EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED
永升生活服务集团有限公司

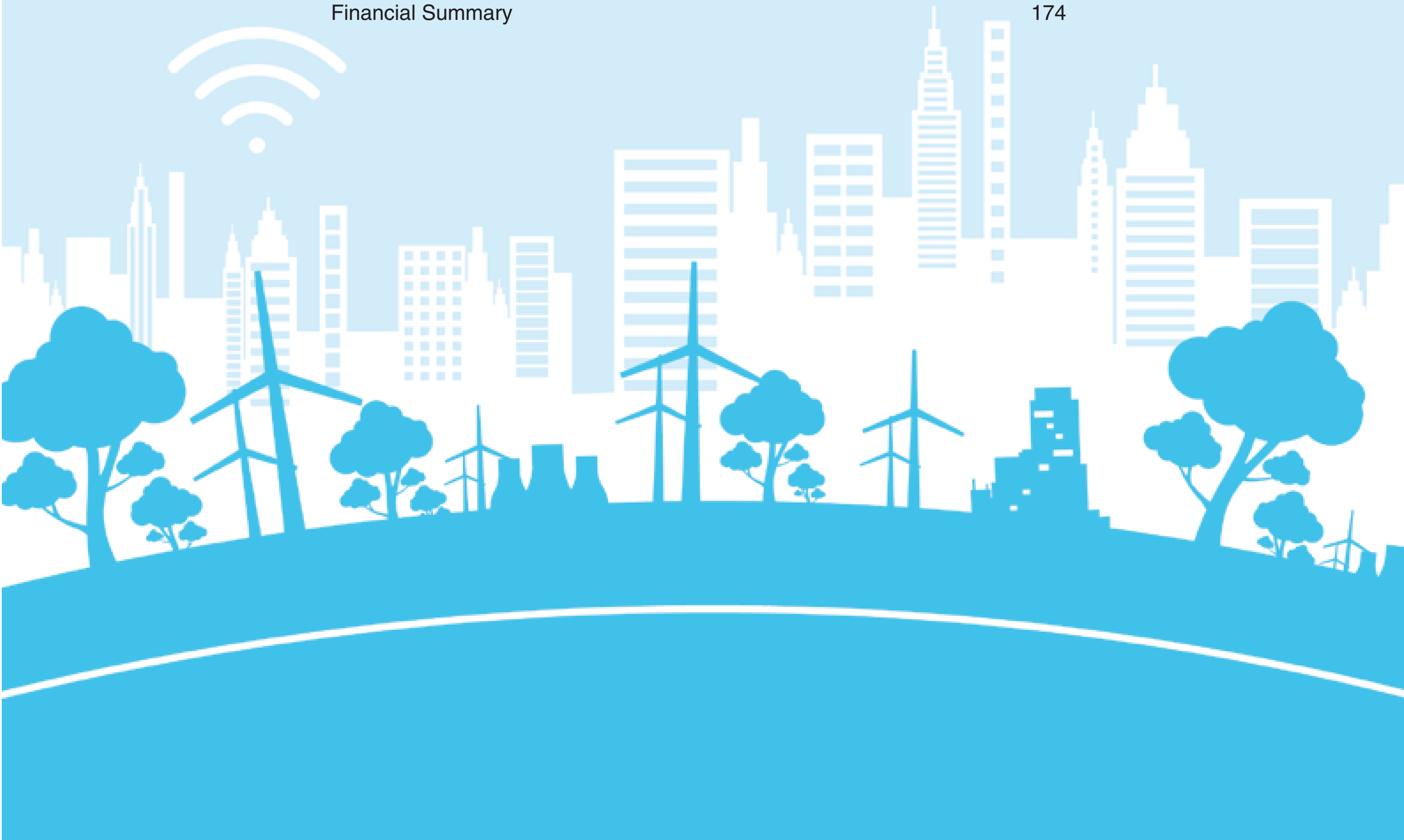
(Incorporated in the Cayman Islands with limited liability)

Stock code: 01995

2019 ANNUAL REPORT

Build a Better Life with Heart

CONTENTS



CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

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

Non-executive Directors

Mr. LIN Feng
Mr. GE Ming

Independent Non-executive Directors

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

COMPANY SECRETARY

Ms. YEUNG Ching Man

AUTHORISED REPRESENTATIVES

Mr. LIN Zhong
Mr. LIN Feng

STRATEGY COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

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Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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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

LEGAL ADVISOR

Sidley Austin LLP

STOCK CODE

01995

WEBSITE

www.ysservice.com.cn


2019 物业服务企业综合实力 30 强
上海永升物业管理有限公司
二〇一九年十月


證 書
2019 中国物业服务市场地位领先企业


證 書
2019中国物业服务百强企业


證 書
中国物业服务品牌价值研究成果鉴定书


證 書
2019中国物业服务百强企业


證 書
中国房地产服务品牌价值研究成果鉴定书


公益卓越獎
AWARD OF EXCELLENCE 2018-2019
永升生活服務集團有限公司
Ever Sunshine Lifestyle Services Group Limited


2019物业服务企业品牌价值50强
上海永升物业管理有限公司
二0一九年六月


荣誉证书
上海永升物业管理有限公司
最佳守护奖


荣获物业管理媒体测评
「永升物业」微信公众号
100
影响力


荣 誉 证 书
上海永升物业管理有限公司
上海市物业管理行业协会2019年度公益扶贫
杰出贡献奖
SPM


2019物业服务企业上市公司十强
永升生活服务（01995.HK）
二0一九年五月

DEFINITIONS

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

AGM	the annual general meeting of the Company to be convened and held on 11 June 2020
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Company
associate(s)	has the meaning ascribed thereto under the Listing Rules
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share incentive scheme adopted by Best Legend on 18 June 2019
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: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board
CIFI (PRC)	CIFI Group Co., Ltd. (旭輝集團股份有限公司) (formerly known as Shanghai Yongsheng Real Estate Co., Ltd. (上海永升置業有限公司) and CIFI Group Company Limited (旭輝集團有限公司)), a joint stock company with limited liability established in the PRC and an indirect wholly-owned subsidiary of CIFI Holdings

Company, Ever Sunshine, we or us	Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司), 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)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or 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 of Hong Kong Limited, 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 of the Company
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)
Prospectus	the prospectus of the Company dated 4 December 2018
Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	the lawful currency of the PRC
SFO	the Securities and Futures Ordinance of Hong Kong (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	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Company
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd. (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

Dear Shareholders,

Thank you for your continuous support for the evolution and development of Ever Sunshine. On behalf of the Board of Directors, I am pleased to present this annual report of the Group for the year ended 31 December 2019, that summarizes the Group's achievements and shortcomings in this year, and to share our future plans and developments.

WE SET OFF FOR ACHIEVEMENTS AT THE BEGINNING OF OUR "FIVE-YEAR PLAN"

The contracted GFA of the Group has recorded a net increase of 45.0 million sq.m. from 65.6 million sq.m. as at 31 December 2018 to 110.6 million sq.m. as at 31 December 2019, representing a year-on-year growth of 68.6%; at the same time, the GFA under management has recorded a year-on-year growth of 62.2% to 65.2 million sq.m. as of 31 December 2019 as compared with 40.2 million sq.m. as at 31 December 2018. The increase in contracted GFA has greatly exceeded the increase in the GFA under management, which has further increased our reserve GFA which can be converted to GFA under management in the future, and in turn secured our future growth.

Benefiting from the rapid increase in GFA under management, the number of property owners we served has also been increasing. As of 31 December 2019, we served more than 310,000 households. Our corporate value is to build a better life with heart. We offer high-quality services while the property owners return with high satisfaction and positive recognition. Their consumption of community value-added services further strengthened such recognition. In 2019, we achieved a rapid year-on-year increase in two kinds of value-added services income by 97.5% to RMB807.8 million, giving us a deeper understanding of the sizable potential in the capacity and development of value-added services.

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

Leveraging on the prosperous development of our various businesses, the Group recorded a year-on-year increase in revenue of 74.5% to RMB1,877.8 million for the year of 2019. With continuous enhancement in our cost control and management efficiency, the gross profit margin and net profit margin increased by 0.9 and 3.9 percentage points respectively, resulting in the profit attributable to owners of the Company of RMB223.8 million, representing a year-on-year growth of 122.7%.

The three major business lines are complementing each other and are advancing and promoting together, which resulted in the achievement of rapid growth in performance during 2019. It marks a small victory for the Group on its "five-year" development plan and reflecting on the continuous efforts and innovation of our staff members. Our achievement of short-term results has significantly boosted our confidence and also fully verified the soundness of the path that we chose.

Meanwhile, we dare not to get slack. We must understand that there is still a long way to go before we achieve the goal of becoming the competitive player of the industry. We are aware of the cruciality of scale development, thus our core mission is to continue expanding the scale of our contracted GFA and GFA under management. We are also aware of the importance of quality, thus we provide services that match quality with price and that create "Satisfaction"+ "Surprise", and thereby building a wider brand recognition. These are the foundation of our business. The echelon construction of the entire organization, the remodeling of corporate culture, the building up of smart communities, as well as the upgrade of IT service system and systemized service standards are our strengths that further our advancement.

FOUR-WHEEL DRIVE BUSINESS MODEL; ACQUIRE QUALITY SERVICE RESOURCES VIA MULTI-FACETED CHANNELS

In 2019, we have witnessed an increasing number of industry players entering the capital market. It is convinced that the capital market is abounded with more exhilarating and heated competition in the 3 to 5 years ahead. As the Chinese proverb goes: "One single flower is not enough to count for spring, only a garden full of flowers can be spring"; the industry is entering a period of unprecedented prosperity and vitality. This serves to provide abundant emerging opportunities for the overall industry to prosper and grow. It also means that the competitive landscape of the entire industry is shifting. The upmost mission of industry players would be to capture market share and expand its scale of operation with the help of capital injection. The leading edge in terms of branding, technologies and team capabilities of large-scale companies continues to grow. As such, the "Matthew effect" has become all the more evident.

As one of the important players in the market, we participated in such intense competition, and through leveraging on our "Quality Strength", "Brand Influence" and "Channel Capacities" and "Execution Capabilities" as advantages and withstanding all kinds of challenges, we are rewarded with admirable results. We stand to testify the undeniable truth that popularity and brand image are always the most valuable assets we own. We are non-compromising for any less-than-satisfactory service quality and are prepared to give the most attentive services to property owners, and through which earned us all the trust from CIFI Group, property owners and collaborative developers. The establishment of a multi-channel network has enabled us to acquire more opportunities to participate in market competition. In 2019, we cooperated with several developers, such as SND Group (蘇高新集團), Shandong Dezhou Jiaotou Developmnet Group (山東德州交通運輸及發展集團), Binzhou Huizhong Financial Group (濱州惠眾財經集團), Liaoning Guangna Property Development Company Limited (遼寧廣納房地產有限公司), Guangxi Zhucheng Times Property Development Co., Ltd. (廣西築成時代地產發展有限公司). We continue to refine and expand the capability of our marketing term. At the end of 2019, we had more than 150 service staff in our professional marketing team. We also set up the major customer business sector to cope with VIP customers in a strategic cooperation ventures such as socialization projects for institutionalized and regulatory authorities.

By taking these strategies, we have achieved multi-sector, multi-channel and comprehensive expansion. Moreover, based on our existing sector, we have further acquired certain benchmark projects in sub-sectors, including Chongqing Rail Transit Line 1, Dalian Metro section 17, Taizhou Bridge South Bridge District and expressway network in various Jiangsu service section of Shanghai-Nanjing Expressway, Qingdao Power Supply Building and Qingdao University. All such developments have laid a strong fundamental to our further expansion in regions.

SATISFACTORY BASIC SERVICE COMES FIRST, FOLLOWED BY VALUE-ADDED SERVICES

Ever Sunshine adheres to the service rationale of "Business comes along with customers' satisfaction". In our business undertakings, basing on our commitment as maintained in our contracts, we provide satisfactory basic property service, as this defines our business pre-requisite and fundamentals. To win an overwhelming approval from customers, this takes a systematic service flow, personalized services from our service staff, along with innovative on-site services. 2019 marks the year when we started to reshape and construct our systematic workflow. In terms of service portfolio, it is defined by 3 distinct lines of service provision, namely, "All-rounded steward" (全能管家), "Bowyer Steward" (鉑悦管家), and "Yueze Commercial" (悦澤商辦). Based on budget planning within each respective community, we undertake differentiated resource deployment, to materialize differentiated management for each specific project, and under such directives, we aim to maximize service satisfaction while minimize operating cost. As such, we also establish close-tie relationship and connection with property owners. We are able to witness verifiable results at a preliminary phase of the implementation of such steward system. While increasing services at large-scale, we have earned increasing popularity among property owners. From the routine operation that caters to the daily community living, as well as the critical outbreak of novel Coronavirus Disease 2019 ("COVID-19") in early 2020, our steward system has proved to be a highly efficient way of service supply, and has also become one of the channels that property owners in close-loop communities most rely on. We are convinced that the trust which we will earned through further comprehensive service coverage and multi-faceted service networking will be the key to achieve multi-dimensional consumption within community scenarios.

In 2019, we undertook intensified research on value-added services. Along with refined and upgrade existing staff structure in the value-added service team, we are inclined to a product-oriented approach, where we identify different needs among property owners, and seek for professional exploration in product design, resource integration, formulation of sales and marketing plans, delivery of orders and after-sales services. With all such initiatives, we intend to provide property owners with highly acceptable services. An increasing number of property owners have entrusted us with daily household routines, including home maintenance, housekeeping, nursing, leasing and sales and festive celebrations. Due to our professional service, we are most trusted and abounded with delivery experiences. For our new products released in 2019, in line with our "Festive and Key Time" sales promotional plan, both "Christmas Random Package" and "Lunar Cleaning Package" have received great number of orders from property owners. Therefore, our butlers have also found more value and significance in communities.

STEADY PROGRESS TOWARDS SMART PROPERTY, THINK-TANK BUILDING AND CORPORATE CULTURE

The application of today's sophisticated technology and management techniques and methods in property management has enabled the overall industry to receive spontaneous bonus on account of the new development. We consider smart property operation as big leap forward into a new chapter on efficiency revolution. Smart property operation starts with the theme of "Simpler work for Staff plus Easier Living for Owners", all the way to workload cutback for frontline staff that is made possible simply by applying a smart hardware into the small-town operation. Such technological improvement has greatly promoted the staff performance efficiency, along with providing customers with excellent service quality. Besides, the availability of up-to-date and accurate online service data feedback system has allowed both the service staff at headquarter and in district branches to accurately assess the current operating status within the Group, as well as to allow decision-makers to make fast decisions through effective manipulation on data use. Such development has provided support for creating a value-added community. Ever Sunshine's venture into the comprehensive smart operation in communities has enabled us a big stride forward into a new phase of development.

In 2019, we successfully realized the pilot launch of the finance share service center, the full implementation of the S-HR system, the comprehensive initiation of the PMS system, and the order progress towards and gradual refinement work on smart parking lot re-construction work. Moreover, we have commenced the system building on the financial central-platform system, internal control system, and legal compliance system, as well as to engage IBM as our program designer for our main data system. The smart transformation we embark on today has become the cornerstone in our course of development.

While technology becomes the tool that benefits the overall industry, we are constantly reflecting on our most important assets – our employees and talents, and how we would continue to attract exceptional talents who recognize the value of community services, possess excellent service capabilities and innovative service methods, so as to ensure that in terms of the Group's long-term development, we adhere to the service objectives and innovative service methods, and produce excellent service results. Ever Sunshine is planning ahead, focusing on the long-term, and placing highest priority on our talent team-building. From the perspective of functional performance, we focus particularly on our requirements for professionalism, innovative mindsets and initiatives among candidates. As such, we will continue to enlist excellent industry experts to join us, and we will make "gap-filling" improvements for our existing business models. Meanwhile, our "Ever Sunshine Force System" (永動力系統) has a strong appeal to targeted student candidates. Each year, more than 150 students select Ever Sunshine as their first step to advance their professional career development. They will be trained in areas including discipline, stewardship, engineering and marketing that will well-prepare them for continuous growth and eventually become core power of Ever Sunshine.

In the property management industry, we are fully aware that without corporate value, there will not be any concerted effort to provide attentive service. A unique corporate culture, which serves as a guideline for staff to follow, always has a vital role to play. In 2019, we joined hands with ALLPKU Group (北大縱橫管理諮詢集團) to re-arrange and reshape Ever Sunshine's corporate value from various aspects, including "mission", "vision", "values", "operation management principles" and "corporate building culture". Eventually, we have defined our core catered framework with "Build a Better Life with Heart (用心構築美好生活)" as our mission, and "to become customers' first choice among various smart city service brands" as our vision. We are convinced that such delineation on corporate value has marked the overall consensus reached by all members of our Group, as well as a solid conviction concluded after longstanding years of internal growth and development.

