interest income on credit-impaired financial assets is calculated based on the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset. For non credit-impaired financial assets interest income is calculated based on the gross carrying amount.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (Continued)

(iii) *Financial liabilities*

The Group classifies its financial liabilities, depending on the purpose for which the liabilities were incurred. Financial liabilities at fair value through profit or loss are initially measured at fair value and financial liabilities at amortised costs are initially measured at fair value, net of directly attributable costs incurred.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of sale in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in profit or loss.

Where a contract contains one or more embedded derivatives, the entire hybrid contract may be designated as a financial liability at fair value through profit or loss, except where the embedded derivative does not significantly modify the cash flows or it is clear that separation of the embedded derivative is prohibited.

Financial liabilities may be designated upon initial recognition as at fair value through profit or loss if the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the liabilities or recognising gains or losses on them on a different basis; (ii) the liabilities are part of a group of financial liabilities which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial liability contains an embedded derivative that would need to be separately recorded.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value, with changes in fair value recognised in profit or loss in the period in which they arise, except for the gains and losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Financial Instruments (Continued)

(iii) *Financial liabilities (Continued)*

Financial liabilities at amortised cost

Financial liabilities at amortised cost including trade and other payables, borrowings, certain preference shares and the debt element of convertible loan note issued by the Group are subsequently measured at amortised cost, using the effective interest method. The related interest expense is recognised in profit or loss.

Gains or losses are recognised in profit or loss when the liabilities are derecognised as well as through the amortisation process.

(iv) *Effective interest method*

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments through the expected life of the financial asset or liability, or where appropriate, a shorter period.

(v) *Derecognition*

The Group derecognises a financial asset when the contractual rights to the future cash flows in relation to the financial asset expire or when the financial asset has been transferred and the transfer meets the criteria for derecognition in accordance with HKFRS 9.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires.

Where the Group issues its own equity instruments to a creditor to settle a financial liability in whole or in part as a result of renegotiating the terms of that liability, the equity instruments issued are the consideration paid and are recognised initially and measured at their fair value on the date the financial liability or part thereof is extinguished. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments are measured to reflect the fair value of the financial liability extinguished. The difference between the carrying amount of the financial liability or part thereof extinguished and the consideration paid is recognised in profit or loss for the year.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and in hand as well as short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.13 Revenue recognition

The Group provides property management services, community value-added services and value-added services to non-property owners. Revenue from providing services is recognized in the accounting period in which the services are rendered.

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(i) *Property management services*

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognizes the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognizes the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

(ii) *Value-added services to non-property owners*

Value-added services to non-property owners mainly includes preliminary planning and design consultancy services to property developers or other property management service providers and cleaning, security, greening and repair and maintenance services to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Revenue recognition (Continued)

(iii) Community value-added services

For community value-added services, revenue is recognized when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalized and presented as assets and subsequently amortized when the related revenue is recognized.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

(iv) Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Foreign currency translation

Transactions entered into by the group entities in currencies other than the currency of the primary economic environment in which they operate (the “functional currency”) are recorded at the rates ruling when the transactions occur. Foreign currency monetary assets and liabilities are translated at the rates ruling at the end of reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in profit or loss in the period in which they arise.

The functional currencies of the Company and certain subsidiaries are currencies other than the RMB. The assets and liabilities of these entities are translated into the presentation currency of the Group at the exchange rates ruling at the end of each reporting period, and their income and expense items are translated into RMB at the weighted average exchange rates for the period. The resulting exchange differences are recognized in other comprehensive income and accumulated in the exchange reserve. On disposal of an operation with functional currency other than RMB, the component of other comprehensive income relating to that particular operation is recognized in the statement of profit or loss.

For the purpose of the consolidated statements of cash flows, the cash flows of non PRC entities are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of non PRC entities which arise throughout the year are translated into RMB at the weighted average exchange rates for the period.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax

Income taxes for the year comprise current tax and deferred tax.

Current tax is based on the profit or loss from ordinary activities adjusted for items that are non-assessable or disallowable for income tax purposes and is calculated using tax rates that have been enacted or substantively enacted at the end of reporting period.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding amounts used for tax purposes. Except for goodwill and recognised assets and liabilities that affect neither accounting nor taxable profits, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Deferred tax is measured at the tax rates appropriate to the expected manner in which the carrying amount of the asset or liability is realised or settled and that have been enacted or substantively enacted at the end of reporting period.

An exception to the general requirement on determining the appropriate tax rate used in measuring deferred tax amount is when an investment property is carried at fair value under HKAS 40 “Investment Property”. Unless the presumption is rebutted, the deferred tax amounts on these investment properties are measured using the tax rates that would apply on sale of these investment properties at their carrying amounts at the reporting date. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all the economic benefits embodied in the property over time, rather than through sale.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, associates and jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Income taxes are recognised in profit or loss except when they relate to items recognised in other comprehensive income in which case the taxes are also recognised in other comprehensive income or when they relate to items recognised directly in equity in which case the taxes are also recognised directly in equity.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Employee benefits

(a) Defined contribution retirement plan

Pursuant to the relevant regulations of the PRC government, the Group participates in a central pension scheme operated by the local municipal government (the “Scheme”), whereby the subsidiary of the Company in the PRC is required to contribute a certain percentage of the basic salaries of its employees to the Scheme to fund their retirement benefits. The local municipal government undertakes to assume the retirement benefits obligations of all existing and future retired employees of the subsidiary of the Company. The only obligation of the Group with respect to the Scheme is to pay the ongoing required contributions under the Scheme. Contributions under the Scheme are charged to profit or loss as incurred. There are no provisions under the Scheme whereby forfeited contributions may be used to reduce future contributions.

