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A-LIVING SERVICES CO., LTD.*

雅居樂雅生活服務股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 3319)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

FINANCIAL SUMMARY

	Six months ended 30 June		Change %
	2018 RMB million	2017 RMB million	
Revenue	1,405.7	692.2	+103.1%
Gross profit	510.3	220.5	+131.4%
Gross profit margin	36.3%	31.9%	+4.4 percentage points
Net profit	335.8	122.6	+173.9%
Profit attributable to the shareholders of the Company	332.3	112.2	+196.2%
Basic earnings per share (RMB per share)	0.26	0.16	+62.5%

In the first half of 2018, the Group recorded (i) revenue of RMB1,405.7 million, representing an increase of 103.1% as compared with that of RMB692.2 million for the corresponding period in 2017; (ii) the total gross floor area (“GFA”) under management of 109.1 million sq.m., representing an increase of 52.8% as compared with that as of 30 June 2017, and an increase of 39.3% as compared with that as of 31 December 2017; and (iii) the average property management fees of the residential properties provided by Agile Group and Greenland Holdings were increased from RMB2.97/m²/month for the corresponding period in 2017 to RMB3.02/m²/month for this period.

During the period, the revenues attributable to the three business lines of the Group were: (i) revenue from property management services increased to RMB750.3 million, representing an increase of 37.1% as compared with that for the corresponding period in 2017; (ii) revenue from value-added services to non-property owners increased to RMB575.4 million, representing an increase of 438.9% as compared with that for the corresponding period in 2017; and (iii) revenue from value-added services to property owners increased to RMB79.9 million, representing an increase of 110.6% as compared with that for the corresponding period in 2017.

During the period, the Group recorded a net profit of RMB335.8 million (RMB122.6 million for the corresponding period in 2017), representing a year-on-year increase of 173.9%.

As at 30 June 2018, the Group’s cash and cash equivalents amounted to RMB4,173.1 million, representing an increase of RMB3,293.3 million or 374.3% as compared with that of 31 December 2017.

On 9 February 2018, the Company issued 333,334,000 new H Shares at a price of HK\$12.3 per share, which were listed on the main board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”), with net proceeds of HK\$3,931.0 million.

CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased to present the interim results of A-Living Services Co., Ltd. ("A-Living" or the "Company") and its subsidiaries (collectively, the "Group") as of 30 June 2018 (the "Period").

The year of 2018 marks the first year of the Group's successful entry into the international capital market. During the Period under review, the Group's business maintained good momentum of growth and gained its peers' recognition and investors' trust. Its share price demonstrated a steady upward trend. Demand for property management services prospers against a background of continuous urbanization and rapid growth of residents' income and per capita housing space. By taking advantage of this trend, the Group continued its organic growth driven by better service quality and development of community economy based on innovation. Meanwhile, the Group achieved rapid growth in business scale and significant increase in profitability by leveraging its exogenous growth driven by market expansion, investment, mergers and acquisitions ("M&A") and joint venture cooperation.

Results Review

During the Period, the revenue of the Group was RMB1,405.7 million, representing an increase of 103.1% as compared with that of RMB692.2 million for the corresponding period in 2017. The net profit was RMB335.8 million, representing an increase of 173.9% as compared with that of RMB122.6 million for the corresponding period in 2017.

Business Review

The Group implements a dual-brand driven strategy based on the brands of "Agile Property Management" and "Greenland Property Services", with support from its two strategic shareholders, Agile Group Holdings Limited (雅居樂集團控股有限公司) ("Agile Holdings", and together with its subsidiaries, "Agile Group") and Greenland Holdings Group Company Limited* (綠地控股集團股份有限公司) ("Greenland Holdings"). Agile Property Management focused on the management of mid- to high-end residential properties, and witnessed a steady improvement of quality and quantity of residential properties provided during the Period. Greenland Property Services has been continuously dedicated to commercial office buildings, and won the bid for Yinchuan Greenland Center, the highest commercial building in the northwest region of the People's Republic of China (the "PRC" or "China") after undertaking Wuhan Greenland Center project, a super high-rise landmark of Wuhan. The Group and Greenland Holdings continued to deepen their strategic cooperation. During the Period, the contracted GFA obtained by the Group from Greenland Holdings reached 9.5 million sq.m., and the total contracted GFA provided by Greenland Holdings has been accumulated to 18.8 million sq.m. as of 30 June 2018 (9.3 million sq.m. as of 31 December 2017).