PLOUGH INTO COMMUNITY SERVICE, ADHERE TO LONG-TERM DEVELOPMENT

Regarding the property management business, on account of its resilience and vitality, the market participants in the sector have gradually expanded on marginal front and developed into providers of diversified service contents. Standing on the cusp of an unprecedented era, we are constantly exposed to the surprise and challenges brought by such pervasive changes. In 2020, faced the outbreak of COVID-19, we joined with excellent peers in the property management industry to safeguard the front line in the community and participated actively in governance services provided to grassroot community. In this collaborative venture, we testified that a modernized service framework can develop into a strong deterrent that facilitates "epidemic prevention". In addition, at time of contingency, personalized home services that show deep concern for human needs has reminded all the home-tied property owners of the utmost importance of property management services. During the course of epidemic, more than 6,000 staff of our Group resumed duties at an earlier time. They helped in activities such as sanitization, cleaning and environment conservation, contributing substantively to safeguard the safety of property owners. They also helped distribute 35 tons of vegetables and provided countless rounds of delivery service. In this undertaking, our service framework has proved to be systematic and orderly, and this has won wide popularity among property owners. Our outstanding services have earned us plenty of service awards.

At an unprepared occasion of unprepared outbreak of epidemic, the importance of community services has made more evident than ever. We are alerted by the fact that we are entering into a new window period of rapid integration in the industry. The entrusted relationship between property owners and excellent property service providers has testified to tremendous growth and development. The awareness for property has increased rapidly in society at large, and all such developments have offered the industry and Ever Sunshine with a historical opportunity to embark on a voyage of rapid development.

In the face of infinite opportunities, all members of our Group will give their best endeavors and shall adamantly pursue the objectives and adhere to the clear development plan in making us the leading enterprise. In the face of various challenges, we will all be long-term players and will continue to ground on community, to be abided by common sense, respect the law and creating breakthroughs with innovations.

BUSINESS REVIEW

Overview

We are a respected and fast-growing property management service provider in China. In May 2019, we were honourably elected one of the "2019 China's Top 100 Property Management Companies (2019中國物業服務百強企業)" by the China Index Academy. Our ranking in terms of overall strength is 14th, promoted by 6 places compared with that of 2018. As at 31 December 2019, we provided property management services and value-added services in 78 cities in China (situations in which we began to have an area under management and provision of display units management services are defined as entering the city) with contracted GFA amounting to approximately 110.6 million sq.m., among which, total GFA under management amounted to approximately 65.2 million sq.m., serving more than 310,000 households.

Our business covers a board spectrum of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, school campus and government-owned buildings) and other quality tailor-made services. In 2019, we expanded our business to cover expressway stations, rail transit, and ferry terminals).

We embrace the philosophy of "Build a Better Life with Heart" and are committed to providing our wide range of clients with comprehensive, attentive and professional property management services, researching and developing our services to build up our high-end service brand, namely, "Bowyer Steward" (鉑悅管家) for top-tier residential properties and "Yueze Commercial" (悅澤商辦) for commercial office buildings. These all testify our dedication to provide premium services for our customers.

Our Business Model

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

- Property management services: We provide property developers, property owners and residents with a wide range of services in property management, primarily covering cleaning, security, gardening and repair and maintenance services. The portfolio of properties under our management includes both residential and non-residential property segments, while our non-residential segment includes office buildings, shopping malls, exhibition centers, industrial parks, hospitals and school campus, and others.

- Community value-added services: We provide community value-added services to both property owners and residents with the aim not only to improve their living experiences, but also the upkeep and betterment of asset values. These services mainly cover (i) home-living services, (ii) parking unit management and leasing services, (iii) property agency services, and (iv) common area value-added service. *(Note: item (ii) was previously printed as "parking space management, leasing and sales services", and later amended to "parking unit management and leasing services" to reflect certain changes in business nature. In 2019, such business segment does not include property sales of parking space, while the respective provision of parking lot brokerage services are incorporated into item (iii) "property agency services").*

- Value-added services to non-property owners: We offer a comprehensive range of value-added services to non-property owners, which primarily include property developers, and, to a lesser extent, also include non-property developers that require additional customised services for their non-residential properties, as well as property management service providers from whom we accept certain sub-contract for value-added services. Our provision of value-added services to non-property owners mainly includes (i) sales assistance services, (ii) additional tailored services, (iii) housing repair services, (iv) pre-delivery inspection services, and (v) preliminary planning and design consultancy services that cover on-site inspection services for each unit, giving sufficient feedback and recommendations from the end-user's perspective.

Property Management Services

Continuous Increase in Area Size

The Group adhered to rapid expansions on management coverage area as one of its strategic targets, and has achieved speedy growth in contracted GFA and GFA under management through its multi-wheel driven roadmap. As of 31 December 2019, our contracted GFA amounted to approximately 110.6 million sq.m., and the number of contracted projects totaled 609, representing an increase of approximately 68.6% and 60.3%, respectively, compared with those as of 31 December 2018. As of 31 December 2019, the GFA under our management reached approximately 65.2 million sq.m., and the number of projects under management totaled 403, representing an increase of approximately 62.2% and 56.2%, respectively, compared with those as of 31 December 2018.

The table below indicates the movement of changes for our contracted GFA and GFA under management for the year ended 31 December 2019 and 2018 respectively:

	For the year ended 31 December			
	2019		2018	
	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	65,551	40,239	33,367	26,479
New engagements[(1)]	47,499	26,616	34,198	15,774
Acquisition	2,317	2,148	—	—
Terminations[(2)]	(4,809)	(3,852)	(2,014)	(2,014)
As at the end of the year	110,558	65,151	65,551	40,239

Note:

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

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

Our Geographic Footprint

Since our inception up to 31 December 2019, we have expanded our geographic footprint from Shanghai to 78 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 year ended 31 December 2019 and 2018 respectively:

	As at 31 December or for the year ended 31 December					
	2019			2018		
	GFA Sq.m.'000	Revenue RMB'000	%	GFA Sq.m.'000	Revenue RMB'000	%
Eastern region[1]	41,763	724,736	67.7	27,865	447,499	67.1
Northern region[2]	7,385	122,231	11.4	4,118	99,071	14.8
Central Southern region[3]	9,280	102,626	9.6	4,831	64,462	9.7
Western region[4]	4,032	83,438	7.8	2,495	48,389	7.3
Northeastern region[5]	2,691	36,956	3.5	930	7,432	1.1
Total	65,151	1,069,987	100.0	40,239	666,853	100.0

Notes:

(1) Cities in which we have property management projects in the eastern region include Shanghai, Suzhou, Dezhou, Zhenjiang, Xuzhou, Nanjing, Hangzhou, Jiaxing, Huzhou, Ningbo, Fuzhou, Xiamen, Chuzhou, Wuhu, Hefei, Heze, Bozhou, Qingdao, Wuxi, Jiangyin, Taizhou, Zhangzhou, Huainan, Wenzhou, Nantong, Quzhou, Jinan, Jining, Changzhou, Jinhua, Yixing, Zhangjiagang, Kunshan, Shishi, Weifang, Binzhou, Yantai and Quanzhou.

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

(3) Cities in which we have property management projects in the central southern region include Wuhan, Changsha, Guangzhou, Guilin, Zhuhai, Foshan, Yichang, Yiyang, Shaoyang, Hengyang, Shaoguan, Zhengzhou, Jiangmen, Nanning, Dongguan, Sanya, Huanggang, Zhongshan, Yueyang, Huizhou, Nanchang, Chenzhou, Luoyang, Zhoukou, Nanyang.

(4) Cities in which we have property management projects in the western region include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu, Guiyang and Liupanshui.

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

Multi-wheel Driven Market Development Strategies

As a long-term service partner of CIFI Group, our services are overwhelmingly recognized by the latter. As such, while a consolidated collaborative partnership is established, we are duly benefited by the rapid growth in the property development business of CIFI Group. In 2019, CIFI Group recorded a contracted sales (including contracted sales by joint ventures and associates) amounted to RMB200.6 billion and the contracted sales area 12.0 million sq.m., representing a year-on-year increase of 32.0% and 25.8%, respectively.

Meanwhile, apart from the substantial support we received from CIFI Group, we actively explore into public markets via diversified channels. Therefore, we enter into various independent markets to source for capital resources, along with expanding our market share. Our principle targets regarding market expansion include independent regional property developers. To seek their management rights for the first-hand projects, we participated in the tender bidding of their development projects. For instance, we secured premium projects such as Chongqing Jinyu Dacheng New Metropolis (重慶金隅大成新都會), Guiyuefu (貴悅府) and Shenlong Waitan Shoufu (神龍外灘首府) in 2019. To acquire management rights for second-hand projects we joined in the tender bidding offered by the property owners' committees in replacement of the previous property management companies. For instance, in 2019, we acquired premium projects such as Guotai Jiulongwan (國泰九龍灣), Yitai Anbang (藝泰安邦) and Tianchen Meiya (天成美雅) through open tender bidding. We also actively seek for opportunities to enter into strategic partnership with various property developers and strike to acquire contracts on property management services by setting up joint venture companies. We successfully achieved strategic cooperation with several property development companies or investment groups, including Liaoning Guangna Property Development Company Limited (遼寧廣納房地產有限公司) ("**Liaoning Guangna**"), Guangxi Zhucheng Times Property Development Co., Ltd. (廣西築成時代地產開發有限公司) ("**Guangxi Zhucheng**"), SND Group (蘇高新集團), Dezhou Jiaotou Development Group (德州市交通運輸投資發展集團), and on account of such, we will enjoy priorities to acquire the property management rights of properties developed by these strategic partners. For instance, in 2019, we signed contracts for premium projects such as Donggang City Mansion 88 (東港市88公館) developed by Liaoning Guangna, and Shidai Chunxiao (時代春曉) developed by Guangxi Zhucheng. Due to our quality services, professional marketing team, multi-channels for sourcing and our renowned reputation, we achieved rapid growth in terms of GFA developed by third party property developers.

In 2019, we entered into the acquisition of 55% equity interests in Qingdao Yayuan Property Management Company Limited (青島雅園物業管理有限公司) ("**Qingdao Yayuan**") at a consideration of RMB462 million. In September 2019, the acquisition was completed, and thereafter, Qingdao Yayuan officially became one of our subsidiaries and the financial results of Qingdao Yayuan and its subsidiaries had been consolidated into the Group's financial statements, which gave us a powerful complementary to high-end commercial and official sectors.

Qingdao Yayuan is a property management company under the arm of the renowned property developer, Sunny World (新地集團). Since 2004, Qingdao Yayuan has commenced its localized expansion plan across the country, setting up branches in Suzhou, Nanjing, Nanchang, Shenyang and Shanghai. The Company is dedicated to providing property management services and property asset services to high-end commercial complex in core cities. Its management portfolio targets mainly consists of Grade A office buildings, top-tier apartments, commercial buildings and star-rated hotels. Through this acquisition, we obtained premium projects with GFA exceeding 2.0 million sq.m. in the core regions of core cities, including Shanghai Hongqiao Xindi Center (上海虹橋新地中心), Shanghai Hongqiao International Exhibition (上海虹橋國際展匯), Shanghai Jiading Xindi International Plaza (上海嘉定新地國際廣場), Nanjing Xindi Center (南京新地中心), Shenyang Xindi Center (瀋陽新地中心), No. 9 Donghai Road, Qingdao (青島東海路9號). Meanwhile, the term on "four-years profit guarantee" as provided in the relevant acquisition agreement has, to a large extent, safeguarded the shareholders' interests in relation to this acquisition. It was guaranteed that Qingdao Yayuan's net profits would not be less than RMB60.0 million, RMB70.0 million, RMB73.0 million and RMB76.0 million for the year of 2019, 2020, 2021 and 2022, respectively.

Continuous Increase in Average Property Management Fee

We keep up with quality development requirement along with our pursuit for rapid business growth. Through continuous endeavours to optimize management service projects, increasing the pricing standard of newly signed management service projects and raising the fee of certain projects under management, our average property management fee has reached for a steady increment. For the year ended 31 December 2019 and 2018, our overall average property management fee were RMB3.12/sq.m/month, and RMB2.46/sq.m/month, respectively.

The table below sets forth a breakdown of our total GFA under management as of the dates indicated, and revenue generated from property management services by types of property developer for the year ended 31 December 2019 and 2018 respectively:

	As at 31 December or for the year ended 31 December							
	2019				2018			
	GFA Sq.m'000	Revenue RMB'000	%	RMB/ Sq.m/ month	GFA Sq.m'000	Revenue RMB'000	%	RMB/ Sq.m/ month
CIFI Group[(1)]	17,685	535,789	50.1	3.47	14,640	437,931	65.7	3.22
Third-party Property developers[(2)]	47,466	534,198	49.9	2.96	25,599	228,922	34.3	1.83
Total	65,151	1,069,987	100.0	3.12	40,239	666,853	100.0	2.46

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

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

Diversified Property Management Portfolio

We manage a large variety of properties, including residential and non-residential properties. We have accumulated massive experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and school campus. Meanwhile, with the opening up of plenty of non-residential markets, we are offered to more opportunities to join in tender bidding in the market and expand market shares. In 2019, we seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including highway services stations, subway rail transit, and tourist scenic spots. We regard the acquired projects as a stepping stone, and continue to achieve penetrative development in the local districts. As such, we expect to expand the area of size under our management, as well as to increase the concentration ratio within the local region under our management. In 2019, non-residential properties accounted for approximately 19.9% in the newly acquired GFA under management. Despite the fact that revenues from residential property has contributed and will continue to contribute a larger proportion of our revenues, we strike to diversify our service portfolio so that a vast categories of other types of properties will be accommodated.

To-date, we have initially achieved full-industry chained coverage and eventually developed into a comprehensive service provider in property management. We are distinguished by benchmarking service projects in sectors we operated, including Qingdao University, Chongqing Rail Transit Line 1, Dalian Metro Seventeenth Section, Hangzhou Hanggang Hospital, Shanghai Henderson CIFI Center (上海恒基旭輝中心), Beijing CIFI International Airport Centre (北京旭輝空港中心), Wuhan CIFI Building (武漢旭輝大廈), Shanghai LCM CIFI Mall (上海洋涇LCM 置匯旭輝廣場), Tiandu Commercial Building (天都商業大廈), Shaoyang Sports Center (邵陽體育中心), Xinyuexi Commercial Plaza (昕月溪商業廣場).

The table below sets forth a breakdown of total GFA under management as of the dates indicated, and revenue generated from property management services by different type of properties for the year ended 31 December 2019 and 2018 respectively:

	As at 31 December or for the year ended 31 December					
	2019			2018		
	GFA Sq.m.'000	Revenue RMB'000	%	GFA Sq.m.'000	Revenue RMB'000	%
Residential Properties	52,665	672,399	62.8	32,808	464,281	69.6
Non-residential Properties	12,486	397,588	37.2	7,431	202,572	30.4
Total	65,151	1,069,987	100.0	40,239	666,853	100.0

Lump Sum Basis and Commission Basis

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

The following table sets forth a breakdown of our total GFA under management as of the dates indicated and revenue from property management services by revenue model for the year ended 31 December 2019 and 2018 respectively:

	As at 31 December or for the year ended 31 December					
	2019			2018		
	GFA Sq.m.'000	Revenue RMB'000	%	GFA Sq.m.'000	Revenue RMB'000	%
Lump sum basis	63,067	1,063,494	99.4	35,827	658,129	98.7
Commission basis	2,084	6,493	0.6	4,412	8,724	1.3
Total	65,151	1,069,987	100.0	40,239	666,853	100.0

Community Value-Added Services

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

In 2019, revenue from community value-added services increased significantly by 143.5% from approximately RMB198.4 million in 2018 to approximately RMB483.2 million, mainly due to the size expansion of our management area, the substantial increase in the number of service users, and the continuous market penetration due to our diversified products.

Based on the research on community conditions and targeted service groups, we built the comprehensive Ever Sunshine UP Life Value-added Services System (永升UP生活增值服務體系) through years of exploration, including sub-brands such as the "Ever Sunshine Community" (旭惠團), "Ever Sunshine Tours" (鄰聚遊), "Ever Sunshine Home Décor" (旭惠美家) and "Sales and Leasing Assistance" (租售中心). Meanwhile, we continue to deepen the community value-added service system, and proceed in an orderly manner from multiple dimensions such as demand identification, product and product design, channel supplier selection, and marketing plan formulation, and adhere to the principle of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for owners within the communities, so as to boost the revenue generated from our value-added services. In 2019, the revenue generated from community value-added services accounted for 25.7% of our total revenue.

We are innovative in expanding our service porfolio. At the end of 2018, we established Shanghai Shengkuang Construction and Engineering Company Limited (上海晟匡建築工程有限公司), which is responsible for large-scale repairing and facility maintenance services for communities. It has earned market recognition with its professionalism and problem solving capabilities, and started to contribute to our revenue since 2019.