(b) Short term employee benefits

Short term employee benefits are employee benefits (other than termination benefits) that are expected to be settled wholly before twelve months after the end of the annual reporting period in which the employees render the related service. Short term employee benefits are recognized in the year when the employees render the related service.

3.17 Share-based payments

Where share options are awarded to employees and others providing similar services, the fair value of the services received is measured by reference to the fair value of the options at the date of grant. Such fair value is recognized in profit or loss over the vesting period with a corresponding increase in the share option reserve within equity. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the end of each reporting period so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all non-market vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also recognized in profit or loss over the remaining vesting period.





3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Impairment of other assets

At the end of each reporting period, the Group reviews the carrying amounts of the following assets to determine whether there is any indication that those assets have suffered an impairment loss or an impairment loss previously recognized no longer exists or may have decreased:

- property, plant and equipment;
- investment property under fair value model;
- investments in subsidiaries, associates and joint ventures (except for those classified as held for sale (or included in a disposal group that is classified as held for sale) (see note 4(I)); and
- goodwill

If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any.

Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash generating unit).

Recognition of impairment losses

An impairment loss is recognized in profit or loss whenever the carrying amount of an asset, or the cash generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognized in respect of cash generating units are allocated to reduce the carrying amount of the assets in the cash generating unit (or group of units) on a pro rata basis, except that the carrying amount of an asset will not be reduced below its individual fair value less costs of disposal (if measurable), or value in use, (if determinable).

Reversals of impairment losses

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognized in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognized.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.19 Government grant

Government grants are recognized in the statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are deducted in reporting the related expense or recognized as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are deducted the grant in calculating the carrying amount of the asset that is recognized in profit or loss over the life of a depreciable asset as a reduced depreciation expense. An unconditional government grant is recognized in profit or loss as other revenue when the grant becomes receivable.

3.20 Segment reporting

The Group identifies operating segments and prepares segment information based on the regular internal financial information reported to the executive directors for their decisions about resources allocation to the Group's business components and for their review of the performance of those components. The business components in the internal financial information reported to the executive directors are determined following the Group's major product lines.

For the purposes of assessing segment performance and allocating resources between segments, the directors assess segment profit or loss by gross profit or loss as measured in HKFRS financial statements.

For the purpose of presenting geographical location of the Group's revenue from external customers and the Group's non-current assets, country of domicile is determined by reference to the country where the majority of the Company's subsidiaries operate.

3.21 Provisions and contingent liabilities

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefit is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.



3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Related parties

For the purposes of the Financial Information, a party is considered to be related to the Group if:

- (a) A person or a close member of that person's family is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of key management personnel of the Group or the Company's parent.
- (b) An entity is related to the Group if any of the following conditions apply:
 - (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of the employees of the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the Company's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependents of that person or that person's spouse or domestic partner.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. Our key sources of estimation uncertainty are as follows:

(i) Useful lives of property, plant and equipment

The Group determines the estimated useful lives, and related depreciation charges for its property, plant and equipment. The estimates are based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charges where useful lives are less than previously estimated useful lives. It will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives. Periodic review could result in a change in estimated useful lives and therefore affect the depreciation charges in future periods.

(ii) Impairment of trade and other receivables

The impairment of trade and other receivables are based on assumptions about risk of default and expected credit loss rates. The Group adopts judgement in making these assumption and selecting inputs for computing such impairment loss, broadly based on the available customers' historical data, existing market conditions including forward looking estimates at end of reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and impairment losses in the periods in which such estimate has been changed.

(iii) Income taxes and deferred tax

The Group is subject to income taxes of different jurisdictions. Significant judgement is required on the interpretation of tax laws and legislations during the estimation of the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognized liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome is different from the amounts that were initially recorded, such differences would impact the income tax and deferred income tax provisions, where applicable, in the period in which such determination is made.



4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(iii) Income taxes and deferred tax (continued)

Deferred tax assets are recognized for all unused tax losses and unabsorbed depreciation allowances to the extent that it is probable that future taxable profits would be available against which the losses and other deductible temporary differences could be utilized. Significant management judgement is required to determine the amount of deferred tax assets that could be recognized, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(iv) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset of cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

(v) Fair value measurement

The fair value measurement of the Group's investment properties, financial assets at fair value through profit or loss and financial assets at fair value through other comprehensive income utilizes market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorized into different levels based on how observable the inputs used in the valuation technique utilized are (the 'fair value hierarchy'):

- Level 1: Quoted prices in active markets for identical items (unadjusted);
- Level 2: Observable direct or indirect inputs other than Level 1 inputs;
- Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognized in the period they occur.



5. SEGMENT INFORMATION

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

Information about major customer

For the 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.

Operating segment information

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

Information about geographical areas

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

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





6. 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
	<u>1,075,830</u>	<u>725,317</u>
Geographical markets		
Mainland China	<u>1,075,830</u>	<u>725,317</u>
Timing of revenue recognition		
Services transferred over time	<u>1,075,830</u>	<u>725,317</u>

(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.



6. REVENUE (CONTINUED)

(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	31 December 2017
	RMB'000	RMB'000
Contract liabilities	<u>171,339</u>	<u>120,077</u>

(i) Significant changes in contract liabilities

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

(ii) Revenue 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
	<u>110,445</u>	<u>69,315</u>





7. OTHER INCOME AND OTHER NET GAIN

	2018	2017
	RMB'000	RMB'000
Bank interest income	2,551	686
Government grants (Note)	7,855	2,266
Penalty income	250	379
Reversal of provision for legal dispute	—	472
Reversal of impairment loss on trade receivables	219	1,628
Reversal of impairment loss on other receivables	255	472
Gain on disposal of property, plant and equipment	4	—
Gain on disposal of investment properties	205	158
Fair value gain of investment properties	1,464	725
Interest income from financial assets at FVTPL	2,472	2,470
Gain on disposal of financial assets at FVOCI	—	616
Others	736	356
	<u>16,011</u>	<u>10,228</u>

Note: Government grants mainly comprised of government subsidize on PRC tax.