Capturing the structural opportunities arising from the development of city clusters, the Group strengthened scale effect by accelerating market expansion, investment and M&A and joint venture cooperation, which in turn further enhanced its market competitiveness. In the first half of 2018, taking the three major cities of Beijing, Shanghai and Guangzhou as footholds, the Group achieved promising results for different projects in the five city clusters of Yangtze River Delta, Pearl River Delta, Beijing-Tianjin-Hebei region, Chengdu-Chongqing region and the Middle Yangtze River region. In the first half of 2018, the total contracted GFA of the properties provided by third-party property developers for full-range property management was 21.0 million sq.m., which was approximately equivalent to the contracted GFA developed throughout 2017 (22.5 million sq.m. for the year of 2017). As of 30 June 2018, the Group has extended its presence to 27 provinces, municipalities and autonomous regions in China.

As for investment and M&A, the Group also achieved favorable results. On 9 April 2018, the Company entered into an equity transfer agreement with Nanjing Zizhu Property Management Co., Ltd.* (南京紫竹物業管理股份有限公司) (“Nanjing Zizhu”), one of the top five leading property management companies in Jiangsu Province. Nanjing Zizhu has years of extensive experiences in the management services for commercial and public projects, which could enhance the industry chain and value chain of the Group and further expand the Group’s market influence and competitiveness in Eastern China.

On 11 July 2018, the Company entered into an equity transfer agreement with Lanzhou Chengguan Property Services Group Co., Ltd.* (蘭州城關物業服務集團有限公司) (“Lanzhou Chengguan”), which ranked the 29th among the top 100 property management companies in China, setting a precedent of two vice-president units under the China Property Management Association joining hands to make them better and stronger. Lanzhou Chengguan is the first property management company established in Northwest China and leading in size, property area and business diversity in the region. The brand recognition and influence of Lanzhou Chengguan in Northwest China provide powerful support for the Group’s market penetration and therefore will greatly improve its coverage and competitiveness in Northwest China market. The two acquisitions mentioned above have formed a good complementarity both in geographic coverage and business segments with the Group, which provides strong support for the Group to improve regional layout, diversify segments in property management and rapidly make it stronger and better.

Besides, the joint venture cooperation mode of A-Living has also made a good start, and will develop step by step into multilevel joint venture cooperation based on the mode of “joint project investment, service cooperation and capital input” supplemented by the “platform-based output” mode.

Adhering to the core principle of meeting the demand for delicate lives of property owners, the Group provides comprehensive value-added services centered on community life and real estate based on the “full life cycle of property owner occupancy”. Its services primarily cover property owners’ property transaction, home improvement and door-to-door delivery, house care service, cleaning and maintenance, community-based group purchase, tourism and other services. Meanwhile, the Group is expanding its business coverage by developing both “online and offline” marketing channels and setting up Lelife, which is a breakthrough in traditional community retailing format and content, to further improve the living experience of property owners and residents, diversify the Group’s source of revenue and gradually improve the eco-system of community service.

Based on property management business, the Group has set up five companies specializing in technology, property agency services, home inspection, advertising and tourism respectively to realize specialized and market-oriented development, so as to expand its service scope and improve its service quality. Meanwhile, the Group leverages its one-stop service platforms including the three mobile applications, namely, “A-Steward”, “A-Business” and “A-Assistant”, as well as “A-Steward” Wechat public account to build IT-based intelligent community living concept. In the first half of 2018, the Group cooperated with Alibaba and Ant Financial to reinforce the level of intelligence of the communities and promote effective integration among platforms, property owners and properties based on user experience. As of 30 June 2018, the Group’s “A-Steward” mobile application had more than 690,000 registered users, representing an increase of 140.4% as compared with that of 287,000 as of 31 December 2017 and more than 155,000 active users, representing an increase of 39.6% as compared with that of 111,000 as of 31 December 2017, with A-Steward Alliance Members jointly managing approximately 973.4 million sq.m. (816.8 million sq.m. as of 31 December 2017).

The expansion of scale, as well as the transformation and upgrading of the Group, has increased the demand for talent reserve. To accelerate talents’ growth, promote business development and vitalize the enterprise, the Group established “A-Living Institute” in the first half of 2018 in order to drive rapid and long-term development of the Group through adequate talent with high quality and professionals. At present, “A-Living Institute” has a reserve of 262 property management managers and supervisors. The ultimate goal of “A-Living Institute” is to become a think tank for the property management industry in China and form an “institute-type” platform for sharing knowledge, skills and resources.