Currently, our community value-added services cover four major areas, i.e. home living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the year ended 31 December 2019 and 2018 respectively:

	For the year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Home-living services[1]	263,052	54.4	90,410	45.6
Parking unit management and leasing services[2]	69,680	14.4	33,392	16.8
Property agency services[3]	101,912	21.1	43,668	22.0
Common area value-added services[4]	48,550	10.1	30,977	15.6
Total	483,194	100.0	198,447	100.0

Notes:

(1) This primarily includes fees received from house decoration, on-site maintenance, group purchase, turnkey furnishing and utility fee collection.

(2) This primarily includes fees received from leasing and management of parking units. (This segment was previously printed as "parking space management, leasing and sales services", and was amended to reflect the changes in business nature. In 2019, such segment does not include property sales of parking space, while the respective provision of parking unit brokerage services are incorporated into the segment of "property agency services".)

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

(4) This primarily includes service income received from leasing and management of common areas.

Value-Added Services to Non-Property Owners

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

In 2019, revenue from value-added services to non-property owners increased significantly by 54.2% from RMB210.5 million in 2018 to approximately RMB324.6 million, mainly due to the substantial increase in the number of projects developed by CIFI Group and the partner property developers, which in turn attributable to a surge in demand for services such as sales assistance and pre-delivery inspection. In 2019, the revenue from value-added services to non-property owners accounted for 17.3% of the total revenue.

Under the guidance of the "Vertical Industry Chain Expansion Strategy", we have enhanced our sales assistance services provided to property developers in terms of professional capabilities and service quality. Along with providing services to CIFI Group, more third-party developers have commissioned us with sales assistance services. As of 31 December 2019, we have provided on-site services to 161 display units.

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			
	2019		2018	
	RMB'000	%	RMB'000	%
Sales assistance services	208,839	64.3	134,163	63.7
Additional tailored services	40,764	12.5	30,337	14.4
Preliminary planning and design consultancy services	39,816	12.3	15,838	7.5
Housing repair services	19,449	6.0	22,997	10.9
Pre-delivery inspection services	15,445	4.8	7,194	3.4
Others	328	0.1	1	0.1
Total	324,641	100.0	210,530	100.0

OUTLOOK

The outbreak of the coronavirus pandemic in 2020 has brought great challenges to society and disrupted economic activities. As a responsible property management company, Ever Sunshine is ever on the front line, actively participating in community work to help fight the disease while always putting the safety of its employees as its first priority. Ever Sunshine has also been cooperating with the government in its neighbourhood governance work in order to safeguard the health and safety of property owners and provide them with daily necessities. The additional labour cost and expense for pandemic-related supplies incurred during the current period have increased our costs. The continuation of the pandemic has even affected the commencement of some of our businesses during the current period. However, in the long run, the trust and relationship built up between us and property owners, as well as the brand we have established through all this, will be a growth driver for us and pave the way for the long-term development of the Company. In the face of the new challenges in 2020, the management of the Company will lead our staff to overcome obstacles and march forward according to our schedule.

Step-up increase our business size and market share

We plan to increase both the number and GFA of properties under management. We will further expand and optimize our professional marketing team to prepare for strategical evaluation and participation in biddings. We strike to acquire more property management appointments through tendering and bidding, and achieve quality growth. We intend to strengthen our business in strategic locations with high population density and consumption capacity. To take advantage of our well-established market presence, we aim to consolidate our market position and further expand market share in the cities where we operate. In addition to solidify our presence in the existing markets, we will seek new business opportunities brought by CIFI Group's extensive business coverage. We will penetrate into new markets feature with growth potential by entering into strategic agreement with property developers. We will take advantage of our brand image to undertake penetrative and strategic cooperation with property development companies, along with providing property management services for their projects. Moreover, we aim to leverage on the overwhelming trend of service socialization to diversify the portfolio of properties under management via managing more non-residential properties, such as hospitals, exhibition centers and industrial parks. With these strategies, we aim to expand our geographic footprint to cover at least 100 cities in the next five years.

Continuous endeavour to diversify our services

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 house repair services. We will enhance full industrial chain coverage for property development, sales and management, to achieve vertical industry extension. We aim to acquire more opportunities to secure property management projects while providing value-added services to property developers. We also plan to provide consultancy services to local property management companies to expand our business and enhance our brand awareness.

Further investment in technologies and intelligent operations

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

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

FINANCIAL REVIEW

Revenue

In 2019, due to our continuous business development, the Group's revenue was approximately RMB1,877.8 million, representing an increase of 74.5% from approximately RMB1,075.8 million in 2018.

Revenue of the Group by business line is as follows:

	For the year ended 31 December			
	2019		2018	
	RMB'000	%	RMB'000	%
Property management services	1,069,987	57.0	666,853	62.0
Community value-added services	483,194	25.7	198,447	18.4
Value-added services to non-property owners	324,641	17.3	210,530	19.6
Total revenue	1,877,822	100.0	1,075,830	100.0

The property management services were still our largest source of income. During 2019, the revenue from property management services was approximately RMB1,070.0 million, accounting for 57.0% of the Group's total revenue. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. During this year, our total GFA under management increased from approximately 40.2 million sq.m. as of 31 December 2018 to approximately 65.2 million sq.m. as of 31 December 2019, which was resulted from both our steady cooperation with CIFI Group and our efforts to expand the third-party customer base, as well as our acquisition of Qingdao Yayuan. 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			
	2019		2018	
	RMB'000	%	RMB'000	%
CIFI Group	535,789	50.1	437,931	65.7
Third-party property developers	534,198	49.9	228,922	34.3
Total revenue	1,069,987	100.0	666,853	100.0

The increase in revenue from community value-added services was mainly due to our expansion in the scope of value-added services provided such as community repairing and facility maintenance services to meet diversified customer needs, as well as the increase of our management area which brought about a growing customer base. During this year, the Group further optimized the business structure, and revenue from value-added services maintained a constant upward trend.

The revenue from value-added services to non-property owners increased by approximately 54.2% from approximately RMB210.5 million for 2018 to approximately RMB324.6 million for 2019, which was mainly driven by the increase in the revenue generated from sales assistance services and preliminary planning and design consultancy services. During this year, we further strengthen our cooperation relationship with partner property developers, and provided with professional and quality services.

Cost of sales

Cost of sales increased by approximately 72.5% from approximately RMB766.8 million for 2018 to approximately RMB1,322.4 million for 2019, primarily due to the increase of various kinds of costs as a result of the scale-up of our business. The rate of increase in cost of sales was lower than that of our revenue, principally because of the rapid growth of community value-added services which has higher gross profit margin. We will continuously invest in intelligent operation and conduct effective cost control measures to improve our operation efficiency.

Gross profit

As a result of the above principal factors, the Group's gross profit increased by approximately 79.7% from approximately RMB309.0 million for 2018 to approximately RMB555.4 million for 2019.

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

	For the year ended 31 December	
	2019	2018
Property management services	22.1%	20.7%
Community value-added services	51.2%	63.4%
Value-added services to non-property owners	21.9%	21.6%
Overall	29.6%	28.7%

In 2019, the gross profit margin of the Group was 29.6%, increased by 0.9 percentage points as compared with that of 28.7% for 2018, which was primarily due to the fact that the Group further optimized the business structure and vigorously promoted the development of our community value-added services which has higher gross profit margin.

The gross profit margin of property management service was 22.1%, increased from 20.7% for 2018, primarily due to the increase in the proportion of revenue from commercial and official property projects, which has a relatively higher gross profit margin. Along with the expansion of our management scale, the Group also devoted to promote the construction of intelligent community and standardization of management system to provide property owners with a better experience.

The gross profit margin of community value-added services was 51.2%, decreased from 63.4% for 2018, which was mainly because the Group introduced new community construction and maintenance project business, which has a relatively lower gross profit margin and suffered relatively higher expenditures at the early stage.

The gross profit margin of value-added services to non-property owners was 21.9%, representing a slight increase from 21.6% for 2018, which was mainly due to the increase in the proportion of revenue from preliminary planning and design consultancy services, which has a relatively higher gross profit margin.

Other income and other net gain

In 2019, the Group's other income and other net gain amounted to approximately RMB48.0 million, representing an increase of approximately 200.0% from approximately RMB16.0 million for 2018, primarily due to an increase in government grant received as support fund for enterprises, an increase in bank interest income resulted from the increased bank deposits, and an increase in foreign exchange gain due to the impact of the appreciation of the Hong Kong dollar against the Renminbi during the year.

Administrative expenses

In 2019, the Group's total administrative expenses amounted to approximately RMB246.5 million, representing an increase of approximately 31.7% from approximately RMB187.2 million for 2018, which was mainly due to the increase of personnel investment and the growth of our business volume.

The following table sets out a summary for administrative expenses:

	For the year ended 31 December	
	2019	2018
	RMB'000	RMB'000
Staff costs	163,061	103,774
Travelling and entertainment	19,790	14,598
Office and communication expenses	13,315	8,474
Marketing expenses	12,180	—
Rental expenses	6,134	11,748
Bank charge	5,366	3,036
Depreciation and amortization	11,900	2,123
Legal and professional service fees	11,356	7,184
Listing expenses	—	25,650
Others	3,417	10,568
Total administrative expenses	246,519	187,155

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

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

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

Depreciation and amortization expenses increased, which was mainly caused by the addition of right-of-use assets arising from adoption of HKFRS16, as well as intangible assets arising from the acquisition of Qingdao Yayuan.

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

The increase of our travelling and entertainment expenses, office and communication expenses, legal and professional service fees and other related expenses was mainly due to the expansion of our business volume. The Group attached great importance to improving management efficiency. During the year, the growth rate of the Group's administrative expenses was much lower than that of the Group's revenue.

Expected credit loss on financial assets

The Group recognizes loss allowances for expected credit loss on trade receivables, contract assets, financial assets measured at amortized cost and debt investments measured at fair value through other comprehensive income, which is based on the Group's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment. The expected credit loss on financial assets increased from approximately RMB4.1 million for 2018 to approximately RMB24.1 million for 2019. This increase was mainly due to the increase of receivable balances resulted from the growth of our management scale.

Other expenses

During the year 2019, the Group recorded other expenses of approximately RMB2.5 million, representing an increase from approximately RMB0.9 million for 2018.

Profit before income tax expense

During the year 2019, the profit before income tax was approximately RMB328.5 million, representing an increase of approximately 131.7%, as compared with approximately RMB141.8 million for 2018.

Income tax expense

During the year 2019, the Group's income tax was approximately RMB79.6 million, representing 24.2% of the profit before income tax expense, compared with approximately RMB41.5 million, representing 29.3% of the profit before income tax expense in 2018. The lower income tax rate during the year was mainly due to the lower non-deductible expenses for tax purposes. The Shares of our Company were successfully listed on the Stock Exchange on 17 December 2018, and more non-deductible expenses such as professional fees for the Listing suffered in 2018.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for 2019 was approximately RMB223.8 million, representing an increase of approximately 122.7%, as compared with approximately RMB100.5 million for 2018.

Interest in a joint venture

As at 31 December 2019, the Group's interest in a joint venture was nil, while that was approximately RMB7.0 million as at 31 December 2018. As at 31 December 2018, the interest in a joint venture was share of net assets 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. As at 31 December 2018, Yongsheng Yizhi was accounted for as a 50% interest joint venture of the Group and was included in the consolidated financial statements using the equity method. During the year, the joint venture partners of Yongsheng Yizhi amended the cooperation agreement. According to the amended cooperation agreement, all significant financial and operating decisions were approved by a simple majority of its board of directors, of which four directors and three directors are nominated by the Group and the other joint venture partner, respectively. Since the Group obtained effective control of voting power to govern relevant activities of Yongsheng Yizhi, Yongsheng Yizhi became a subsidiary of the Group and the assets, liabilities and financial results of Yongsheng Yizhi were consolidated in the financial statements of the Group since then.

Interest in an associate

As at 31 December 2019, the Group's interest in an associate was nil, while that was approximately RMB4.6 million as at 31 December 2018. As at 31 December 2018, the interest in an associate was share of net assets of Chongqing Xuyuan Tiancheng Property Management Company Limited (重慶旭原天澄物業管理有限公司)("**Xuyuan Tiancheng**"), which was principally engaged in provision of property management services. As at 31 December 2018, although the Group's ownership interest in Xuyuan Tiancheng is more than 50%, the Group is only entitled to appoint one out of three directors to the board of directors of Xuyuan Tiancheng, so the Group has no control over the financial and operating policies of Xuyuan Tiancheng but has significant influences over it. Therefore the interest in Xuyuan Tiancheng was treated as an associate. During the year, all shareholders of Xuyuan Tiancheng amended the cooperation agreement. According to the amended cooperation agreement, all significant financial and operating decisions would be approved by shareholders at general meetings in which the Group's voting right was more than 50%, so the Group obtained effective control over Xuyuan Tiancheng. Xuyuan Tiancheng became a subsidiary of the Group and the assets, liabilities and financial results of Xuyuan Tiancheng were consolidated in the financial statements of the Group since then.

Property, plant and equipment

Property, plant and equipment of the Group mainly consist of buildings, electronic equipment, right-of-use assets, as well as other fixed assets. As at 31 December 2019, the Group's property, plant and equipment amounted to approximately RMB62.4 million, representing an increase from approximately RMB27.0 million as at the end of 2018, which was mainly due to the increase of right-of-use assets arising from adoption of HKFRS16 since 1 January 2019 and our additional investment in leasehold improvements and reconstruction projects and information technology systems for the purpose of improving our managerial competence and delivering better services to our clients.

Investment properties

Our investment properties mainly comprise parking spaces and storage rooms at the properties we owned. As at 31 December 2019, the Group's investment properties amounted to approximately RMB50.8 million, while that was approximately RMB49.3 million as at 31 December 2018. The slight increase was mainly caused by the change in fair value.

Other intangible assets

As at 31 December 2019, the Group's other intangible assets amounted to approximately RMB100.6 million, which was mainly caused by the acquisition of Qingdao Yayuan. On 18 June 2019, the Group entered into an acquisition agreement, pursuant to which the Group can acquire 55% equity interests in Qingdao Yayuan, for a cash consideration of RMB462 million. Upon completion of such acquisition in September 2019, the Group has been interested in 55% equity interests in Qingdao Yayuan and Qingdao Yayuan became a non-wholly-owned subsidiary of the Company. The financial results of Qingdao Yayuan have been consolidated into the Group's financial statements, and intangible assets arising from property management contracts and customer relationship of RMB105.0 million have been recognized.

Goodwill

As at 31 December 2019, the Group's goodwill amounted to approximately RMB431.1 million, representing a significant increase from approximately RMB17.2 million as at the end of 2018, which was mainly caused by the acquisition of Qingdao Yayuan.

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 2019, trade and bills receivables of the Group amounted to approximately RMB342.0 million, representing an increase from approximately RMB162.0 million as at 31 December 2018, which was in consistency with the increase in our revenue.

Deposits, prepayments and other receivables

Our deposits, prepayments and other receivables mainly consist of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements and biding deposits in relation to the public biddings. As at 31 December 2019, our deposits, prepayments and other receivables amounted to approximately RMB139.3 million, representing an increase from approximately RMB51.3 million as at 31 December 2018, which was mainly due to the growth of our management scale.

Bank balance, deposits and cash

As at 31 December 2019, the Group's bank balance, deposits and cash were approximately RMB1,283.6 million, representing an increase of 10.6% from approximately RMB1,160.1 million as at 31 December 2018.

Trade payables

As at 31 December 2019, trade payables of the Group amounted to approximately RMB284.6 million, representing an increase from approximately RMB71.8 million as at 31 December 2018, mainly resulting from the scale-up of our business and increase of the sub-contracting cost as we continued to sub-contract certain services to third parties to optimize our operations.

Accruals and other payables

As at 31 December 2019, our accruals and other payables were approximately RMB490.2 million, representing an increase from approximately RMB286.6 million as at 31 December 2018, which is mainly due to the increase of other payables due to third parties and salaries payable, caused by the increase of our management scale and employees.

Contract liabilities

Contract liabilities of the Group were property management fees paid by customers in advance for the services which had not been provided and not been recognized as revenue. As at 31 December 2019, our contract liabilities amounted to approximately RMB334.3 million, representing a significant increase of 95.2% from approximately RMB171.3 million as at 31 December 2018, primarily due to the increase in our GFA under management and our customer base during the year.

Cash flows

During the year 2019, net cash inflow from operating activities of the Group amounted to approximately RMB508.7 million, representing a significant increase from approximately RMB174.8 million in 2018, which was mainly which was mainly attributable to the increase of our operating profit, as well as our better control in the working capital.

During the year 2019, net cash outflow from investing activities amounted to approximately RMB318.2 million, as compared to approximately RMB5.8 million in 2018. The higher cash outflow was mainly due to the consideration payment for the acquisition of 55% equity interests in Qingdao Yayuan.

Net cash outflow used in financing activities amounted to approximately RMB82.9 million for 2019, while there was net cash inflow from financing activities amounted to approximately RMB553.0 million for 2018. The net cash inflow for 2018 was mainly due to net proceeds from issuance of ordinary shares in 2018.