8. FINANCE COST

	2018	2017
	RMB'000	RMB'000
Interest on secured bank loan (note 25)	<u>98</u>	<u>—</u>



9. PROFIT BEFORE INCOME TAX EXPENSE

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

	2018	2017
	RMB'000	RMB'000
Depreciation of property, plant and equipment	3,591	1,937
Impairment loss on trade receivables	3,460	472
Impairment loss on other receivables	627	3,349
Gain on disposal of property, plant and equipment	(4)	—
Loss on disposal of property, plant and equipment	12	34
Listing expense	25,650	—
Operating lease changes in respect of:		
Rented premises	7,050	2,578
Plant and machinery	115	64
Staff costs (including directors' emoluments – Note 13):		
Salaries, wages and other benefits	422,990	280,359
Bonus	25,925	30,204
Retirement scheme contribution	73,148	54,424
	<u>522,063</u>	<u>364,987</u>





10. INCOME TAX EXPENSE

	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)
	<u>44,599</u>	<u>30,423</u>
Deferred tax (Note 26)		
Credited to profit or loss for the year	(3,052)	(1,954)
	<u>41,547</u>	<u>28,469</u>

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

Pursuant to the rules and regulations of the British Virgin Islands ("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 can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	2018	2017
	RMB'000	RMB'000
Profit before income tax expense	<u>141,787</u>	<u>104,911</u>
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 a 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 recognized	(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	<u>3,539</u>	<u>2,284</u>
Income tax expense	<u>41,547</u>	<u>28,469</u>



11. 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).

12. EARNINGS PER SHARE

	2018	2017
	RMB'000	RMB'000
Profits		
Profit attributable to owners of the Company	<u>100,521</u>	<u>76,442</u>

	2018	2017
	Number'000	Number'000
Number of shares		
Weighted average number of ordinary shares (note)	<u>1,135,618</u>	<u>1,120,000</u>

Note:

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 as detailed in Note 27, 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.



13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	Salaries, allowance and benefits		Discretionary bonuses	Retirement scheme contributions	Total
	Fees	in kind			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2018					
<i>Executive director</i>					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	2,600	360	128	3,088
<i>Non-executive director</i>					
Mr. Lin Feng	—	—	—	—	—
Mr. Ge Ming	—	—	—	—	—
<i>Independent non-executive director</i>					
Mr. Ma Yongyi	10	—	—	—	10
Mr. Wang Peng	—	—	—	—	—
Mr. Cheung Wai Chung	10	—	—	—	10
	<u>20</u>	<u>2,600</u>	<u>360</u>	<u>128</u>	<u>3,108</u>



13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

	Salaries, allowance and benefits		Discretionary bonuses	Retirement scheme contributions	Total
	Fees	in kind			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2017					
<i>Executive director</i>					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	217	—	5	222
<i>Non-executive director</i>					
Mr. Lin Feng	—	—	—	—	—
Mr. Ge Ming	—	—	—	—	—
<i>Independent non-executive director</i>					
Mr. Ma Yongyi	50	—	—	—	50
Mr. Wang Peng	50	—	—	—	50
Mr. Cheung Wai Chung	—	—	—	—	—
	<u>100</u>	<u>217</u>	<u>—</u>	<u>5</u>	<u>322</u>

Notes:

- (i) No directors received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2018 and 2017. No directors waived or agreed to waive any emoluments for the years ended 31 December 2018 and 2017.
- (ii) Mr. Lin Zhong was appointed as executive director of the Company on April 18, 2018.
- (iii) Mr. Zhou Hongbin was appointed as executive director of the Company on July 25, 2018.
- (iv) Mr. Lin Feng and Mr. Ge Ming were appointed as non-executive director of the Company on July 25, 2018.
- (v) Mr. Ma Yongyi and Mr. Wang Peng were appointed as independent non-executive directors of the Company on November 26, 2018.
- (vi) Mr. Cheung Waichung was appointed as the independent non-executive director of the Company on November 26, 2018. No emoluments were paid or payable to him for the year ended 31 December 2017.





13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) The five highest paid individuals

The five highest paid individuals of the Group are analysed as follows:

	2018	2017
	Number of individuals	Number of individuals
Directors	1	—
Non directors, the highest paid individual	4	5
	<u>5</u>	<u>5</u>

Details of the emoluments of the above non directors, the highest paid individual for the years ended 31 December 2018 and 2017 are as follows:

	2018	2017
	RMB'000	RMB'000
Salaries and other emoluments	2,615	1,842
Discretionary bonuses	120	2,227
Retirement scheme contribution	278	201
	<u>3,013</u>	<u>4,270</u>

The number of the highest paid non directors fell within the following emolument band:

	2018	2017
	Number of individuals	Number of individuals
Nil to RMB1,000,000	4	4
RMB1,000,001 to RMB2,000,000	—	1
	<u>4</u>	<u>5</u>



14. INTEREST IN A JOINT VENTURE

	2018
	RMB'000
Share of net assets other than goodwill	<u>6,986</u>

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
Shanghai Yongsheng Yizhi Property Management Company Limited	Property management service in the PRC	50*

* The Group has entered into joint arrangement with Yizhi Property Service Company Limited (怡置物業服務有限公司) ("Yizhi Property"), which jointly incorporated a separate vehicle named Shanghai Yongsheng Yizhi Property Management Company Limited ("Yongsheng Yizhi"). The Group's ownership interest in Yongsheng Yizhi is 50%, neither the Group nor Yizhi Property exercise controlling power over the Yongsheng Yizhi. The directors of the Company therefore treated the interest in Yongsheng Yizhi as joint venture.