Future Prospects

According to the forecast in the report of China Index Academy, the size of China's property management will reach 24.3 billion sq.m. by 2020, indicating tremendous growth potential for the property management market. For the purpose of sustaining healthy and steady development, the Group will adopt a development model of “focusing on property management while developing a variety of other businesses” and actively work on three directions to maintain the Group's reputable position in the property management industry.

The Group will actively expand the GFA under property management and establish standards of property management services that are applicable elsewhere. The Group will also continue to uphold an expansion strategy of comprehensive market expansion, visionary investment and M&A and multilevel joint venture cooperation, so as to increase its penetration rate in existing geographic markets, expand into new geographic markets, further expand the size of property management and increase business income.

The Group will actively innovate its business model and explore different ways of profit generation. Adhering to the Group's “1+N” development strategy, the Group will provide high quality full-cycle services in line with the value chain to property owners. At the same time, the Group will develop varied and differentiated value-added services to property owners, build an economic ecosphere centered on community consumption, create community scenarios, and form closed loop service, so as to further increase the proportion of revenue from value-added services and maintain a high profitability.

The Group will proactively adapt to the new requirements in the new era, achieve both “volume advantage” and “quality advantage”, remain committed to the nature of property service, actively develop high-quality services with distinctive features on the basis of improving the living experience of property owners and residents, and further enhance brand premium. By sharing platforms, technology and management, the Group will achieve strategic synergy in business, talent and capital to empower equity cooperative units and jointly build a practice model of equity cooperation and guide the property management industry towards a healthier direction.

The Group firmly believes that its overall business can develop steadily through the above initiatives and the efforts of all of its staff. At the same time, the Group will continue to improve its service quality to better meet its customers' living demands. As always, the Group will continue to uphold the corporate mission of “providing high quality services with ingenuity, building delicate life with sincerity” to enhance customer satisfaction and brand reputation, so as to expand its business scale and improve its profitability.

Acknowledgement

On behalf of the Board (the “Board”) of Directors (the “Directors”) of the Company, we would like to extend our heartfelt gratitude to the enormous support from the shareholders and customers, as well as the dedicated efforts of all the Group's staff members, which enable the Group to grow and to achieve great results.

Chan Cheuk Hung / Huang Fengchao
Co-chairman of the Board

RESULTS

The unaudited interim results for the six months ended 30 June 2018 are set out below:

Interim Condensed Consolidated Statement of Comprehensive Income

		Six months ended 30 June	
		2018 (Unaudited) RMB'000	2017 (Audited) RMB'000
	Note		
Revenue	4	1,405,693	692,193
Cost of sales	4	(895,345)	(471,715)
Gross profit		510,348	220,478
Selling and marketing costs		(15,702)	(15,960)
Administrative expenses		(108,259)	(48,657)
Net impairment losses on financial assets		(1,672)	(575)
Other income	5	26,897	5,393
Other expenses		(994)	(197)
Other gains — net	6	14,539	12
Operating profit		425,157	160,494
Finance income — net	7	15,322	5,127
Profit before income tax		440,479	165,621
Income tax expenses	8	(104,708)	(43,071)
Profit and total comprehensive income for the period		335,771	122,550
Profit and total comprehensive income attributable to:			
— Shareholders of the Company		332,332	112,164
— Non-controlling interests		3,439	10,386
		335,771	122,550
Earnings per share (expressed in RMB per share)			
— Basic and diluted earnings per share	9	0.26	0.16

Interim Condensed Consolidated Balance Sheet

		As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
	Note		
ASSETS			
Non-current assets			
Property, plant and equipment	10	78,568	70,704
Other intangible assets	11	178,464	110,303
Goodwill	11	1,043,278	918,967
Deferred income tax assets		28,883	11,834
		<u>1,329,193</u>	<u>1,111,808</u>
Current assets			
Inventories		16,453	17,397
Trade and other receivables	12	937,628	488,189
Loans and interest receivables due from related parties		—	13,248
Cash and cash equivalents		4,173,067	879,771
Restricted cash		284	384
		<u>5,127,432</u>	<u>1,398,989</u>
Total assets		<u><u>6,456,625</u></u>	<u><u>2,510,797</u></u>