Gearing ratio and the basis of calculation

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

Capital expenditure

During the year 2019, capital expenditure of the Group amounted to approximately RMB31.2 million, representing an increase from approximately RMB16.0 million for 2018, primarily due to capital expenditure arising from purchase of information technology systems as well as leasehold improvements and reconstruction projects.

Capital structure

As at 31 December 2019, the Group's cash and bank balances were mainly held in Renminbi and Hong Kong dollar, and the Group's borrowings were nil.

As at 31 December 2019, equity attributable to owners of the company amounted to approximately RMB1,147.9 million, compared to approximately RMB898.9 million as at 31 December 2018.

Financial position of the Group remained stable. As at 31 December 2019, the Group's net current assets was approximately RMB620.8 million, compared to approximately RMB809.9 million as at 31 December 2018.

Liquidity and financial resources

During the year 2019, the Group's principal use of cash was working capital and consideration payment for acquisition of subsidiaries, which was mainly funded from cash flow from operations and proceed raised from the Listing. 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 2019, the Group's borrowings were nil, representing a decrease from approximately RMB9.3 million as at 31 December 2018. 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 2019.

Pledging of assets

As at 31 December 2019, the Group had no pledging of assets, while the pledged bank deposits amounted to approximately RMB10.0 million to secure the bank borrowing granted to the Group as at 31 December 2018.

Contingent liabilities

As at 31 December 2019, the Group had no contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims. The Group does not expect that it will incur any material adverse effect on our business, financial condition or operating results and has made best estimation of the liability after considering legal advice.

Interest rate risk

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

Foreign exchange risk

The principal activities of the Group are conducted in the PRC, and a majority of the Group's income and expenses were denominated in Renminbi. Therefore, the Group is not exposed to material risk directly relating to foreign exchange rate fluctuation except certain bank balances were denominated in Hong Kong dollars. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Employment and remuneration policy

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

As at 31 December 2019, the Group had 7,556 employees (31 December 2018: 6,066 employees).

Use of proceed raised from IPO

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

As stated in the Prospectus, we intended to use (i) approximately 55%, or approximately HK$375.6 million for strategic acquisition and investment; (ii) approximately 26%, or approximately HK$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers; (iii) approximately 9%, or approximately HK$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform; and (iv) approximately 10%, or approximately HK$68.3 million as for our general corporate purposes and working capital. For the expected timeline of the intended use of proceeds, please refer to the implementation plan as set out in the Prospectus.

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

As at 31 December 2019, our use of net proceeds raised from IPO was as follows:

	Net proceeds from IPO	
	Available to utilise (HK$ million)	Utilised (up to 31 December 2019) (HK$ million)
To pursue strategic acquisition and investment opportunities	375.6	171.4
To leverage the most updated internet and information technologies and build a smart community	177.6	—
To develop a one-stop service community platform and our "Joy Life" (悅生活) online service platform	61.5	—
For general corporate purposes and working capital	68.3	—
	683.0	171.4

The remaining net proceeds raised from IPO which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China.

EXECUTIVE DIRECTORS

Mr. LIN Zhong (林中), aged 51, 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. 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 50, 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 Hongbin is a member of the Strategy Committee of the Company. Mr. Zhou Hongbin 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 Hongbin 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 Hongbin 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 Hongbin has served as a vice president at China Property Management Institute (中國物業管理協會) from October 2014 to May 2019, and became the honorary vice president from May 2019. He has been serving as 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 Hongbin 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 44, 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 40, 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 55, 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.

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: 1606).

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 44, 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.

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). Since September 2019, he has been serving as an independent non-executive director at Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company listed on the Stock Exchange (stock code: 1895).

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 49, 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. In October 2019, Mr. Cheung was awarded by the United Nation's PRI Academy Responsible Investment Essentials, an internationally recognized standard on responsible investing and Environmental, Social and Governance (ESG) qualification.

SENIOR MANAGEMENT

Mr. LIANG Bin (梁斌), aged 36, 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 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 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. ZHOU Di (周迪), aged 43, was appointed as the chief financial officer since he joined our Group on 10 May 2019. Mr. Zhou Di is primarily responsible for overall financial management of our Group.

Prior to joining the Group, from July 1999 to June 2001, Mr. Zhou Di worked as financial supervisor at 上海星特浩企業有限公司 (Shanghai Xingtehao Enterprise Company Limited*). From July 2001 to February 2008, Mr. Zhou Di joined S. B. Submarine Systems Co., Ltd., where he held the position of senior financial manager. From February 2008 to November 2016, he served as the chief financial officer for the Shanghai region at Longfor Group Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 960). From December 2016 to July 2017, he was the deputy general manager at the financial management center of 正榮集團有限公司 (Zhenro Group Co., Ltd.*) (formerly known as 福建正榮集團有限公司 (Fujian Zhenro Group Co., Ltd.*) where he was in charge of the group's financial management. From August 2017 to May 2019, he served as the director of the management accounting department at the financial center of CIFI Holdings, the shares of which are listed on the Stock Exchange (Stock code: 884) and is one of the controlling shareholders (as defined under the Listing Rules) of the Company.

Mr. Zhou Di graduated from Hefei University of Technology (合肥工業大學) in the PRC in June 1999, where he obtained a bachelor's degree in accounting. He graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2012, where he obtained a master's degree in management. Mr. Zhou Di became a PRC certified tax agent in June 2001, a certified public accountant of the PRC in December 2005, and an associate member of the Association of International Accountants in March 2006.

Mr. CHEN Chuanchao (陳傳超), aged 43, was appointed as the general manager of Huadong business department of Yongsheng Property since he joined our Group on 3 March 2014 and was promoted to the Group's vice president in January 2020. 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 38, was appointed as the general manager of Jiangsu business department of Yongsheng Property since he joined our Group on 19 March 2013 and was promoted to the Group's assistant president in January 2020. 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.

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2019.

CORPORATE GOVERNANCE PRACTICES

The 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 during the year ended 31 December 2019 (the "**Reporting Period**"). The Company will continue to review and enhance its corporate governance practices, and identify and formalize appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiries to all the Directors, 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 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 causal 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 statues, laws, rules and regulations.

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.

According to information provided by the Directors, records of training received by each director during the year ended 31 December 2019 are summarized below:

Directors	Types of Training
Mr. Lin Zhong	A
Mr. Zhou Hongbin	A, B
Mr. Lin Feng	A
Mr. Ge Ming	B
Mr. Ma Yongyi	A, B
Mr. Wang Peng	B
Mr. Cheung Wai Chung	A

A *Attending briefing(s) and/or seminar(s) and/or conference(s)*
B *Reading materials relating to directors' duties and responsibilities*

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 2019.

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 2019, 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

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged when required. 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.

The attendance record of each director at the Board and the general meeting of the Company held during the year ended 31 December 2019 is set out in the table below:

	Attendance/no of meetings held		
Name of Directors	Board Meetings	Annual General Meeting	Extraordinary General Meeting
Mr. Lin Zhong	9/9	1/1	2/2
Mr. Zhou Hongbin	9/9	1/1	2/2
Mr. Lin Feng	8/9	1/1	1/2
Mr. Ge Ming	8/9	0/1	2/2
Mr. Ma Yongyi	6/9	1/1	2/2
Mr. Wang Peng	7/9	0/1	2/2
Mr. Cheung Wai Chung	7/9	1/1	2/2

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.

During the year ended 31 December 2019, the Audit Committee held two meetings to review annual financial results and report for the year ended 31 December 2018 and interim financial results and report for the half year ended 30 June 2019 and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor. 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	2/2
Mr. Ma Yongyi	1/2
Mr. Cheung Wai Chung	2/2

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.

During the year ended 31 December 2019, 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.

During the year ended 31 December 2019, 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.

During the year ended 31 December 2019, one meeting of the Strategy Committee was held and the attendance record of the Strategy Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Zhou Hongbin	1/1
Mr. Lin Feng	1/1

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 2019.

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 2019 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. Zhou Di, 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)
Annual audit and interim review services	2,230,000
Other assurance services	1,750,000
Total	3,980,000

Note: Other assurance services mainly consisted of the assurance services in relation to the conditional acquisition of Qingdao Yayuan.

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 75 to 81.

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 utilizes an integrated risk management system to minimize 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 organizing the daily work in accordance with the relevant policies. The second level involves the active role of the risk management center which centralize our risk management policies and supervise the individual departments through periodic audits. 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 emphasizes 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 has conducted a comprehensive review of the risk management and internal control system for the year ended 31 December 2019. 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 risk management and material control 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:
Fax: (8621) 6120 8281
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 during the year ended 31 December 2019, 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.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2019, the Company has not made any changes to its Memorandum and Articles of Association. The up-to-date version of the 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 2019.

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 29 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 2019 are set out on pages 82 to 88 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0479 per ordinary share of the Company for the year ended 31 December 2019. The final dividend is subject to the approval of the Shareholders at the AGM and is expected to be paid on or about 30 June 2020 to the Shareholders whose names appear on the register of members of the Company on 19 June 2020.

CLOSURE OF THE REGISTER OF MEMBERS

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

(i) from 8 June 2020 to 11 June 2020, 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 5 June 2020; and

(ii) from 17 June 2020 to 19 June 2020, 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 16 June 2020.

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.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group is of the view that employees are the foundation for the Group's business operations and an important asset of the Group. By providing employees with an ideal working environment and opportunities for sustainable development, the Group and our employees improve and grow together. More details of our relationship with employees are set out in the section headed "Human Resources" in this annual report.

The Group maintains a good relationship with its customers and suppliers. The Group's property management services are based on the principle of customer orientation, and we strive to continuously improve and explore innovative ideas to provide customers with "satisfactory + surprising" (滿意 + 驚喜) services. We value customer feedback and has established customer complaint handling procedures to ensure customers' complaints are dealt with in a timely and effective manner. We also value collaboration with our business partners to set up sustainable supply chains and achieve win-win solution. More details could be found in the section headed "Major Suppliers and Customers" in this annual report.

The Board believes effective communication and timely information disclosure builds the Shareholders' and investors' confidence, and also facilities the flow of constructive feedback that are beneficial for investor relations and future corporate development. For more details, please refer to the section headed "Corporate Governance Report" in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 174 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 partial exercise of the Over-allotment Option 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 2019, approximately HK$171.4 million had been used for acquisition of subsidiaries. The remaining net proceeds raised from IPO which had not been utilized were deposited with a licensed financial institution in Hong Kong and mainland China. In 2020, 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 10.3% of the Group's total revenue. The Group's five largest customers accounted for 11.9% of the Group's total revenue.

In the year under review, the Group's largest supplier accounted for 2.2% of the Group's total purchase. The Group's five largest suppliers accounted for 7.7% of the Group's total purchase.

For the year ended 31 December 2019, revenue derived from CIFI Group and its associates amounted to RMB268.5 million, representing approximately 14.3% 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 2019 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 2019 are set out in note 26 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 2019 are set out in the consolidated statements of changes in equity and note 28 to the consolidated financial statements in this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2019, the Company's distributable reserves were RMB825.6 million.

BORROWINGS

As at 31 December 2019, the Group had no outstanding bank borrowings. Details of the borrowings are set out in the section headed "Management Discussion and Analysis" in this annual report and note 24 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)*
Mr. ZHOU Hongbin *(President)*

Non-executive Director

Mr. LIN Feng *(Deputy Chairman)*
Mr. GE Ming

Independent Non-executive Directors

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

In accordance with article 84(1) of the Articles of Association, Mr. LIN Zhong, Mr. ZHOU Hongbin and Mr. LIN Feng 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 be sent to Shareholders.

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 35 to 41 in the section headed "Profile of Directors and Senior Management" to this annual report.

Saved as disclosed in this 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 during the year ended 31 December 2019 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 2019.

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 2019, 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 2019.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2019, by our Group to or on behalf of any of the Directors.

HUMAN RESOURCES

The Group had approximately 7,556 employees as at 31 December 2019, as compared to 6,066 employees as at 31 December 2018. 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.

The Group is concerned about the career development of its employees, and has developed a comprehensive training programme covering different topics such as new employee orientation and professional skills training to meet the needs of employees at different levels.

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 2019, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number of ordinary shares interested[(1)]	Approximate percentage in the Company's issued share capital
Mr. LIN Zhong [(2)(3)(4)(5)]	Interest in a controlled corporation	959,549,000 (L)	62.45%
Mr. LIN Feng [(2)(3)(4)(5)]	Interest in a controlled corporation	959,549,000 (L)	62.45%
Mr. Zhou Hongbin	Beneficial owner	29,326,000 (L)	1.91%
Mr. Ge Ming	Beneficial owner	1,500,000 (L)	0.10%

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.

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

Interest in 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	3,542,737,237	44.93%
Mr. LIN Feng (2)(3)	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	2,560,756,555	32.48%
Mr. Zhou Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. Ge Ming	CIFI Holdings	Beneficial owner	7,300,552	0.09%
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) 1,193,677,671 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 1,193,677,671 Shares held by Ding Chang pursuant to Part XV of the SFO.

(2) 2,341,755,975 shares are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the 2,341,755,975 Shares held by Rosy Fortune pursuant to Part XV of the SFO.

(3) 211,600,580 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 211,600,580 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 2019, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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 2019, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested(1)	Approximate percentage in the Company's issued share capital
Mr. LIN Wei (2)(3)(4)(5)(6)	Interest in a controlled corporation	959,549,000 (L)	62.45%
Elite Force Development (2)	Beneficial owner	440,000,000 (L)	28.64%
Spectron (3)	Beneficial owner	330,000,000 (L)	21.48%
Xu Sheng (4)	Interest in a controlled corporation	330,000,000 (L)	21.48%
CIFI Holdings (5)	Interest in a controlled corporation	330,000,000 (L)	21.48%
Best Legend (6)	Beneficial owner	188,549,000 (L)	12.27%

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.

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

Save as disclosed herein, as at 31 December 2019, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

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 2019.

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 2019, 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 2019 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 2019 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 and Announcement Requirements

1. Sales Agency Services Framework Agreement

On 22 March 2019, the Company entered into a sales agency services framework agreement (the "**Sales Agency Services Framework Agreement**") with CIFI Holdings, which sets out the principal terms for the provision of sales agency services by the Group to CIFI Group and its associates in respect of unsold residential car parking spaces in the development projects of CIFI Group and its associates for a term commencing from 22 March 2019 to 31 December 2021 (both dates inclusive).

For the year ended 31 December 2019, the transaction amount in respect of the Sales Agency Services Framework Agreement amounted to approximately RMB0.13 million.

For the provision of sales agency services, the Group charges a fixed-rate commission calculated as a percentage of sale price of the relevant car parking spaces. Each transaction contemplated under the Sales Agency Services Framework Agreement is to be negotiated on a case-by-case and arm's length basis, in writing and on normal commercial terms or better in the ordinary and usual course of business of the Group. The commission charged shall be determined with reference to the prevailing market price of similar services offered to independent third parties, and shall not be more favourable to CIFI Group and its associates when compared with similar services provided by the Group to independent third parties.

It is estimated that the maximum annual commission payable by CIFI Group and its associates to the Group for the sales agency services under the Sales Agency Services Framework Agreement for each of the financial years ending 2020 and 2021 will not exceed RMB29.8 million, respectively.

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

(i) no historical amounts available as the Group has not entered into any transactions in respect of agency services for the sale of residential car parking spaces with CIFI Group or its associates previously;

(ii) the estimated commission for the sales agency services provided by the Group to CIFI Group and its associates for each of the three years ending 31 December 2021, calculated based on the estimated number of development projects of CIFI Group and its associates for which the Group's sales agency services are required and the estimated number of car parking spaces of the relevant development projects available for sale in the market;

(iii) the prevailing market rate for the provision of sales agency services in the same industry; and

(iv) the level of difficulty of sales of the residential car parking spaces by the Company with reference to the locations of the development projects of CIFI Group and its associates involved, and the occupancy rate of the development projects.

The transactions contemplated under the Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the Sales Agency Services Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the Sales Agency Services Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.

2. Qingdao Yayuan Management Services Framework Agreement

On 20 September 2019, Qingdao Yayuan entered into a management services framework agreement (the "**Qingdao Yayuan Management Services Framework Agreement**") with New World (Qingdao) Real Estate Company Limited (新世界 (青島) 置地有限公司) ("**New World (Qingdao)**"), Nanchang Sunny World Real Estate Company Limited (南昌陽光新地置業有限公司) ("**Nanchang Sunny World**"), and Shanghai Sunny World Jiazhao Internet of Things Company Limited (上海新地嘉兆物聯網有限公司) ("**Jiazhao**"), pursuant to which Qingdao Yayuan shall agree to provide to New World (Qingdao), Nanchang Sunny World and Jiazhao and their respective associates (the "**Qingdao Yayuan Connected Group**") property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties owned by the Qingdao Yayuan Connected 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 the Qingdao Yayuan Connected Group upon completion of construction and before delivery of the same to homeowners and other value-added services (the "**Qingdao Yayuan Management Services**") for a term commencing from 20 September 2019 to 31 December 2021.

For the four months ended 31 December 2019, the transaction amount in respect of the Qingdao Yayuan Management Services Framework Agreement amounted to approximately RMB28.2 million.