The contractual arrangement provides the group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for the liabilities of the joint arrangement resting primarily with Yongsheng Yizhi. Under HKFRS 11 this joint arrangement is classified as a joint venture and has been included in the consolidated financial statements using the equity method.

Summarized financial information of the joint venture, adjusted for any differences in accounting policies, is presented below:

	2018
	RMB'000
Current assets	53,378
Non-current assets	500
Current liabilities	(39,907)
Net assets	13,971
Group's share of the net assets of the joint venture	6,986

	2018
	RMB'000
Revenue	42,366
Post-tax profit or loss	12,972
Total comprehensive income	12,972





15. INTEREST IN AN ASSOCIATE

	2018	2017
	RMB'000	RMB'000
Share of net assets other than goodwill	4,642	2,156

Details of the Group's associates are as follows.

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
Chongqing Xuyuan Tiancheng Property Management Company Limited	Property management service in the PRC	51*

* Although the Group's ownership interest in Chongqing Xuyuan Tiancheng Property Management Company Limited ("Chongqing Xuyuan") is more than 50%, the Group is only entitled to appoint one out of three directors to the board of directors of Chongqing Xuyuan, so that the Group has no control over the financial and operating policies of Chongqing Xuyuan but has significant influences over it. The directors of the Company therefore treated the interest in Chongqing Xuyuan as an associate.

Summarized financial information of an associate, adjusted for any difference in accounting policies:

	2018	2017
	RMB'000	RMB'000
Current assets	15,433	5,134
Non-current assets	136	107
Current liabilities	(6,468)	(1,013)
Net assets	9,101	4,228
Group's share of the net assets of the associate	4,642	2,156

	2018	2017
	RMB'000	RMB'000
Revenue	18,608	2,539
Post-tax profit or loss	4,874	1,227
Total comprehensive income	4,874	1,227



16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer software	Electronic equipment	Transportation equipment	Furniture and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST							
At 1 January 2017	—	—	—	5,166	483	1,830	7,479
Acquired through acquisition of subsidiary	9,413	—	—	194	346	143	10,096
Additions	—	—	—	1,489	839	701	3,029
Disposals	—	—	—	(68)	—	(56)	(124)
At 31 December 2017 and 1 January 2018	9,413	—	—	6,781	1,668	2,618	20,480
Additions	—	4,457	5,585	4,932	133	934	16,041
Disposals	—	—	—	(51)	(259)	(28)	(338)
At 31 December 2018	9,413	4,457	5,585	11,662	1,542	3,524	36,183
ACCUMULATED DEPRECIATION							
At 1 January 2017	—	—	—	2,737	287	1,027	4,051
Depreciation	422	—	—	1,008	195	312	1,937
Disposals	—	—	—	(37)	—	(53)	(90)
At 31 December 2017 and 1 January 2018	422	—	—	3,708	482	1,286	5,898
Depreciation	585	643	249	1,347	310	457	3,591
Disposals	—	—	—	(42)	(244)	(27)	(313)
At 31 December 2018	1,007	643	249	5,013	548	1,716	9,176
NET BOOK VALUE							
At 31 December 2018	8,406	3,814	5,336	6,649	994	1,808	27,007
At 31 December 2017	8,991	—	—	3,073	1,186	1,332	14,582

The above items of property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives and after taking into account of their estimate residual values.

Building is held for own use and situated in the PRC.

At 31 December 2018 and 2017, no property, plant and equipment was pledged.



17. INVESTMENT PROPERTIES

	2018	2017
	RMB'000	RMB'000
Fair value		
At 1 January	48,240	47,941
Disposals	(425)	(426)
Change in fair value	1,464	725
At 31 December	<u>49,279</u>	<u>48,240</u>

The fair value of the Group's investment properties as at 31 December 2018 and 2017, have been arrived at on income approach carried out by Jiangsu Zhongqihua Zhongtian Asset Evaluation Company Limited (江蘇中企華中天資產評估有限公司), an independent valuer who holds a recognized and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

The fair value of investment properties is a level 3 recurring fair value measurement. A reconciliation of the opening and closing fair value balance is provided below:

	2018	2017
	RMB'000	RMB'000
Opening balance (level 3 recurring fair value)	48,240	47,941
Disposals	(425)	(426)
Gains on change in fair value included in profit or loss	1,464	725
Closing balance (level 3 recurring fair value)	<u>49,279</u>	<u>48,240</u>
Change in unrealized gains or losses for the year included in profit or loss	<u>1,464</u>	<u>725</u>

Significant unobservable inputs

	2018	2017
Rental growth rate	2.32%	2.31%-2.34%
Prevailing daily market rent	RMB 0.30 - 0.75 per square metre per day	RMB 0.28 - 0.77 per square metre per day
Discount rate	5.5%	5.5%
Expected vacancy rate	5.0%-10.0%	5.0%-10.0%

The higher the discount rate or expected vacancy rate, the lower the fair value. The higher the prevailing daily market rent or rental growth rate, the higher the fair value.

There were no changes to the valuation techniques for the years ended 31 December 2018 and 2017.



17. INVESTMENT PROPERTIES (CONTINUED)

The fair value measurement is based on the above properties' highest and best use, which does not differ from their actual use.