		As at 30 June 2018 (Unaudited) RMB'000	As at 31 December 2017 (Audited) RMB'000
	<i>Note</i>		
EQUITY			
Share capital	13	1,333,334	1,000,000
Reserves	14	3,248,883	373,543
Retained earnings		375,741	98,409
Capital and reserves attributable to the shareholders of the Company		4,957,958	1,471,952
Non-controlling interests		80,720	2,117
Total equity		5,038,678	1,474,069
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		38,175	22,118
		38,175	22,118
Current liabilities			
Trade and other payables	15	1,223,386	952,375
Current income tax liabilities		144,386	62,235
Borrowings		12,000	—
		1,379,772	1,014,610
Total liabilities		1,417,947	1,036,728
Total equity and liabilities		6,456,625	2,510,797

1 Basis of preparation

This condensed consolidated interim financial information for the six months ended 30 June 2018 (“Interim Financial Information”) has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

The Interim Financial Information does not include all the notes of the type normally included in an annual financial report. Accordingly, the Interim Financial Information is to be read in conjunction with the annual consolidated financial statements of the Group for the year ended 31 December 2017 and public announcements made by the Group during the interim reporting period.

2 Accounting policies

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see note 2(a)) and adoption of new and amended standards as set out below.

(a) *Income taxes*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

(b) *New and amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of adopting the following standards:

- HKFRS 9 Financial Instruments, and
- HKFRS 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in note 2(d) below. The other standards did not have any impact on the Group’s accounting policies and did not require retrospective adjustments.

(c) *Impact of standards issued but not yet applied by the entity*

(i) *HKFRS 16 Leases*

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group’s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of RMB40,333,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group’s profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before its effective date.

(d) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(i) Impact on the financial statements

The Directors of the Group consider that the changes in the Group's accounting policies do not have any material impacts on prior year financial statements.

(ii) HKFRS 9 Financial Instruments — Impact of adoption

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 only resulted in changes in accounting policies. No adjustments were made to the amounts recognised in the financial statements. The new accounting policies are set out in note 2(d)(iii) below.

The changes on the classification and measurement models introduced by HKFRS 9 do not have material impact on the Group's existing financial assets and liabilities, as they are mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

The Group's trade receivables are subject to HKFRS 9's new expected credit loss model. The Group was required to revise its impairment methodology under HKFRS 9. The Directors of the Group consider that there is no material impact of the change in impairment methodology on the Group's retained earnings and equity.

(iii) HKFRS 9 Financial Instruments – Accounting policies applied from 1 January 2018

(a) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income (OCI), or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **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 FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(b) Derivatives and hedging

Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other income (expenses).

When option contracts are used to hedge forecast transactions, the Group designates only the intrinsic value of the options as the hedging instrument.

Gains or losses relating to the effective portion of the change in intrinsic value of the options are recognised in the cash flow hedge reserve within equity. The changes in the time value of the options that relate to the hedged item ('aligned time value') are recognised within OCI in the costs of hedging reserve within equity.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity. In some cases, the entity may designate the full change in fair value of the forward contract (including forward points) as the hedging instrument. In such cases, the gains or losses relating to the effective portion of the change in fair value of the entire forward contract are recognised in the cash flow hedge reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

(iv) HKFRS 15 Revenue from Contracts with Customers — Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes in accounting policies. The Directors of the Group consider the changes on the Group's revenue recognition do not have material impact on the amounts recognised in the financial statements.

(v) HKFRS 15 Revenue from Contracts with Customers – Accounting policies

The Directors of the Group consider that there is no significant change to the Group's existing revenue recognition policy.

3 Segment information

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

During the six months ended 30 June 2018 and 2017, the Group was principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance service, property agency services and other services, in the PRC.

Before 30 June 2017, the Group's business was primarily operated under a single brand "Agile Property Management". The CODM of the Company examined the Group's performance as a whole and has identified only one reportable segment.

During the six months ended 30 June 2018, the Group operated under "Agile Property Management", and other two brands "Greenland Property Services" and "Nanjing Zizhu" which were acquired by the Group on 30 June 2017 and 30 April 2018 respectively. Management reviews the operating results of the business under three brands to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there are three segments which are used to make strategic decisions.

The CODM of the Company assesses the performance of the operating segments based on a measure of segment revenue, segment results, segment assets and segment liabilities. Segment results excluded other income, other gains — net, finance income and income tax expenses, and segment assets excluded deferred income tax, as these activities are centrally driven by the Group.

The major operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue are derived in the PRC.

As at 30 June 2018, all of the assets were located in Mainland China except bank deposits deposited in Hong Kong (including HK\$53,584,000 and RMB1,593,198,000).