Each transaction contemplated under the Qingdao Yayuan Management Services Framework Agreement is to be negotiated on a case-by-case and arm's length basis with reference to the prevailing market price of similar services offered to independent third parties and the service fees offered by the Group to other independent third parties, and at fees and terms no less favourable to the Group than the fees and terms offered by independent third parties to the Group. The vacancy fees to be charged by the Qingdao Yayuan on unleased gross floor area under management pursuant to the Qingdao Yayuan Management Services Framework Agreement will be determined with reference to the prevailing market rate either on the basis of (i) fixed monthly vacancy fee or (ii) 50% to 100% of the property management fees to be charged by the Qingdao Yayuan on leased gross floor area under management or (iii) 5% to 15% markup on the costs incurred from management of unleased gross floor area. The Qingdao Yayuan Management Services Framework Agreement sets out the principles upon which detailed terms (including payment terms) are to be determined by and agreed in separate agreements to be entered into between the Qingdao Yayuan and the Qingdao Yayuan Connected Group for the transactions contemplated under the Framework Agreement.

It is estimated that the annual caps for the continuing connected transactions under the under the Qingdao Yayuan Management Services Framework Agreement for each of the financial years ending 2020 and 2021 will not exceed RMB45.0 million and RMB40.0 million, respectively.

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

(i) the historical transaction amounts under the previous relevant management service agreement;

(ii) the expected increase in vacancy fees to be charged by Qingdao Yayuan on unleased gross floor area under management after the unification of the Qingdao Yayuan's pricing of vacancy fees with reference to the market rate upon completion of the acquisition; and

(iii) expected increase of preliminary planning and design consultancy services, cleaning and house inspection services to the property projects as three new high-end commercial management projects have been brought into its management portfolio in 2019.

The transactions contemplated under the Qingdao Yayuan Management Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As Qingdao Yayuan Connected Group, is a connected person at the subsidiary level of the Company, the transactions contemplated under the Qingdao Yuyuan Management Services Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements under Listing Rule 14A.101.

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 "**2016 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 2016 CIFI Property Management Services Master Agreement has a term commencing from 1 January 2017 until 31 December 2019. As the 2016 CIFI Property Management Services Master Agreement has expired on 31 December, the Company and CIFI Holdings entered into the 2019 CIFI Property Management Services Master Agreement (the "**2019 CIFI Property Management Services Master Agreement**") on 11 November 2019, pursuant to which the Company and its subsidiaries agreed to provide CIFI Property Management Services to CIFI Group for a period commencing from 1 January 2020 and ending on 31 December 2022.

For each of the years ended 31 December 2018 and 2019, the transaction amounts under the CIFI Property Management Services amounted to approximately RMB161.6 million and 192.9 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 each of the three years ending 31 December 2022 will not exceed RMB350.0 million, respectively.

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

(i) the historical transaction amounts under the 2016 CIFI Property Management Services Master Agreement;

(ii) the estimated revenue to be recognised based on the existing signed contracts between the Group and CIFI Group;

(iii) the expected volume of sale, 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 the Group's management as of 30 June 2019, the properties under development held by CIFI Group as of 30 June 2019 and the estimated time of pre-sales and delivery based on public available information; and

(iv) the expected demand of CIFI Group for property management services, the relevant property management services and standard being proposed by the Group, and the price to be charged by the Group for the provision of such services.

CIFI Holdings, one of our Controlling Shareholders, 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 2019 CIFI Property Management Services Master Agreement are expected to be more than 5% on an annual basis, the transactions under the 2019 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 2018 and 2019, the transaction amounts in respect of the Lin Brothers Property Management Services amounted to approximately RMB52.7 million and RMB75.6 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 year ending 31 December 2020 will not exceed RMB90.0 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 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 30 June 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 2019, 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 2019, 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 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 2019 has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2019 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

Save for the additional 36,400,000 Shares allotted and issued through partial exercise of the Over-allotment Option, 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 2019.

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 2019.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 18 June 2019, the Group entered into an acquisition agreement, pursuant to which the Group can acquire 55% equity interests in Qingdao Yayuan, for a cash consideration of RMB462 million. Upon completion of such acquisition in September 2019, the Group has been interested in 55% equity interests in Qingdao Yayuan (18% equity interests directly held by the Company and 37% equity interests indirectly held by the Company through Yongsheng Property) and Qingdao Yayuan became a non-wholly-owned subsidiary of the Company. The financial results of Qingdao Yayuan have been consolidated into the Group's financial statements.

Reference is made to the Company's announcement dated 18 June 2019 and the circular dated 14 August 2019 in relation to the acquisition of an aggregate of 55% equity interest in Qingdao Yayuan. According to the audited financial statements of Qingdao Yayuan, the profit guarantee for the year ended 31 December 2019, as set out in the announcement dated 18 June 2019 and the circular dated 14 August 2019, has been fulfilled and no compensation has been made.

The Group did not have any material disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, 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 42 to 55 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2019 to be published in due course.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 37 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 2019 have been audited by BDO Limited, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2019, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

By order of the Board
LIN Zhong
Chairman

Hong Kong, 23 March 2020

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

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 82 to 173, which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of 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 2019 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 3.6, accounting estimates and judgements in Note 4(vi) and disclosure of goodwill in Note 18 to the consolidated financial statements.

As at 31 December 2019, the Group's goodwill, which amounted to RMB431.1 million, was allocated to the cash-generating units ("CGUs"), representing Ningbo Yongda Property Service Company Limited ("Ningbo Yongda") and Qingdao Yayuan Property Management Company Limited ("Qingdao Yayuan").

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 and Qingdao Yayuan 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 2019 as the recoverable amount of the CGUs as determined on the basis set out above was higher than their carrying amounts.

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;
- 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 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;
- using our independent and qualified 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; 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.

Purchase price allocation for business combinations

Refer to summary of significant accounting policies in Note 3.2 and disclosure of acquisition of subsidiaries in Note 27 to the consolidated financial statements.

During the year ended 31 December 2019, the Group completed a major acquisition of property management company which have been consolidated by the Group since its respective acquisition date. Management has engaged an independent qualified valuer to assist them in identifying the intangible assets and to perform the valuations of the identified assets and liabilities of the acquired company at its respective acquisition date, based on which, management performed a purchase price allocation exercise for the acquisition, which resulted in recognition of identified property management contracts and customer relationship of RMB105,000,000 and goodwill of RMB413,898,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquiree over the fair value of identified net assets acquired.

Significant judgements and estimates were involved in the fair value assessment of the identified property management contracts and customer relationship and the recognition of goodwill arising from the business combination. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly long-term growth rate, pre-tax discount rates and expected useful lives of the property management contracts and customer relationship).

We consider this area a key audit matter given the magnitude of the identified property management contracts and customer relationship and goodwill recognised arising from the business combinations, and the significant judgements and estimates involved in the fair value assessment of the identified property management contracts and customer relationship and the recognition of goodwill arising from the business combination.

OUR RESPONSE

Our procedures in relation to purchase price allocations for business combinations included the following:

- assessed the competency, objectivity and independence of the external valuer appointed by management.
- discussed with management and assessed the reasonableness of the key assumptions used in the cash flow forecasts for the valuation of the identified property management contracts and customer relatinship (mainly long-term growth rate, pre-tax discount rates and expected useful lives of the property management contracts and customer relationship) by comparing these assumptions against the relevant historical data of this acquired company and market data, where applicable.
- engaged our independent and qualified valuation experts to perform the following procedures:
  - evaluated the appropriateness of the valuation methodologies adopted by management;
  - assessed the reasonableness of the discount rates used by management; and
  - reviewed the sensitivity analysis over the discount rates performed by management.
- checked the mathematical accuracy of the calculations of the fair value of the identified property management contracts and customer relationship and goodwill.

Impairment assessment of trade receivables

Refer to summary of significant accounting policies in Note 3.10, accounting estimates and judgements in Note 4(ii) and disclosure of impairment on trade receivables in Note 19 to the consolidated financial statements.

As at 31 December 2019, the gross amount of the Group's trade receivables totalled RMB 367.0 million, against which a loss allowance of RMB25.8 million was made. The net carrying value of the Group's trade receivables represented approximately 13.8% of the total assets of the Group as at 31 December 2019.

The Group's loss allowance for trade receivables applies the simplified approach to calculate expected credit losses ("ECLs"), which is measured at an amount equal to lifetime expected credit losses. This approach is based on management's estimated loss rates for 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 and forward looking information.

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 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 estimated 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 adjusted based on current economic conditions and forward-looking information; and
- comparing cash receipts from debtors subsequent to the financial year end relating to trade receivable balances at 31 December 2019 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 HKSAs 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 HKSAs, 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, 23 March 2020

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	6	1,877,822	1,075,830
Cost of sales		(1,322,424)	(766,802)
Gross profit		555,398	309,028
Other income and other net gains	7	48,045	16,011
Administrative expenses		(246,519)	(187,155)
Expected credit loss on financial assets		(24,116)	(4,087)
Share of joint venture's (loss)/profit		(95)	6,486
Share of associate's (loss)/profit		(324)	2,486
Finance cost	8	(1,334)	(98)
Other expense		(2,543)	(884)
Profit before income tax expense	9	328,512	141,787
Income tax expense	10	(79,558)	(41,547)
Profit and total comprehensive income for the year		248,954	100,240
Profit and total comprehensive income for the year			
Attributable to:			
Owners of the Company		223,845	100,521
Non-controlling interests		25,109	(281)
		248,954	100,240
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	12	0.1458	0.0885

	Notes	2019 RMB'000	2018 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a joint venture	14	—	6,986
Interest in an associate	15	—	4,642
Property, plant and equipment	16	62,432	27,007
Investment properties	17	50,814	49,279
Other intangible assets	18	100,600	—
Goodwill	18	431,128	17,230
Deferred tax assets	25	11,831	3,819
Prepayments of property, plant and equipment	20	13,368	—
		670,173	108,963
Current assets			
Trade and bills receivables	19	342,006	162,032
Deposits, prepayments and other receivables	20	139,279	51,323
Income tax recoverable		—	451
Pledged bank deposit	21	—	9,969
Restricted cash	21	43,000	—
Bank balance, deposits and cash	21	1,283,642	1,160,122
		1,807,927	1,383,897
Current liabilities			
Trade payables	22	284,593	71,844
Accruals and other payables	23	490,187	286,627
Contract liabilities	6	334,317	171,339
Lease liabilities	32	7,972	—
Bank loan	24	—	9,281
Provision for taxation		70,102	34,935
		1,187,171	574,026
Net current assets		620,756	809,871
Total assets less current liabilities		1,290,929	918,834

	Notes	2019 RMB'000	2018 RMB'000
Non-current liabilities			
Lease Liabilities	32	13,218	—
Other payables	23	1,265	—
Deferred tax liabilities	25	48,516	16,234
		62,999	16,234
Net assets		1,227,930	902,600
EQUITY			
Share capital	26	13,607	13,290
Reserves		1,134,290	885,641
Equity attributable to owners of the Company		1,147,897	898,931
Non-controlling interests		80,033	3,669
Total equity		1,227,930	902,600

On behalf of the directors

Mr. Lin Zhong	Mr. Zhou Hongbin
Director	*Director*

	Share capital RMB'000 Note 26	Share premium* RMB'000 Note (a)	Capital reserve* RMB'000	Other reserve* RMB'000	Statutory reserve* RMB'000 Note (b)	Retained earnings* RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
Balance at 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)	—	—	—
Effect of Group Reorganisation (Note (c))	—	—	—	(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 26(b))	—^	229,600	—	—	—	—	229,600	—	229,600
Shares issued pursuant to the public offering and placing (note 27(c))	3,352	593,193	—	—	—	—	596,545	—	596,545
Shares issued pursuant to the capitalisation (note 26(d))	9,938	(9,938)	—	—	—	—	—	—	—
Transactions cost attributable to the public offering and placing (note 26(e))	—	(18,305)	—	—	—	—	(18,305)	—	(18,305)
Balance at 31 December 2018 and 1 January 2019	13,290	794,550	26,799	(117,600)	21,381	160,511	898,931	3,669	902,600
Profit and total comprehensive income for the year	—	—	—	—	—	223,845	223,845	25,109	248,954
Transfer to statutory reserves	—	—	—	—	27,331	(27,331)	—	—	—
Capital injection from non-controlling shareholders	—	—	—	—	—	—	—	3,486	3,486
Dividends approved in respect of the previous year (Note 11)	—	—	—	—	—	(31,221)	(31,221)	—	(31,221)
Non-controlling interest arising on acquisition of subsidiaries (note 14 and 15)	—	—	—	—	—	—	—	8,412	8,412
Acquisition of subsidiaries (note 27)	—	—	—	—	—	—	—	39,357	39,357
Allotment of shares (note 26(b))	317	56,025	—	—	—	—	56,342	—	56,342
Balance at 31 December 2019	13,607	850,575	26,799	(117,600)	48,712	325,804	1,147,897	80,033	1,227,930

* 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) 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.

	2019 RMB'000	2018 RMB'000
Cash flows from operating activities		
Profit before income tax expense	328,512	141,787
Adjustments for:		
Depreciation of property, plant and equipment	7,606	3,591
Depreciation of right-of-use asset	8,354	—
Impairment loss on trade receivables	16,246	3,460
Reversal of impairment loss on trade receivables	—	(219)
Impairment loss on other receivables	7,870	627
Reversal of impairment loss on other receivables	—	(255)
Share of an associate's loss/(profit)	324	(2,486)
Share of an joint venture's loss/(profit)	95	(6,486)
Bank interest income	(19,332)	(2,551)
Interest on lease liabilities	1,051	—
Interest income from financial assets at FVTPL	—	(2,472)
Interest on secured bank loan	283	98
Gain on disposal of property, plant and equipment	—	(4)
Loss on disposal of property, plant and equipment	21	12
Gain on disposal of investment properties	(174)	(205)
Fair value gain of investment properties	(2,616)	(1,464)
Amortization of intangible assets	4,400	—
Exchange gain, net	(10,707)	—
Operating profit before working capital changes	341,933	133,433
Increase in trade and bills receivables	(180,933)	(43,812)
Decrease in inventories	—	267
(Increase)/decrease in prepayment, deposits and other receivables	(16,253)	3,237
Increase in trade payables	148,630	35,114
Increase in accruals and other payables	141,088	20,613
Increase in contract liabilities	126,430	51,262
Cash generated from operations	560,895	200,114
Income tax paid	(52,222)	(25,340)
Net cash generated from operating activities	508,673	174,774

	2019 RMB'000	2018 RMB'000
Cash flows from investing activities		
Capital contribution by non-controlling interest	—	3,950
Purchase of financial asset at FVTPL	—	(198,000)
Proceed from purchase of financial assets at FVTPL	—	198,000
Prepayment of property, plant and equipment	(13,368)	—
Decrease in pledge deposit	9,969	—
Purchase of property, plant and equipment	(17,854)	(14,946)
Increase in restricted cash	(43,000)	—
Acquisition of a subsidiary, net of cash acquired	(277,458)	—
Dividend received from an associate	2,735	—
Payment for acquisition of a joint venture	—	(500)
Proceed from disposal of property, plant and equipment	227	17
Proceed from disposal of investment properties	1,255	630
Bank interest income received	19,332	2,551
Interest income from financial assets at FVTPL	—	2,472
Net cash used in investing activities	(318,162)	(5,826)
Cash flows from financing activities		
Capital contribution by non-controlling interest	3,486	—
Repayment of bank loan	(9,281)	—
Proceed from issue of share	56,342	—
Payment of bills payable	(60,000)	—
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)
Interest on secured bank loan paid	(283)	(98)
Interest expense of lease liabilities	(1,051)	—
Payment of lease liabilities	(8,604)	—
Dividend payment to its former shareholder of a subsidiary	(32,330)	—
Dividends paid	(31,221)	(24,500)
Net cash (used in)/generated from financing activities	(82,942)	552,954
Net increase in cash and cash equivalents	107,569	721,902
Effect of exchange rate changes on cash and cash equivalents	15,951	—
Cash and cash equivalents at beginning of the year	1,160,122	438,220
Cash and cash equivalents at end of the year	1,283,642	1,160,122

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 2019 comprise the Company and its subsidiaries (together referred to as "the Group"). The consolidated financial statements were authorized for issue by the Directors on 23 March 2020.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

(a) Adoption of new/revised HKFRSs

The adoption of HKFRSs which are effective for the financial year beginning on 1 January 2019 has been applied in the consolidated financial statements throughout the year ended 31 December 2019.