For the years ended 31 December 2018 and 2017, there were no transfers into or out of Level 3 or any other Level. The Group's policy is to recognize transfers between levels of the fair value hierarchy as at the end of the reporting period in which they occur.

18. GOODWILL

	2018	2017
	RMB'000	RMB'000
At 1 January	17,230	—
Acquired through business combinations	—	17,230
At 31 December	<u>17,230</u>	<u>17,230</u>
Accumulated impairment losses		
At 1 January	—	—
Acquired through business combinations	—	—
At 31 December	<u>—</u>	<u>—</u>

Impairment test on goodwill will be performed at least annually.

For the purpose of impairment testing, goodwill is allocated to the subsidiary identified as follows:

	2018	2017
	RMB'000	RMB'000
Ningbo Yongda Property Management Company Limited	<u>17,230</u>	<u>17,230</u>

The recoverable amounts of the cash generating unit ("CGU") has been determined from value in use calculations based on cash flow projections from formally approved budgets covering a five-year period.

	2018	2017
Discount rate	8.7%	9.6%
Operating margin	8.9%	5.7%
Growth rate within the five-year period	1.0% - 3.4%	1.2% - 6.9%

The discount rate used is pre-tax and reflect specific risks relating to the relevant CGU. The operating margin and growth rate within the five-year period have been based on past experience.





18. GOODWILL (CONTINUED)

The recoverable amount as at 31 December 2018 and 2017 have been carry out by an independent valuer, Jiangsu Zhongqihua Zhongtian Asset Evaluation Company Limited (江蘇中企華中天資產評估有限公司).

As at 31 December 2018 and 2017, the recoverable amounts of the CGU calculated based on value in use exceeded carrying value by approximately RMB4,652,000 and RMB2,323,000 respectively.

In the opinion of the directors, a reasonably possible change in key parameters would cause the carrying amount of the CGU exceed its recoverable amount.

As at 31 December 2018, had the operating margin and pre-tax discount rate been 0.70% (2017: 0.50%) lower and 0.11% (2017: 0.08%) higher than management's estimates respectively, after incorporating the consequential effects of the change on the other variables used to measure the recoverable amount, the carrying amount of the CGU would be equal to its recoverable amount.

Based on the assessment results, the directors are of the opinion that there are no indications that the carrying amount of the goodwill has to be impaired.

19. INVENTORIES

	2018	2017
	RMB'000	RMB'000
Parking lots	—	120
Storeroom	—	147
	—	267



20. TRADE AND BILLS RECEIVABLES

	2018	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	—
	<u>162,032</u>	<u>121,461</u>

As at 31 December 2018 and 2017, the trade receivables was denominated in RMB, and the fair value of trade receivables approximated its carrying amounts.

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

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

Further details on the group's credit policy and credit risk arising from trade debtors and bills receivable are set out in note 34.

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

	2018	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
	<u>171,226</u>	<u>127,735</u>





21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	RMB'000	RMB'000
Deposits and other receivables		
– Related parties	10	6,865
– Third parties	53,326	50,939
Total	53,336	57,804
Less: allowance for impairment of deposit and other receivables	(5,555)	(5,183)
	47,781	52,621
VAT receivable	112	309
Prepayments	3,430	2,002
	51,323	54,932

22. PLEDGED BANK DEPOSIT AND CASH AND CASH EQUIVALENTS

	2018	2017
	RMB'000	RMB'000
Pledged bank deposit (note a)	9,969	—
Cash on hand	58	87
Cash at bank	1,160,064	438,133
	1,160,122	438,220

Notes:

- Pledged bank deposits represents deposits pledged to banks to secure the bank borrowing granted to the Group (note 25). Deposits amounting to RMB9,969,000 (2017: Nil) have been pledged to secure the bank borrowing and are classified as current assets.
- At 31 December 2018, cash and cash equivalents in the amount of RMB575,668,000 (2017: Nil) and RMB584,454,000 (2017: RMB438,220,000) are denominated in HK\$ and RMB respectively. The cash and cash equivalent denominated in RMB are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- As at 31 December 2018, cash and cash equivalents did not include housing maintenance funds of RMB100,800 (2017: RMB116,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.



23. TRADE PAYABLES

	2018	2017
	RMB'000	RMB'000
Related parties	—	—
Third parties	71,844	36,730
	<u>71,844</u>	<u>36,730</u>

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

	2018	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
	<u>71,844</u>	<u>36,730</u>

24. ACCRUALS AND OTHER PAYABLES

	2018	2017
	RMB'000	RMB'000
Accruals and other payables		
– Related parties (Note a)	7,192	7,670
– Third parties	179,044	180,849
	<u>186,236</u>	<u>188,519</u>
Amount due to a director (Note a)	1,992	—
Provision for legal dispute (Note b)	209	453
Salaries payables	77,668	65,973
Other tax payables	20,522	9,976
	<u>286,627</u>	<u>264,921</u>

Notes:

- The balance was unsecured, interest-free and repayable on demand.
- The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.



25. BANK LOAN

	2018	2017
	RMB'000	RMB'000
Current		
Bank loan due for repayment within one year	<u>9,281</u>	<u>—</u>

Note:

On 6 August 2018, a banking facility of approximately RMB21,905,000 (equivalent to HK\$25,000,000) was granted by Bank of East Asia (China) Limited (東亞銀行(中國)有限公司). On 7 August 2018 and 18 September 2018, two loans amounted to approximately RMB4,873,000 (equivalent to HK\$5,506,000) and RMB4,503,000 (equivalent to HK\$5,087,000) was borrowed by the Company respectively. The loans bore interest charges at 3M HIBOR + 200bps and were secured by a pledge bank deposit of RMB9,969,000 as disclosure in note 22.

26. DEFERRED TAX

Details of the deferred tax assets and liabilities recognized and movements for the years ended 31 December 2018 and 2017 is as follows:

Deferred tax assets

	Impairment loss on trade receivables	Impairment loss on other receivables	Provision for legal dispute	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	1,296	461	70	1,827
Credited to profit or loss for the year	<u>271</u>	<u>835</u>	<u>44</u>	<u>1,150</u>
At 31 December 2017 and 1 January 2018	1,567	1,296	114	2,977
Credited/(charged) to profit or loss for the year	<u>811</u>	<u>92</u>	<u>(61)</u>	<u>842</u>
At 31 December 2018	<u>2,378</u>	<u>1,388</u>	<u>53</u>	<u>3,819</u>



26. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Withholding tax of undistributed profits	Provision of fair value adjustment upon acquisition of subsidiary	Provision of fair value adjustment for investment properties	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2017	—	—	(9,236)	(9,236)
Charged to profit or loss for the year	(2,284)	(639)	(181)	(3,104)
At 31 December 2017 and 1 January 2018	(2,284)	(639)	(9,417)	(12,340)
(Charged)/credited to profit or loss for the year	(3,539)	13	(368)	(3,894)
At 31 December 2018	(5,823)	(626)	(9,785)	(16,234)

27. SHARE CAPITAL

	Notes	2018		2017	
		Number	Amount	Number	Amount
		'000	RMB'000	'000	RMB'000
Authorised:					
Initial authorised share capital upon incorporation	(a)	38,000	304	—	—
Increase in share capital upon capitalisation	(c)	3,962,000	35,158	—	—
		4,000,000	35,462	—	—





27. SHARE CAPITAL (CONTINUED)

	Notes	2018		2017	
		Number	Amount	Number	Amount
		'000	RMB'000	'000	RMB'000
Issued and fully paid:					
Issue of ordinary shares					
upon incorporation	(a)	—	— [^]	—	—
Allotment of shares	(b)	22	— [^]	—	—
Issue of ordinary shares					
upon capitalisation	(c)	1,119,978	9,938	—	—
Issue of ordinary shares					
upon global offering	(d) & (e)	380,000	3,352	—	—
At 31 December		1,500,000	13,290	—	—

[^] The balance is less than RMB1,000.

Note:

- (a) The Company was incorporated on 16 April 2018 in the Cayman Islands with an authorised share capital of HK\$380,000 (equivalent to RMB321,636) divided into 38,000,000 ordinary shares of HK\$0.01 each. Upon incorporation, one share of par value HK\$0.01 was allotted and issued to a subscriber, which was then transferred to a shareholder - Elite Force Development Limited ("Elite Force Development") at par on the same date.
- (b) On 30 April 2018, 3 shares and 1 share of par value HK\$0.01 were allotted and issued to 2 shareholders - Elite Force Development and Best Legend Development (PTC) Limited ("Best Legend") respectively.
- On July 6, 2018, 8,796 Shares, 6,600 Shares, 5,739 Shares and 860 Shares were allotted and issued to 4 shareholders - Elite Force Development, Spectron Enterprises Limited ("Spectron"), Best Legend and Wise-man Development International Limited ("Wise-man Development"), respectively at the consideration of RMB90,200,000, RMB67,650,000, RMB58,835,000 and HK\$10,455,471.
- On July 6, 2018, our Company acquired the entire issued share of Prominent Intellectuals from Wise-man Development at a consideration of HK\$5,100,000. The consideration was satisfied by allotting and issuing 400 Shares, credited as fully paid at par, to Wise-man Development.
- (c) Pursuant to the written resolutions passed on November 26, 2018, the authorized share capital was increased from HK\$380,000 to HK\$40,000,000 by the creation of additional 3,962,000,000 Shares.
- (d) Pursuant to written resolutions passed on 26 November 2018, conditional upon the share premium account of the Company being credited by way of global offering, the directors were authorised to allot and issue a total of 1,119,977,600 shares credited as fully paid at par by way of capitalisation of the sum of HK\$11,199,776 (equivalent to RMB 9,938,000) standing to the credit of the share premium account of the Company.
- (e) On 17 December 2018, 380,000,000 ordinary shares of HK\$0.01 each of the Company were issued at a price of HK\$1.78 by way of placing. On the same date, the Company's ordinary shares were listed on the Stock Exchange. The proceeds of HK\$3,800,000 (equivalent to RMB 3,352,000) representing the par value of the ordinary shares of the Company, were credited to the Company's share capital. The remaining proceeds of HK\$672,600,000 (equivalent to RMB593,193,000), before issuing expenses of approximately HK\$21,679,000 (equivalent to RMB18,305,000), were credited to share premium account.



28. OPERATING LEASE COMMITMENT AND ARRANGEMENT

The Group as lessee

As at 31 December 2018 and 2017, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2018	2017
	RMB'000	RMB'000
Premises		
Within one year	10,947	1,552
In the second to fifth year, inclusive	21,900	2,432
After five years	—	—
	<u>32,847</u>	<u>3,984</u>
Plant and machinery		
Within one year	111	95
In the second to fifth year, inclusive	50	20
After five years	—	—
	<u>161</u>	<u>115</u>
	<u>33,008</u>	<u>4,099</u>

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





29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2018
		RMB'000
Non-current assets		
Interests in subsidiaries		—*
Current assets		
Amounts due from subsidiaries	(i)	238,822
Cash and cash equivalents		575,520
Total current assets		<u>814,342</u>
Total assets		<u>814,342</u>
Current liabilities		
Amount due to a subsidiary		10,255
Amount due to a director		1,908
Accruals and other payables		3,845
Short term borrowing		9,281
Total current liabilities		<u>25,289</u>
NET ASSETS		<u>789,053</u>
Capital and reserves		
Share capital	(ii)	13,290
Reserve	(ii)	775,763
TOTAL EQUITY		<u>789,053</u>

* The balance is less than RMB1,000.



29. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED)

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of this report.

Notes:

- (i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.
- (ii) Movements in reserves

	Share capital	Share premium	Capital reserve	Retained earnings	Total Equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2018	—	—	—	—	—
Profit and total comprehensive income for the year	—	—	—	(18,787)	(18,787)
Issued of one ordinary share upon incorporation	— [^]	—	—	—	—
Capital contribution by non-controlling shareholders	—	—	—	—	—
Allotment of shares	— [^]	—	229,600	—	229,600
Shares issued pursuant to the public offering and placing	3,352	593,193	—	—	596,545
Shares issued pursuant to the capitalisation	9,938	(9,938)	—	—	—
Transactions cost attributable to the public offering and placing	—	(18,305)	—	—	(18,305)
Balance at 31 December 2018	<u>13,290</u>	<u>564,950</u>	<u>229,600</u>	<u>(18,787)</u>	<u>789,053</u>





30. INTERESTS IN SUBSIDIARIES

Details of the subsidiaries are as follows:

Name of subsidiaries	Kind of legal entity	Registered/ issued and paid-up capital	% of ownership Interests		Place of incorporation/ operation and principal activities
			2017	2018	
Elite Force Investment Limited	Corporation registered under BVI Company law	USD1	—	100%	Investment Holding in BVI
Elite Force International Limited	Corporation registered under Hong Kong Companies Ordinance	HKD100	—	100%	Investment Holding in Hong Kong
City lights Assets Limited	Corporation registered under Hong Kong Companies Ordinance	HKD100	—	100%	Investment Holding in Hong Kong
Prominent Intellectuals Limited	Corporation registered under BVI Company law	USD1	—	100%	Investment Holding in BVI
Shanghai Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB110,000,000	100%	100%	Property Management in PRC
Xiamen Yongsheng Property Service Company Limited	Corporation registered under PRC law	RMB3,000,000	100%	100%	Property Management in PRC
Beijing Yongsheng Property Service Company Limited	Corporation registered under PRC law	RMB3,000,000	100%	100%	Property Management in PRC
Shanghai Heding Enterprises Development Company Limited	Corporation registered under PRC law	RMB2,000,000	100%	100%	Property Management in PRC
Ningbo Yongda Property Management Company Limited	Corporation registered under PRC law	RMB5,000,000	100%	100%	Property Management in PRC
Bengbu Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB3,000,000	100%	100%	Property Management in PRC



30. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows: (Continued)

Name of subsidiaries	Form of business structure	Registered/ issued and paid-up capital	% of ownership Interests		Place of incorporation/ operation and principal activities
			2017	2018	
Shandong Luban Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB3,500,000	—	70%	Property Management in PRC
Hubei Yufu Meijia Property Company Limited	Corporation registered under PRC law	RMB2,010,000	—	100%	Property Management in PRC
Hubei Xumei Yongsheng Property Company Limited	Corporation registered under PRC law	RMB2,010,000	—	100%	Property Management in PRC
Shanghai Shengkuang Construction and Engineering Company Limited	Corporation registered under PRC law	RMB9,000,000	—	100%	Construction and Maintenance in PRC
Suzhou Xinyong Property Management Company Limited	Corporation registered under PRC law	RMB5,000,000	—	51%	Property Management in PRC





31. MATERIAL RELATED PARTIES TRANSACTIONS

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

(a) Name and relationship

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

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



31. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Related parties transactions

	2018	2017
	RMB'000	RMB'000
CIFI Holdings (Group) Co. Ltd.		
– Provision of services		
• Property management services	56,076	46,416
• Community value-added services	9,812	—
• Value-added services to non-property owners	144,352	100,731
– Rental expenses	—	(171)
Mr. Lin Feng		
– Provision of Property management services	42	13
Ms. Zeng Yirong		
– Provision of Property management services	13	8
Mr. Lin Xianglin		
– Provision of Property management services	3	3
Mr. Chen Chuanchao		
– Provision of Property management services	13	3
Mr. Luo Xinguo		
– Provision of Property management services	4	4
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.		
– Provision of Property management services	2,633	—
Dezhou Huazihaode Real Estate Co., Ltd.		
– Provision of Property management services	585	—
Shandong Jinluban Group Co., Ltd.		
– Provision of Property management services	578	—
Laoling Luban Real Estate Development Co., Ltd.		
– Provision of Property management services	338	—





31. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(c) Related parties balances

	2018	2017
	RMB'000 Due from/ (due to)	RMB'000 Due from/ (due to)
CIFI Holdings (Group) Co. Ltd.		
– Provision of Property management services	39,188	37,958
– Provision of Property management services (note)	(6,218)	(9,838)
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.		
– Provision of Property management services	2,191	—
Dezhou Huazihaode Real Estate Co., Ltd.		
– Provision of Property management services	620	—
Shandong Jinluban Group Co., Ltd.		
– Provision of Property management services	439	—
Laoling Luban Real Estate Development Co., Ltd.		
– Provision of Property management services	348	—

Note:

The balances represented receipts in advance of property management services income.