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

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the group's accounting policies.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (iv) of this note.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following tables summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019 as follows (increase/(decrease)):

	RMB'000
Statement of financial position as at 1 January 2019	
Right-of-use assets presented in plant and equipment	27,817
Lease liabilities (non-current)	(20,424)
Lease liabilities (current)	(7,393)
Retained earnings	(—)

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

(i) Impact of the adoption of HKFRS 16 (continued)

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	RMB'000
Reconciliation of operating lease commitment to lease liabilities	
Operating lease commitment as of 31 December 2018	33,008
Less: short term leases for which lease terms end within 31 December 2019	(3,083)
Less: leases of low-value assets	(92)
Add: leases included in extension option which the Group considers reasonably certain to exercise	—
Less: future interest expenses	(2,016)
Add: Finance leases liabilities as of 31 December 2018	—
Total lease liabilities as of 1 January 2019	27,817

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 is 4.33%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

(iii) Accounting as a lessee (continued)

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

(iv) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of retained earnings at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise all the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For all these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; and (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019 and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

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.

The adoption of these amendment has no impacted on these financial statements as the Group has no uncertainty in accounting for income taxes.

Amendments to HKAS 19 – Plan amendments, curtailment or settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

The adoption of these amendment has no impacted on these financial statements as the Group does not have any prepayment features with negative compensation.

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.

The adoption of these amendment has no impact on these financial statements as the Group does not have any defined benefit plan.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

Amendments to HKAS 28 - Long-term Interests in Associates and Joint Ventures

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.

The adoption of these amendment has no impact on these financial statements as the Group does not have long-term interests in associates or joint ventures.

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any transaction in which it obtains control over a joint operation.

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.

The adoption of these amendments has no impact on these financial statements as the Group does not have any transaction in which it obtains joint control of the joint operation.

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (CONTINUED)

(a) Adoption of new/revised HKFRSs (continued)

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 HKAS 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.

The adoption of these amendments has no impacted on these financial statements as there were no income tax consequences to the dividends distributed by the Group during the year.

Annual Improvements to HKFRSs 2015-2017 Cycle – Amendments to HKAS 23, Borrowing Costs

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 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

The adoption of these amendments has no impacted on these financial statements as the Group does not have any borrowing made specifically to obtain a qualifying asset.

(b) 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:

Amendments to HKFRS 3	Definition of a Business[1]
Amendments to HKAS 1 and HKAS 8	Definition of Material[1]
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after a date to be determined

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

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.

(b) Basis of measurement

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 functional currency of the Company is Renminbi ("RMB"), which is same as the presentation currency of the consolidated financial statements.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Business combination and basis of consolidation (continued)

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.

3.3 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Associate (continued)

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.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of associates is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. The Group discontinues the use of the equity method from the date when the investment ceases to be an associate. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with HKFRS 9. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate is disposed of. Unrealised gains and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates.

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)

3.5 Joint arrangements (continued)

The Group's investments in joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and other comprehensive income of joint ventures is included in the consolidated income statement and consolidated statement of comprehensive income, respectively. The Group discontinues the use of the equity method from the date when the investment ceases to be an joint venture. When the Group retains an interest in the former joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with IFRS 9. The difference between the carrying amount of the joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the joint venture is disposed of. Unrealised gains and losses resulting from transactions between the Group and its joint ventures are eliminated to the extent of the Group's investments in the joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of joint ventures is included as part of the Group's investments in joint ventures.

3.6 Intangible assets

a) Goodwill

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Intangible assets (continued)

a) Goodwill (continued)

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.

b) Property management contracts and customer relationship

Property management contracts and customer relationship acquired in a business combination are recognised at fair value at the acquisition date. The property management contracts and customer relationship have finite useful lives and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of the contracts and customers relationship, which are five to ten years.

Intangible assets arising from these property management contracts and customer relationship with finite lives are tested for impairment when there is an indication that an asset may be impaired (see Note 3.18).

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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	Over the remaining life of lease term
Computer equipment	3 years
Electronic equipment	5 years
Transportation equipment	5 years
Furniture and equipment	5 years
Right-of-use assets	Shorter of the asset's useful life and the lease term on a straight-line basis

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leasing (accounting policies applied from 1 January 2019)

All leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but accounting policy choices exist for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

The Group also has leased a number of properties under tenancy agreements which the Group exercises it judgement and determines that is held for own use. As a result, the right-of-use asset arising from the properties under tenancy agreements are carried at depreciated cost.

Lease liability

The lease liability is recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group uses the Group's incremental borrowing rate.

The following payments for the right-to-use the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable: (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Leasing (accounting policies applied from 1 January 2019) (continued)

Lease liability (continued)

Subsequent to the commencement date, the Group measures the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

B. Leasing (accounting policies applied until 31 December 2018)

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 lessee

The total rentals payable under the operating leases are recognised in profit or loss on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Lease incentives received are recognised as an integrated part of the total rental expense, over the term of the lease.

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 properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are stated at cost less subsequent accumulated depreciation and any accumulated impairment losses. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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 entirely 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 ("FVOCI"): 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)

3.10 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)

3.10 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)

3.10 Financial Instruments (continued)

(ii) Impairment loss on financial assets (continued)

Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the consolidated statements of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 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)

3.10 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)

3.11 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.

3.12 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.

(i) Property management services

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.

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.

Revenue from property management services (both under lump sum basis and commission basis) is recognized over time in the accounting period which services are rendered.

(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.

Revenue from value-added services to non-property owners is recognized over time in the accounting period which services are rendered.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 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.

Revenue from community value-added services is recognized over time except sales of goods, advertising income and parking lots, which are recognized at a point of time when control of services or goods has transferred to customers.

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 contact, 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)

3.13 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.

3.14 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Income tax (continued)

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.

3.15 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 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;
- investments in subsidiaries, associates and joint ventures;
- property management contracts and customer relationship; 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 year. 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)

3.17 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.

3.18 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.

3.19 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)

3.20 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(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.

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 (other than goodwill)

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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

(vi) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in Note 3.16. The recoverable amounts have been determined based on value-in-use calculations. These calculations require the use of estimates.

Judgement is required to determine key assumptions adopted in the valuation models for impairment review purpose. Changing the assumptions selected by management in assessing impairment could materially affect the result of the impairment test and as a result affect the Group's financial condition and results of operations. If there is a significant adverse change in the key assumption applied, it may be necessary to take additional impairment charge to the consolidated statements of comprehensive income.

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 year ended 31 December 2019 and 2018, revenue from a shareholder - CIFI Holdings (Group) Co., Ltd., its subsidiaries and joint venture (the "CIFI Group") contributed 13.6% and 19.5% 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 year ended 31 December 2019 and 2018.

Operating segment information

The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. 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 year ended 31 December 2019 and 2018.

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

6. REVENUE

Revenue mainly comprises of proceeds from property management services, community value-added services and value-added services to non-property owners. An analysis of the Group's revenue by category for the year ended 31 December 2019 and 2018 was as follows:

(a) Disaggregated revenue information

	2019 RMB'000	2018 RMB'000
Revenue from contract with customer		
Property management services	1,069,987	666,853
Community value-added services	483,194	198,447
Value-added services to non-property owners	324,641	210,530
	1,877,822	1,075,830
Geographical markets		
Mainland China	1,877,822	1,075,830
Timing of revenue recognition		
Services transferred point in time	116,294	—
Services transferred over time	1,761,528	1,075,830
	1,877,822	1,075,830

(b) Unsatisfied performance obligations

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

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

For the year ended 31 December 2019 and 2018, there was no significant incremental costs to obtain a contract.

6. REVENUE (CONTINUED)

(d) Details of contract liabilities

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

	2019 RMB'000	2018 RMB'000
Contract liabilities	334,317	171,339

(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.

(j) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period carried-forward contract liabilities.

	2019 RMB'000	2018 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Property management services	129,108	79,760
Community value-added services	6,112	5,468
Value-added service to non-property owners	2,357	25,217
	137,577	110,445

7. OTHER INCOME AND OTHER NET GAINS

	2019 RMB'000	2018 RMB'000
Bank interest income	19,332	2,551
Government grants (Note)	14,221	7,855
Penalty income	233	250
Exchange gain/(losses), net	10,707	(1,776)
Reversal of impairment loss on trade receivables	—	219
Reversal of impairment loss on other receivables	—	255
Gain on disposal of property, plant and equipment	—	4
Gain on disposal of investment properties	174	205
Fair value gain of investment properties	2,616	1,464
Interest income from financial assets at FVTPL	—	2,472
Others	762	2,512
	48,045	16,011

Note: Government grants in the years ended 31 December 2019 and 2018 represented unconditional cash payments granted by government authorities.

8. FINANCE COSTS

	2019 RMB'000	2018 RMB'000
Interest on secured bank loan (note 24)	283	98
Interest on lease liabilities	1,051	—
	1,334	98

9. PROFIT BEFORE INCOME TAX EXPENSE

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

	2019 RMB'000	2018 RMB'000
Depreciation of property, plant and equipment	7,606	3,591
Depreciation of right of use assets	8,354	—
Amortisation of intangible assets	4,400	—
Impairment loss on trade receivables	16,246	3,460
Impairment loss on other receivables	7,870	627
Gain on disposal of property, plant and equipment	—	(4)
Loss on disposal of property, plant and equipment	21	12
Listing expense	—	25,650
Short-term lease expense		
Rented premises	9,607	7,050
Plant and machinery	49	115
Staff costs (including directors' emoluments – Note 13):		
Salaries, wages and other benefits	579,529	422,990
Bonus	54,733	25,925
Retirement scheme contribution	85,895	73,148
	720,157	522,063

10. INCOME TAX EXPENSE

	2019 RMB'000	2018 RMB'000
Current tax		
Tax for the current year	85,982	44,599
Over-provision in respect of prior year	(4,953)	—
	81,029	44,599
Deferred tax (Note 25)		
Credited to profit or loss for the year	(1,471)	(3,052)
	79,558	41,547

10. INCOME TAX EXPENSE (CONTINUED)

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

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

No provision for Hong Kong Profits Tax has been made as the Group had no assessable profits arising in Hong Kong for the year ended 31 December 2019 and 2018.

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

The income tax expense for the year can be reconciled to the profit before income tax expense per the consolidated statements of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2018 RMB'000
Profit before income tax expense	328,512	141,787
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	76,316	35,447
Tax effect of share of loss/(profit) of an associate	81	(621)
Tax effect of share of loss/(profit) of a joint venture	24	(1,621)
Utilisation of tax losses previously not recognised	(705)	—
Tax effect of expenses not deductible for tax purposes	2,600	5,539
Tax effect of income not taxable for tax purposes	(1,597)	(180)
Tax effect of deductible temporary differences/(tax loss) not recognised	—	(1,009)
Effect of tax exemptions granted to PRC subsidiaries	—	453
Tax effect of tax losses not recognised	1,689	—
Over-provision of tax for the prior year	(4,953)	—
Deferred tax on undistributed earnings of PRC subsidiaries	6,103	3,539
Income tax expense	79,558	41,547

11. DIVIDENDS

A final dividend of HK$0.0479 per ordinary share of the Company has been proposed for the year ended 31 December 2019 (2018: HK$0.0231).

12. EARNINGS PER SHARE

	2019 RMB'000	2018 RMB'000
Profits		
Profit attributable to owners of the Company	223,845	100,521

	2019 Number'000	2018 Number'000
Number of shares		
Weighted average number of ordinary shares (note)	1,535,501	1,135,618

Note:

Weighted average of 1,535,501,000 ordinary shares for the year ended 31 December 2019, includes the weighted average of 36,400,000 ordinary shares issued due to over-allotment, in addition to the aforementioned 1,500,000,000 ordinary shares for the year ended 31 December 2018.

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 1,120,000,000 ordinary shares issued immediately after the completion of capitalization issued in December 2018.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the year ended 31 December 2019 and 2018.

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

(a) Directors' emoluments

	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019					
Executive director					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	2,579	960	124	3,663
Non-executive director					
Mr. Lin Feng	—	—	—	—	—
Mr. Ge Ming	—	—	—	—	—
Independent non-executive director					
Mr. Ma Yongyi	200	—	—	—	200
Mr. Wang Peng	—	—	—	—	—
Mr. Cheung Wai Chung	200	—	—	—	200
	400	2,579	960	124	4,063

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

(a) Directors' emoluments (continued)

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

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 year ended 31 December 2019 and 2018. No directors waived or agreed to waive any emoluments for the year ended 31 December 2019 and 2018.

(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 Wai Chung was appointed as the independent non-executive director of the Company on November 26, 2018.

(vii) Discretional bonus is determined by reference to the performance of individuals and the Group.

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:

	2019 Number of individuals	2018 Number of individuals
Directors	1	1
Non directors, the highest paid individual	4	4
	5	5

Details of the emoluments of the above non directors, the highest paid individual for the year ended 31 December 2019 and 2018 are as follows:

	2019 RMB'000	2018 RMB'000
Salaries and other emoluments	2,965	2,615
Discretionary bonuses	2,400	120
Retirement scheme contribution	334	278
	5,699	3,013

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

	2019 Number of individuals	2018 Number of individuals
Nil to HKD1,000,000	—	4
HKD1,000,001 to HKD1,500,000	4	—
	4	4

14. INTEREST IN A JOINT VENTURE

	2019 RMB'000	2018 RMB'000
Share of net assets other than goodwill	—	6,986

Name	Place of incorporation, operation and principal activity	Percentage of ownership interests/ voting rights/ profit share
Shanghai Yongsheng Yizhi Property Management Company Limited (the "Yongsheng Yizhi")	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. The Group's ownership interest in Shanghai Yongsheng Yizhi Property Management Company Limited 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 Shanghai 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:

	As at 31 March 2019 RMB'000	As at 31 December 2018 RMB'000
Current assets	47,675	53,378
Non-current assets	614	500
Current liabilities	(34,507)	(39,907)
Net assets	13,782	13,971
Group's share of the net assets of the joint venture	6,891	6,986

14. INTEREST IN A JOINT VENTURE (CONTINUED)

	For the period ended 31 March 2019	For the year ended 31 December 2018
		RMB'000
Revenues	16,392	42,366
(Loss)/Profit	(190)	12,972
Total comprehensive income	(190)	12,972

During the year ended 31 December 2019, the joint venture partners of Yongsheng Yizhi amended the cooperation agreement. According the amended cooperation agreement, all significant financial and operating decisions were approved by a simple majority of the board of directors, of which four directors and three directors are nominated by the Group and the other joint venture partner, respectively. Since the Group obtained effective control of voting power to govern relevant activities of Yongsheng Yizhi, Yongsheng Yizhi became a subsidiary of the Group and the assets, liabilities and financial results of Yongsheng Yizhi were consolidated in the financial statements of the Group since then.

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

	Fair value
	RMB$'000
Property, plant and equipment	614
Trade receivables	2,419
Prepayment, deposits and other receivables	1,954
Cash and cash equivalents	43,302
Trade payables	(11,649)
Accruals and other payables	(17,134)
Contract liabilities	(5,724)
Net identifiable assets	13,782
Non-controlling interest	(6,891)
	6,891
Net cash inflow arising from:	
Cash and cash equivalents	43,302

14. INTEREST IN A JOINT VENTURE (CONTINUED)

Since the acquisition date 1 April 2019, Yongsheng Yizhi has contributed RMB67,515,000 and RMB5,234,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2019, the Group's revenue and profit would have been RMB1,894,214,000 and RMB248,764,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

The fair value of trade and other receivables amounted to RMB2,419,000 and RMB23,000. The gross amount of these receivables is RMB2,442,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

15. INTEREST IN AN ASSOCIATE

	2019 RMB'000	2018 RMB'000
Share of net assets other than goodwill	—	4,642

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 ("Chongqing Xuyuan")	Property management service in the PRC	51*

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

15. INTEREST IN AN ASSOCIATE (CONTINUED)

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

	As at 31 March 2019 RMB'000	As at 31 December 2018 RMB'000
Current assets	16,524	15,433
Non-current assets	139	136
Current liabilities	(13,558)	(6,468)
Net assets	3,105	9,101
Group's share of the net assets of the associate	1,584	4,642

	For the period ended 31 March 2019 RMB'000	For the year ended 31 December 2018 RMB'000
Revenues	4,213	18,608
(Loss)/Profit	(634)	4,874
Total comprehensive income	(634)	4,874
Dividends declared	5,362	—

During the year ended 31 December 2019, all shareholders of Xuyuan Tiancheng amended the cooperation agreement. According the amended cooperation agreement, all significant financial and operating decisions would be approved by shareholders at general meetings in which the Group's voting right was more than 50%, so the Group obtained effective control over Xuyuan Tiancheng.

15. INTEREST IN AN ASSOCIATE (CONTINUED)

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

	Fair value RMB$'000
Property, plant and equipment	139
Trade receivables	2,802
Other receivables	164
Deferred tax asset	12
Cash and cash equivalents	13,546
Trade payables	(3,283)
Accruals and other payables	(7,395)
Contract liabilities	(2,880)
Net identifiable assets	3,105
Non-controlling interest	(1,521)
	1,584
Net cash inflow arising from:	
Cash and cash equivalents	13,546

Since the acquisition date 1 April 2019, Chongqing Xuyuan has contributed RMB28,810,000 and RMB5,023,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2019, the Group's revenue and profit would have been RMB1,882,035,000 and RMB248,320,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

The fair value of trade and other receivables amounted to RMB2,802,000 and RMB164,000. The gross amount of these receivables is RMB2,966,000. None of these receivables have been impaired and it is expected that the full contractual amounts can be collected.

16. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment	Electronic equipment	Transportation equipment	Furniture and equipment	Right of use assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST								
At 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 and 1 January 2019	9,413	4,457	5,585	11,662	1,542	3,524	—	36,183
Adoption of HKFRS 16	—	—	—	—	—	—	27,817	27,817
Additions	—	6,547	4,899	4,684	241	1,483	1,662	19,516
Acquired through a subsidiary	—	—	—	293	40	3,732	235	4,300
Disposals	—	—	(6)	(539)	(289)	(2,307)	—	(3,141)
At 31 December 2019	9,413	11,004	10,478	16,100	1,534	6,432	29,714	84,675
ACCUMULATED DEPRECIATION								
At 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 and 1 January 2019	1,007	643	249	5,013	548	1,716	—	9,176
Depreciation	564	2,433	1,021	2,208	280	1,100	8,354	15,960
Disposals	—	—	(2)	(483)	(219)	(2,189)	—	(2,893)
At 31 December 2019	1,571	3,076	1,268	6,738	609	627	8,354	22,243
NET BOOK VALUE								
At 31 December 2018	8,406	3,814	5,336	6,649	994	1,808	—	27,007
At 31 December 2019	7,842	7,928	9,210	9,362	925	5,805	21,360	62,432

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 resided residual values.

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

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

17. INVESTMENT PROPERTIES

	2019 RMB'000	2018 RMB'000
Fair value		
At 1 January	49,279	48,240
Disposals	(1,081)	(425)
Change in fair value	2,616	1,464
At 31 December	50,814	49,279

The fair value of the Group's investment properties as at 31 December 2019 and 2018, 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:

	2019 RMB'000	2018 RMB'000
Opening balance (level 3 recurring fair value)	49,279	48,240
Disposals	(1,081)	(425)
Gains on change in fair value included in profit or loss	2,616	1,464
Closing balance (level 3 recurring fair value)	50,814	49,279
Change in unrealized gains or losses for the year included in profit or loss	2,616	1,464

Significant unobservable inputs

	2019	2018
Rental growth rate	2.40%	2.32%
Prevailing daily market rent	RMB 0.33-0.80 per square metre per day	RMB 0.30 – 0.75 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 year ended 31 December 2019 and 2018.

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

17. INVESTMENT PROPERTIES (CONTINUED)

For the year ended 31 December 2019 and 2018, 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. INTANGIBLE ASSETS

	Other intangible assets-Property management contracts and customer relationship	Goodwill	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2018, 31 December 2018 and 1 January 2019	—	17,230	17,230
Addition	—	—	—
Acquired through acquisition of a subsidiary (Note 27)	105,000	413,898	518,898
At 31 December 2019	105,000	431,128	536,128
ACCUMULATED AMORTIZATION			
At 1 January 2018	—	—	—
Amortization	—	—	—
At 31 December 2018 and 1 January 2019	—	—	—
Amortization	4,400	—	4,400
At 31 December 2019	4,400	—	4,400
NET BOOK VALUE			
At 31 December 2019	100,600	431,128	531,728
At 31 December 2018	—	17,230	17,230

18. INTANGIBLE ASSETS (CONTINUED)

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:

	2019 RMB'000	2018 RMB'000
Ningbo Yongda Property Management Company Limited ('Ningbo Yongda')	17,230	17,230
Qingdao Yayuan Property Management Co., Ltd ("Qingdao Yayuan")	413,898	—

For Ningbo Yongda:

The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2019	2018
Discount rate	15.6%	11.7%
Gross margin	10.6%	8.9%
Growth rate during projection period	0.5%	1.0% - 3.4%

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.

The goodwill has been tested for impairment by management determined based on value-in-use ("VIU") calculation. The recoverable amounts of the CGU has been determined from VIU calculations based on cash flow projections from formally approved budgets covering a five-year period.

The following table sets forth the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of the CGU as of the dates indicated. We showed the headroom (the recoverable amount of the CGU would exceed the carrying amount of the CGU) as of the end of each year by applying a 0.5% and 1% increase or decrease in operating margin, growth rate and pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysis of the potential impact of the changes in such assumptions on the recoverable amount of the CGU.

18. INTANGIBLE ASSETS (CONTINUED)

For Ningbo Yongda: (continued)

	2019 RMB'000	2018 RMB'000
Long-term growth rate (decrease)/increase		
(0.5)%	18,429	21,094
(1)%	17,605	19,749
0.5%	20,118	23,876
1%	20,984	25,314
Pre-tax discount rate (decrease)/increase		
(0.5)%	20,700	26,025
(1)%	22,231	30,045
0.5%	17,921	19,303
1%	16,657	16,465

As at 31 December 2019 and 2018, the recoverable amounts of the CGU calculated based on value in use exceeded carrying value by approximately RMB2,032,000 and RMB4,611,000 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 2019, had the operating margin and pre-tax discount rate been 2.9% (2018: 3.0%) lower and 0.8% (2018: 0.7%) 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.

18. INTANGIBLE ASSETS (CONTINUED)

For Qingdao Yayuan:

As set out in note 27, the Group has acquired 55% of the equity interests in Qingdao Yayuan at a consideration of RMB462,000,000. At the date of the Acquisition, intangible assets arising from property management contracts and customer relationship of RMB105,000,000 and goodwill of RMB413,898,000 have been recognised.

Property management contracts and customer relationships primarily related to the existing contracts of Qingdao Yayuan on the acquisition date. The existing contracts of Qingdao Yayuan are with contract periods ranging from one to ten years. Considering that termination or non-renewal of property management and customer relationship with the property developers or property owners' association are uncommon, the Group estimates the useful life and determines the amortisation period to be five to ten years with reference to its industry experience.

A valuation was performed by an independent valuer to determine the amount of the property management contract and customer relationships. Methods and key assumptions in determining the fair value of property management and customer contracts as at acquisition date are disclosed as follows:

	Valuation technique	Discount rate	Net profit margin for property management income
Property management contract and customer relationship	Multi period excess earnings method	21.2%	8.20%

The following table sets forth each key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2019
Discount rate	16.4%
Operating margin	31.9%
Growth rate within the five-year period	9.5%

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.

The recoverable amount as at 31 December 2019 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).

18. INTANGIBLE ASSETS (CONTINUED)

For Qingdao Yayuan: (continued)

The goodwill has been tested for impairment by management determined based on VIU calculation. The recoverable amounts of the CGU has been determined from VIU calculations based on cash flow projections from formally approved budgets covering a five-year period.

The following table sets out the sensitivity analysis of the impact of variations in each of the key underlying assumptions for goodwill impairment testing described above on the recoverable amount of each CGU as at the dates indicated. We showed the headroom (the recoverable amount of the CGU would exceed the carrying amount of the CGU) as at the end of each year by applying a 0.5% and 1% increase or decrease in long-term growth rate and applying a 0.5% and 1% pre-tax discount rate. Although none of the hypothetical fluctuation ratios applied in this sensitivity analysis equals actual historical fluctuations, we believe that the application of the hypothetical fluctuations in each of the key assumptions presents a meaningful analysis of the potential impact of the changes in such assumptions on the recoverable amount of each CGU.

	As at 31 December 2019 RMB'000
Long-term growth rate (decrease)/increase	
(0.5)%	101,793
(1)%	85,805
0.5%	134,562
1%	151,352
Pre-tax discount rate (decrease)/increase	
(0.5)%	151,523
(1)%	187,717
0.5%	86,986
1%	58,097

18. INTANGIBLE ASSETS (CONTINUED)

For Qingdao Yayuan: (continued)

As at 31 December 2019, the recoverable amounts of the Qingdao Yayuan CGU calculated based on VIU exceeded carrying value by approximately RMB118,043,000.

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

As at 31 December 2019, had the operating margin and pre-tax discount rate been 2.25% lower and 1.0% 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.

By reference to the recoverable amount assessed by the independent valuer, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2019.

In addition, no impairment is considered necessary for the property management contracts and customer relationship as at 31 December 2019.

19. TRADE AND BILLS RECEIVABLES

	2019 RMB'000	2018 RMB'000
Related parties	62,140	42,787
Third parties	304,852	128,439
Total	366,992	171,226
Less: allowance for impairment of trade receivables	(25,761)	(9,515)
	341,231	161,711
Bill receivables	775	321
	342,006	162,032

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

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

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

19. TRADE AND BILLS RECEIVABLES (CONTINUED)

The maturity of the bills receivable of the Group as at 31 December 2019 is within 6 months. As at 31 December 2019, 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 36.

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

	2019 RMB'000	2018 RMB'000
Within 1 year	304,714	151,921
1 to 2 years	48,446	16,507
2 to 3 years	12,214	1,335
3 to 4 years	358	626
4 to 5 years	306	339
Over 5 years	954	498
	366,992	171,226

20. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	2019 RMB'000	2018 RMB'000
Included in current assets		
Deposits and other receivables		
– Related parties	635	10
– Third parties	127,699	53,326
Total	128,334	53,336
Less: allowance for impairment of deposit and other receivables	(13,425)	(5,555)
	114,909	47,781
VAT receivable	—	112
Prepayments	23,966	3,430
Interest receivable	404	—
	139,279	51,323
Included in non-current assets		
Prepayment for Property, plant and equipment	13,368	—

21. PLEDGED BANK DEPOSIT, RESTRICTED CASH AND CASH AND CASH EQUIVALENTS

	2019 RMB'000	2018 RMB'000
Pledged bank deposit (note a)	—	9,969
Restricted Cash (note d)	43,000	—
Cash on hand	70	58
Cash at bank	1,283,572	1,160,064
	1,283,642	1,160,122

Notes:

a) Pledged bank deposits represents deposits pledged to banks to secure the bank borrowing granted to the Group (note 24). Deposits amounted to Nil (2018: RMB9,969,000 have been pledged to secure the bank borrowing and are classified as current assets).

b) At 31 December 2019, cash and cash equivalents in the amount of RMB433,616,000 (2018:RMB575,668,000) and RMB850,026,000 (2018:RMB584,454,000) are denominated in HK$ and RMB respectively. The cash and cash equivalent denominated in RMB are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

c) As at 31 December 2019, cash and cash equivalents did not include housing maintenance funds of RMB1,539,000(2018:RMB100,800) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

d) Restricted cash represented the cash kept in bank for granting the bills payables as at 31 December 2019.

22. TRADE PAYABLES

	2019 RMB'000	2018 RMB'000
Related parties	6,728	—
Third parties	277,865	71,844
	284,593	71,844

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 2019 and 2018 as follows:

	2019 RMB'000	2018 RMB'000
Within 1 year	274,897	71,570
1 to 2 years	9,422	274
2 to 3 years	274	—
	284,593	71,844

23. ACCRUALS AND OTHER PAYABLES

	2019 RMB'000	2018 RMB'000
Included in current liabilities		
Accruals and other payables		
– Related parties (note a)	11,071	7,192
– Third parties	322,465	179,044
	333,536	186,236
Amount due to director (note a)	84	1,992
Provision for legal dispute (note b)	1,429	209
Amount due to former shareholders (note c)	6,840	—
Salaries payables	116,699	77,668
Other tax payables	31,599	20,522
	490,187	286,627
Included in non-current liabilities		
– Other payables	1,265	—

Notes:

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

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

As at 31 December 2019 and 2018, the provision for legal dispute reconciles to the opening for that provision as follows:

	Total RMB'000
At 1 January 2018	453
Charge to profit or loss for the year	532
Reversal of provision recognized previously	(550)
Amounts utilised during the year	(226)
At 31 December 2018 and 1 January 2019	209
Charge to profit or loss for the year	1,263
Reversal of provision recognized previously	(43)
At 31 December 2019	1,429

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

24. BANK LOAN

	2019 RMB'000	2018 RMB'000
Current		
Bank loan due for repayment within one year	—	9,281

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, 2 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 (and were fully settled in August 2019 and September 2019) 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 21.

25. DEFERRED TAX

Details of the deferred tax assets and liabilities recognized and movements for the years ended 31 December 2019 and 2018 is as follows:

Deferred tax assets

	Impairment loss on trade receivables RMB'000	Impairment loss on other receivables RMB'000	Provision for legal dispute RMB'000	Accumulated Tax losses RMB'000	Total RMB'000
At 1 January 2018	1,567	1,296	114	—	2,977
Credited/(charged) to profit or loss for the year	811	92	(61)	—	842
At 31 December 2018 and 1 January 2019	2,378	1,388	53	—	3,819
Acquire through acquisition of subsidiaries	730	182	—	—	912
Credited to profit or loss for the year	4,063	1,967	305	765	7,100
At 31 December 2019	7,171	3,537	358	765	11,831

25. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Withholding tax of undistributed profits (Note a)	Fair value adjustment of management contract & customer relationship	Fair value adjustment of revalued Property, plant and equipment	Provision of fair value adjustment for investment properties	Adjustment of HKFRS 16 lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 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 and 1 January 2019	(5,823)	—	(626)	(9,785)	—	(16,234)
Acquire through acquisition of subsidiary	—	(26,250)	(403)	—	—	(26,653)
(Charged)/credited to profit or loss for the year	(6,103)	1,100	71	(654)	(43)	(5,629)
At 31 December 2019	(11,926)	(25,150)	(958)	(10,439)	(43)	(48,516)

Note:

(a) No deferred tax has liability been recorded on certain temporary difference of RMB 142,404,000 (2018: RMB 87,262,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

26. SHARE CAPITAL

		2019		2018	
	Notes	Number '000	Amount RMB'000	Number '000	Amount RMB'000
Authorised:					
As at 1 January		4,000,000	35,462	—	—
Initial authorised share capital upon incorporation	(a)	—	—	38,000	304
Increase in share capital upon capitalisation	(c)	—	—	3,962,000	35,158
		4,000,000	35,462	4,000,000	35,462

26. SHARE CAPITAL (CONTINUED)

		2019		2018	
		Number	Amount	Number	Amount
	Notes	'000	RMB'000	'000	RMB'000
Issued and fully paid:					
As at 1 January		1,500,000	13,290	—	—
Issue of ordinary shares upon incorporation	(a)	—	—^	—	—^
Allotment of shares	(b)	36,400	317	22	—^
Issue of ordinary shares upon capitalisation	(b)	—	—	1,119,978	9,938
Issue of ordinary shares upon global offering	(e)	—	—	380,000	3,352
At 31 December		1,536,400	13,607	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.

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

26. SHARE CAPITAL (CONTINUED)

Note: (continued)

(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.

27. ACQUISITION OF SUBSIDIARIES

Qingdao Yayuan

On 18 June, 2019, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 55% of equity interests in Qingdao Yayuan, a company whose principal activity is provision of property management and other community services. The total consideration for the acquisition was RMB462,000,000. The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Goodwill of RMB413,898,000 primarily arose from the expected future development of Qingdao Yayuan's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. Goodwill recognised is not expected to be deductible for income tax purposes.

27. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Qingdao Yayuan (continued)

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

	Fair value RMB$'000
Property, plant and equipment	3,547
Deferred tax assets	900
Property management contracts and customers relationship	105,000
Inventories	671
Trade receivables (Note)	10,067
Prepayment, deposits and other receivables	8,449
Amounts due from related companies	68,335
Pledged bank deposit	43,000
Cash and cash equivalents	87,429
Trade payables	(6,188)
Accruals and other payables	(69,165)
Contract liabilities	(27,943)
Bills payables	(103,000)
Income tax payables	(6,675)
Lease liabilities	(315)
Deferred tax liabilities	(26,653)
Net identifiable assets	87,459
Non-controlling interest	(39,357)
	48,102
Goodwill (Note 18)	413,898
Fair value of consideration	462,000

27. ACQUISITION OF SUBSIDIARIES (CONTINUED)

Qingdao Yayuan (continued)

Note:

The gross amount and allowance for impairment of the trade receivables acquired is RMB12,939,000 and RMB2,872,000 respectively.

	RMB'000
Consideration	
Cash	462,000
Acquisition-related costs (included in administrative expense in the Group's statement of comprehensive income for the year ended 31 December 2019)	2,369

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

	RMB'000
Net cash outflow arising on:	
Purchase consideration settled in cash	462,000
Restricted cash	(43,000)
Cash and cash equivalents	(87,429)
	331,571

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

Since the acquisition date, Qingdao Yayuan has contributed RMB100,350,000 and RMB38,465,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2019, the Group's revenue and profit would have been RMB2,035,099,000 and RMB284,354,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

28. HOLDING COMPANY STATEMENT OF FINANCIAL POSITION

	Notes	2019 RMB'000	2018 RMB'000
Non-current assets			
Interests in subsidiaries		153,511	—*
Current assets			
Amounts due from subsidiaries		262,082	238,822
Other receivable		404	—
Cash and cash equivalents		433,465	575,520
Total current assets		695,951	814,342
Total assets		849,462	814,342
Current liabilities			
Amount due to a subsidiary		10,255	10,255
Amount due to a director		—	1,908
Accruals and other payables		—	3,845
Short term borrowing		—	9,281
Total current liabilities		10,255	25,289
NET ASSETS		839,207	789,053
Capital and reserves			
Share capital	26	13,607	13,290
Reserve	Note	825,600	775,763
TOTAL EQUITY		839,207	789,053

* The balance is less than RMB 1,000.