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	2017	Cash flows	2018
	RMB'000	RMB'000	RMB'000
Bank loan	—	9,281	9,281
Liabilities from financing activities	—	9,281	9,281



33. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximizing the return to shareholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of net debt, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

Management regards total equity as capital. The amount of capital as at 31 December 2018 and 2017 amounted to approximately RMB902,600,000 and RMB244,670,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

34. FINANCIAL RISK MANAGEMENT

The Group's major financial instruments include trade receivables, deposits and other receivables, cash and cash equivalents, trade payables, accrued charges and other payables. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include interest rate risk, currency risk, credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(a) Interest rate risk

As the Group has no significant interest-bearing assets and liabilities, the Group's income and operating cash flows are substantially independent of changes in market interest rate.

The Group is exposed to credit risk in relation to its trade and other receivables and cash deposits at banks. The carrying amounts of trade and other receivables, cash and cash equivalents and restricted cash represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group has large number of customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts.



34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Interest rate risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating
- External credit rating

(b) Credit risk

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of individual property owner or the borrower
- Significant increases in credit risk on the other financial instruments of the individual property owner or the same borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower



34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade and other receivables

As at 31 December 2018 and 2017, the Group applies the general approach to provide for expected credit losses prescribed by HKFRS 9, which permits to recognize 12-month expected credit losses for trade receivables from related parties and all other receivables. Trade receivables from third parties applies the simplified approach to provide for expected losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision.

As at 31 December 2018 and 2017, the loss allowance provision for the remaining balances was determined as follows. The expected credit losses below also incorporated forward looking information.

Trade receivables	Third parties						Related parties	Total
	Up to 1 year	1 to 2 year	2 to 3 year	3 to 4 year	4 to 5 year	Over 5		
						years		
RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
At 31 December 2017								
Expected loss rate	3.6%	8.3%	15.9%	30.1%	55.5%	100%	3.4%	
Gross carrying amount	66,791	19,994	1,180	619	405	321	38,425	127,735
Loss allowance provision	<u>2,386</u>	<u>1,653</u>	<u>188</u>	<u>186</u>	<u>225</u>	<u>321</u>	<u>1,315</u>	<u>6,274</u>
At 31 December 2018								
Expected loss rate	4.8%	11.9%	32.0%	39.7%	54.1%	100%	2.6%	
Gross carrying amount	110,742	14,899	1,335	626	339	498	42,787	171,226
Loss allowance provision	<u>5,293</u>	<u>1,771</u>	<u>427</u>	<u>248</u>	<u>183</u>	<u>498</u>	<u>1,095</u>	<u>9,515</u>

Deposit and other receivables	Third parties	Related parties	Total
	RMB'000	RMB'000	
At 31 December, 2017			
Expected loss rate	9.7%	3.7%	
Gross carrying amount	50,939	6,865	57,804
Loss allowance provision	<u>4,927</u>	<u>256</u>	<u>5,183</u>
At 31 December, 2018			
Expected loss rate	10.4%	2.8%	
Gross carrying amount	53,326	10	53,336
Loss allowance provision	<u>5,555</u>	<u>—</u>	<u>5,555</u>



34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade and other receivables (continued)

As at 31 December 2018 and 2017, the loss allowance provision for trade and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade receivables RMB'000	Other receivables RMB'000	Total RMB'000
At 1 January 2017	5,189	1,843	7,032
Provision for loss allowance recognized			
in profit or loss	472	3,349	3,821
Acquire through acquisition of subsidiaries	2,241	463	2,704
Reversal of loss allowance recognized previously	(1,628)	(472)	(2,100)
At 31 December 2017 and 1 January 2018	6,274	5,183	11,457
Provision for loss allowance recognized			
in profit or loss	3,460	627	4,087
Reversal of loss allowance recognized previously	(219)	(255)	(474)
At 31 December 2018	9,515	5,555	15,070

As at 31 December 2018 and 2017, the gross carrying amount of trade and other receivables was RMB224,562,000 and RMB185,539,000 thus the maximum exposure to loss was RMB15,070,000 and RMB11,457,000 respectively.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities.



34. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from current interest rate at the end of each reporting period.

	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2017						
Trade payables	36,730	36,730	36,702	2	26	—
Accruals and other payables	254,492	254,492	226,028	18,090	10,000	374
	<u>291,222</u>	<u>291,222</u>	<u>262,730</u>	<u>18,092</u>	<u>10,026</u>	<u>374</u>
As at 31 December 2018						
Trade payables	71,844	71,844	71,570	274	—	—
Accruals and other payables	266,105	266,105	203,818	54,807	7,126	354
	<u>337,949</u>	<u>337,949</u>	<u>275,388</u>	<u>55,081</u>	<u>7,126</u>	<u>354</u>

(d) Currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB and did not have significant exposure to risk resulting from changes in foreign currency exchange rates.

35. EVENTS AFTER THE REPORTING DATE

On 4 January 2019, the Over-allotment Option described in the Prospectus has been partially exercised by Haitong International Securities Company Limited, the Sole Global Coordinator, on behalf of the International Underwriters, in respect of the 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.



FINANCIAL SUMMARY



	For the year ended 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,075,830	725,317	479,963	334,002
Profit for the year	100,240	76,442	33,600	15,562
Attributable to:				
Owners of the Company	100,521	76,442	33,600	15,562
Non-controlling interests	(281)	–	–	–

	As at 31 December			
	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	1,492,860	702,356	495,787	383,088
Total liabilities	590,260	457,686	328,007	248,908
Net assets	902,600	244,670	167,780	134,180
Equity attributable to owners of the Company	898,931	244,670	167,780	134,180
Non-controlling interests in equity	3,669	–	–	–