28. 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 premium RMB'000	Retained earnings RMB'000	Total Equity RMB'000
Balance at 1 January 2018	—	—	—
Profit and total comprehensive income for the year	—	(18,787)	(18,787)
Allotment of shares	229,600	—	229,600
Shares issued pursuant to the public offering and placing	593,193	—	593,193
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 and 1 January 2019	794,550	(18,787)	775,763
Profit and total comprehensive income for the year	—	25,033	25,033
Dividend paid	—	(31,221)	(31,221)
Allotment of shares	56,025	—	56,025
Balance at 31 December 2019	850,575	(24,975)	825,600

29. INTERESTS IN SUBSIDIARIES

Details of the major subsidiaries are as follows:

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership Interests		Place of incorporation/operation and principal activities
			2018	2019	
Elite Force Investment Limited	Corporation registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Elite Force International Limited	Corporation registered under Hong Kong Companies Ordinance	HKD100	100%	100%	Investment Holding in Hong Kong
City Lights Assets Limited	Corporation registered under Hong Kong Companies Ordinance	HKD100	100%	100%	Investment Holding in Hong Kong
Prominent Intellectuals Limited	Corporation registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Shanghai Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB112,000,000	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 Co., Ltd	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 Co., Ltd.	Corporation registered under PRC law	RMB3,000,000	100%	100%	Property Management in PRC

29. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership Interests		Place of incorporation/operation and principal activities
			2018	2019	
Shandong Luban Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB5,000,000	70%	70%	Property Management in PRC
Hubei Yufu Meijia Property Agency Company Limited	Corporation registered under PRC law	RMB2,010,000	100%	100%	Property Management in PRC
Hubei Xu Mei Yongsheng Property Company Limited	Corporation registered under PRC law	RMB2,010,000	100%	100%	Property Management in PRC
Shanghai Shengkuang Construction and Engineering Co.,Ltd.	Corporation registered under PRC law	RMB9,000,000	100%	100%	Construction and Maintenance in PRC
Suzhou Xinyong Property Management Co., Ltd.	Corporation registered under PRC law	RMB5,000,000	51%	51%	Property Management in PRC
Qingdao Yayuan Property Management Co., Ltd.	Corporation registered under PRC law	RMB5,000,000	—	55%	Property Management in PRC
Shandong Huizhong Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB3,000,000	—	51%	Property Management in PRC
Shandong Yongsheng Runhe Property Management Company Limited	Corporation registered under PRC law	RMB3,000,000	—	51%	Property Management in PRC
Shandong Yongsheng Yinshengtai Property Management Company Limited	Corporation registered under PRC law	RMB3,000,000	—	50%	Property Management in PRC
Tangshan Yongsheng yujing Property Management Company Limited	Corporation registered under PRC law	RMB1,000,000	—	65%	Property Management in PRC

29. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership Interests		Place of incorporation/operation and principal activities
			2018	2019	
Jiangsu Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB10,000,000	—	100%	Property Management in PRC
Chongqing Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB1,000,000	—	100%	Property Management in PRC
Chongqing Xuyuan Tiancheng Property Management Company Limited	Corporation registered under PRC law	RMB3,000,000	—	51%	Property Management in PRC
Liaoning Guangna Yongsheng Property Management Company Limited	Corporation registered under PRC law	RMB1,000,000	—	51%	Property Management in PRC
Shanghai Yongsheng yizhi Property Management Company Limited	Corporation registered under PRC law	RMB1,000,000	—	50%	Property Management in PRC
Yongsheng Jiuwu Shuzi Technology (Wuhan) Company Limited	Corporation registered under PRC law	RMB3,000,000	—	100%	Software and Technology Services
Linjiu zhihui Technology (Guangdong) Company Limited	Corporation registered under PRC law	HK150,000,000.00	—	100%	Software and Technology Services
Guangxi Yongsheng Qingxin Property Management Company Limited	Corporation registered under PRC law	RMB2,000,000	—	70%	Property Management in PRC

30. NON-CONTROLLING INTERESTS

Details of particular of material non-controlling interest are as follows:

Name of subsidiary	Ownership interest held by non-controlling interests At 31 December 2019	2018
Qingdao Yayuan Property Management Co., Ltd. (Qingdao Yayuan) 青島雅園物業管理有限公司	45%	—

Qingdao Yayuan, a 55% owned subsidiary of the Company, has material non-controlling interests (NCI).

Summarised financial information in relation to the NCI of Qingdao Yayuan, before intra-group eliminations, is presented below:

	2019 RMB'000
For the year ended 31 December	
Revenue	100,350
Post-tax profit or loss	38,465
Total comprehensive income	38,465
Profit allocated to NCI	17,309
For the year ended 31 December	
Cash flows from operating activities	82,084
Cash flows from investing activities	(2,158)
Cash flows from financing activities	(61,307)
Net cash inflows	18,619

	2019 RMB'000
As at 31 December	
Current assets	179,923
Non-current assets	3,882
Current liabilities	(136,254)
Non-current liabilities	(1,586)
Net assets	45,965
Accumulated non-controlling interests	20,684

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
Shanghai Qingting Sunny World Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 55% owned subsidiary
Nanjing Sunny World Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 55% owned subsidiary
Nanchang Sunny World Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 55% owned subsidiary
World Trade Plaza (Shenyang) Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 55% owned subsidiary
Suzhou Sunny World Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 55% owned subsidiary
New World (Qingdao) Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 55% owned subsidiary
Mr. Lin Feng	A director and a substantial shareholder of Group
Ms. Zeng Yirong	Spouse of Mr. Lin Zhong
Mr. Lin Xianglin	Father of Mr. Lin Feng
Mr. Chen Chuanchao	A member of the key management personnel of the Group
Mr. Luo Xinguo	A member of the key management personnel of the Group
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 70% owned subsidiary
Dezhou Huazihaode Real Estate Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 70% owned subsidiary
Shandong Jinluban Group Co., Ltd.	The parent company of an non-controlling shareholder of the Group's 70% owned subsidiary
Laoling Luban Real Estate Development Co., Ltd.	A member of an non-controlling shareholder's Group of the Group's 70% owned subsidiary

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

31. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Related parties transactions

	2019 RMB'000	2018 RMB'000
CIFI Holdings (Group) Co. Ltd.		
– Provision of services		
• Property management services	50,629	56,076
• Community value-added services	4,704	9,812
• Value-added services to non-property owners	199,119	144,352
Mr. Lin Feng		
– Provision of Property management services	44	42
Ms. Zeng Yirong		
– Provision of Property management services	13	13
Mr. Lin Xianglin		
– Provision of Property management services	5	3
Mr. Chen Chuanchao		
– Provision of Property management services	3	13
Mr. Luo Xinguo		
– Provision of Property management services	3	4
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.		
– Provision of Property management services	3,175	2,633
Dezhou Huazihaode Real Estate Co., Ltd.		
– Provision of Property management services	923	585
Shandong Jinluban Group Co., Ltd.		
– Provision of Property management services	1,156	578
Laoling Luban Real Estate Development Co., Ltd.		
– Provision of Property management services	538	338
Shanghai Qingting Sunny World Real Estate Co., Ltd.		
– Provision of Property management services	11,840	—
Nanjing Sunny World Real Estate Co., Ltd.		
– Provision of Property management services	5,619	—

31. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Related parties transactions (continued)

	2019 RMB'000	2018 RMB'000
Nanchang Sunny World Real Estate Co., Ltd.		
– Provision of Property management services	3,569	—
World Trade Plaza (Shenyang) Real Estate Co., Ltd.		
– Provision of Property management services	3,617	—
Suzhou Sunny World Real Estate Co., Ltd.		
– Provision of Property management services	525	—
New World (Qingdao) Real Estate Co., Ltd.		
– Provision of Property management services	3,055	—

(c) Related parties balances

	2019 RMB'000 Due from/ (due to)	2018 RMB'000 Due from/ (due to)
CIFI Holdings (Group) Co. Ltd.		
– Provision of Property management services	62,140	39,188
– Provision of Property management services (note)	(72,066)	(6,218)
Junluban (Dezhou) High-speed Railway Solar Energy Town Investment & Development Co., Ltd.		
– Provision of Property management services	3,777	2,191
Dezhou Huazihaode Real Estate Co., Ltd.		
– Provision of Property management services	815	620
Shandong Jinluban Group Co., Ltd.		
– Provision of Property management services	979	439
Laoling Luban Real Estate Development Co., Ltd.		
– Provision of Property management services	410	348

Note:

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

32. LEASE

HKFRS 16 was adopted at 1 January 2019 without restatement of comparative figures. For an explanation of the transitional requirements that were applied as at 1 January 2019, see Note 2(a). The accounting policies applied subsequent to the date of initial application, 1 January 2019, as disclosed in note 2(a).

Nature of leasing activities

The group leases a number of properties for the purpose of office.

RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	31 December 2019 RMB'000	1 January 2019 RMB'000
The net carrying amount of right-of-use assets with remaining lease term of:		
– 1 to 5 years	21,360	27,817

LEASE LIABILITIES

31 December 2019	Office RMB'000
1 January 2019	27,817
Additions	1,662
Acquired through acquisition of a subsidiary	315
Interest expense	1,051
Lease payments	(9,655)
31 December 2019	21,190

32. LEASE (CONTINUED)

LEASE LIABILITIES (continued)

Future lease payments are due as follows:

	Minimum lease payments 31 December 2019 RMB'000	Interest 31 December 2019 RMB'000	Present value 31 December 2019 RMB'000
Not later than one year	8,700	(728)	7,972
Later than one year and not later than two years	8,793	(408)	8,385
Later than two years and not later than five years	4,964	(131)	4,833
	22,457	(1,267)	21,190

	Minimum lease payments 1 January 2019 note RMB'000	Interest 1 January 2019 note RMB'000	Present value 1 January 2019 note RMB'000
Not later than one year	8,947	(1,554)	7,393
Later than one year and not later than two years	8,433	(155)	8,278
Later than two years and not later than five years	12,453	(307)	12,146
	29,833	(2,016)	27,817

Note:

The Group has initially applied HKFRS 16 as from 1 January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1 January 2019. Comparative information has not been restated and continues to be reported under HKAS 17. See note 2(a) for further details about transition.

The present value of future lease payments are analysed as:

	31 December 2019 RMB'000	1 January 2019 RMB'000
Within one year	7,972	7,393
In the second to fifth year, inclusive	13,218	10,424
	21,190	27,817

32. LEASE (CONTINUED)

LEASE LIABILITIES (continued)

The amounts recognised in profit or loss in relation to leases are as follows:

	2019 RMB'000
Interest on lease liabilities	1,051
Depreciation charge of right-of-use assets	8,354
Total amount recognised in profit or loss	9,405

33. COMMITMENTS

		2019 RMB'000	2018 RMB'000
(a)	Commitments for the acquisition of:		
	Property, plant and equipment	4,171	—

		2018 RMB'000
(b)	Operating lease commitment as a lessee:	
	Premises	
	Within one year	10,947
	In the second to fifth year, inclusive	21,900
	After five years	—
		32,847
	Plant and machinery	
	Within one year	111
	In the second to fifth year, inclusive	50
	After five years	—
		161
		33,008

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.

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Bank borrowings RMB'000	Lease liabilities RMB'000
As at 1 January 2018	—	—
Change from financing cash flows		
– Proceeds received	9,281	—
– Interest paid	(98)	—
	9,183	—
Non-cash changes		
– Finance costs	98	—
	98	—
As at 31 December 2018	9,281	—
As at 1 January 2019	9,281	—
Effect of HKFRS 16	—	27,817
Change from financing cash flow		
– Repayments	(9,281)	(8,604)
– Interest paid	(283)	(1,051)
	(9,564)	(9,655)
Non-cash changes		
– Commencement of lease	—	1,662
– Addition of lease through acquisition of a subsidiary	—	315
– Early termination of lease	—	—
– Finance costs	283	1,051
	283	3,028
As at 31 December 2019	—	21,190

35. 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 2019 and 2018 amounted to approximately RMB1,227,930,000 and RMB902,600,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

36. 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

The Group has no significant interest — bearing assets and liabilities other than bank deposits. Bank balances at floating rates expose the Group to cash flow interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

At 31 December 2019, if interest rates on bank balances had been 50 basis points higher/lower with all other variables held constant, the Group's profit for the year would have been approximately RMB967,000 (2018:RMB128,000) higher/lower. The sensitivity analysis has been determined assuming that the change in interest rates had occurred at the end of reporting date.

The analysis is performed on the same basis for 2018.

(b) Credit risk

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.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

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.

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
- 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

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade and other receivables

As at 31 December 2019 and 2018, 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 other receivables. Trade receivables 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 2019 and 2018, 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 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	5,293	1,771	427	248	183	498	1,095	9,515
At 31 December 2019								
Expected loss rate	5.9%	11.2%	27.8%	47.2%	67.8%	100.0%	2.8%	
Gross carrying amount	250,227	40,983	12,028	354	307	953	62,140	366,992
Loss allowance provision	14,774	4,602	3,344	167	208	953	1,713	25,761

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the group's view of economic conditions over the expected lives of the receivables.

Other receivables (excluding prepayments) mainly included or comprised other receivables from related parties, payments on behalf of property owners, tax recoverable and others. Management considered these receivables to be low credit risk and thus the loss allowance provision recognised was limited to 12 months expected losses.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(i) Trade and other receivables (continued)

Deposit and other receivables	Third parties RMB'000	Related parties RMB'000	Total RMB'000
At 31 December, 2018			
Expected loss rate	10.4%	2.8%	
Gross carrying amount	53,326	10	53,336
Loss allowance provision	5,555	—	5,555
At 31 December, 2019			
Expected loss rate	10.5%	4.1%	
Gross carrying amount	127,699	635	128,334
Loss allowance provision	13,399	26	13,425

As at 31 December 2019 and 2018, 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 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 and 1 January 2019	9,515	5,555	15,070
Provision for loss allowance recognized in profit or loss	16,246	7,870	24,116
At 31 December 2019	25,761	13,425	39,186

As at 31 December 2019 and 2018, the gross carrying amount of trade and other receivables was RMB495,326,000 and RMB224,562,000 thus the maximum exposure to loss was RMB39,186,000 and RMB15,070,000 respectively. The increase (2018: increase) in the loss allowance of RMB24,116,000 (2018: RMB3,613,000) was due to net increase (2018: increase) in the gross carrying amount after the settlement of trade and other receivables and origination of new trade and other receivables.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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 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
	337,949	337,949	275,388	55,081	7,126	354
As at 31 December 2019						
Trade payables	284,593	284,593	274,897	9,424	274	—
Accruals and other payables	458,424	458,424	457,159	1,265	—	—
Lease liabilities	21,190	22,457	8,700	8,793	4,964	—
	764,207	765,474	740,756	19,482	5,238	—

(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.

37. EVENTS AFTER THE REPORTING DATE

1. On 27 February 2020, Shanghai YongSheng Property Management Company Limited, an indirect wholly-owned subsidiary of the Company entered into the acquisition agreement with Qingdao Yinshengtai Group Limited, Ms. Jiang Ping and Qingdao Yinshengtai Property Services Company Limited regarding the acquisition of the 50% equity interest in an PRC Company at the consideration of RMB8,644,025. As at the date of approval of these consolidated financial statements, acquisition of the PRC Company has not been completed and the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. Details of the acquisition were set out in the Company's announcements dated 27 February 2020.

2. Since the outbreak of Coronavirus Disease 2019 ("COVID-19") in January 2020, the prevention and control of the COVID-19 has been going on throughout the country. The COVID-19 has certain impacts on the business operation and overall economy in some areas or industries, including in Hubei Province. This may affect the quality or the yields of the credit assets and investment assets of the Group in a degree, and the degree of the impact depends on the situation of the epidemic preventive measures, the duration of the epidemic and the implementation of regulatory policies. Up to the date of the report, the financial effect cannot be estimated, and the Group is not aware of any material adverse financial impact. The Group will keep continuous attention on the situation of the COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group, and take proactive measures when necessary.

	For the year ended 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,877,822	1,075,830	725,317	479,963	334,002
Profit for the year	248,954	100,240	76,442	33,600	15,562
Attributable to:					
Owners of the Company	223,845	100,521	76,442	33,600	15,562
Non-controlling interests	25,109	(281)	—	—	—

	As at 31 December				
	2019	2018	2017	2016	2015
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	2,478,100	1,492,860	702,356	495,787	383,088
Total liabilities	1,250,170	590,260	457,686	328,007	248,908
Net assets	1,227,930	902,600	244,670	167,780	134,180
Equity attributable to owners of the Company	1,147,897	898,931	244,670	167,780	134,180
Non-controlling interests in equity	80,033	3,669	–	–	–