For the period ended 30 June 2018, revenues of approximately RMB487,888,000 (2017: RMB140,835,000) were derived from Agile Holdings and its subsidiaries. These revenues were attributed to the business operated by Agile Property Management.

Segment Revenue and Results

The segment revenue and results and the reconciliation with profit for the period ended 30 June 2018 are as follows:

	Business operated by Agile Property Management <i>RMB'000</i>	Business operated by Greenland Property Services <i>RMB'000</i>	Business operated by Nanjing Zizhu <i>RMB'000</i>	Total <i>RMB'000</i>
Gross segment sales	1,230,429	116,619	58,645	1,405,693
Segment results	337,499	34,512	11,209	383,220
Other income				26,897
Other gains — net				14,539
Finance income				15,823
Income tax expenses				(104,708)
Profit for the period				335,771
Segment results include:				
Depreciation	4,673	22	56	4,751
Amortisation	987	6,613	1,949	9,549

Segment assets and liabilities

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 30 June 2018 are as follows:

	Business operated by Agile Property Management RMB'000	Business operated by Greenland Property Services RMB'000	Business operated by Nanjing Zizhu RMB'000	Total RMB'000
Segment assets	4,817,969	1,223,593	386,180	6,427,742
Unallocated assets				
— Deferred income tax assets				28,883
Total assets				<u>6,456,625</u>
Segment liabilities	1,117,272	179,093	83,407	1,379,772
Unallocated liabilities				
— Deferred income tax liabilities				38,175
Total liabilities				<u>1,417,947</u>
Capital expenditure	<u>16,714</u>	<u>471</u>	<u>251</u>	<u>17,436</u>

The segment assets and liabilities and the reconciliation with total assets and liabilities of the Group as at 31 December 2017 are as follows:

	Business operated by Agile Property Management RMB'000	Business operated by Greenland Property Services RMB'000	Total RMB'000
Segment assets	1,348,819	1,150,144	2,498,963
Unallocated assets			
— Deferred income tax assets			11,834
Total assets			<u>2,510,797</u>
Segment liabilities	885,185	129,425	1,014,610
Unallocated liabilities			
— Deferred income tax liabilities			22,118
Total liabilities			<u>1,036,728</u>
Capital expenditure	<u>29,482</u>	<u>82</u>	<u>29,564</u>

4 Revenue and cost of sales

Revenue mainly comprises proceeds from property management services and related value-added services. An analysis of the Group's revenue and cost of sales by category for the six months ended 30 June 2018 and 2017 is as follows:

	Six months ended 30 June			
	2018		2017	
	<i>RMB'000</i>		<i>RMB'000</i>	
	Revenue	Cost of sales	Revenue	Cost of sales
Property management services	750,334	532,588	547,465	372,686
Value-added services to non-property owners	575,428	320,305	106,775	73,420
Value-added services to property owners	79,931	42,452	37,953	25,609
	1,405,693	895,345	692,193	471,715

5 Other income

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income	22,549	2,542
Penalties	1,166	1,824
Miscellaneous	3,182	1,027
	26,897	5,393

6 Other gains — net

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
(Losses)/gains on disposal of property, plant and equipment	(102)	12
Gains on forward foreign exchange contracts (Note (a))	14,641	—
	14,539	12

- (a) The Group has entered into certain forward foreign exchange contracts with reputable banks to mitigate the foreign exchange risk of its listing proceeds denominated in HKD. All forward foreign exchange contracts matured and were settled as at 30 June 2018.

7 Finance income — net

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Finance expenses:		
— Interest expense of short-term borrowings	(501)	—
— Interest expense of asset-backed securities	—	(26,606)
	(501)	(26,606)
Finance income:		
— Interest income from loans due from related parties	—	31,733
— Exchange gains	15,823	—
Finance income — net	15,322	5,127

8 Income tax expenses

	Six months ended 30 June	
	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax		
— PRC corporate income tax	123,776	34,045
Deferred income tax		
— PRC corporate income tax	(19,068)	9,026
	104,708	43,071

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable income tax rate of 25% (six months ended 30 June 2017: 25%) on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

In 2018, Guangzhou Yatian Network Technology Co., Ltd. (“Guangzhou Yatian”) obtained the Certificate of High-Tech Corporation with valid period from 2017 to 2020. According to the Corporation Income Tax Law of People’s Republic of China, corporations which obtain the Certificate of High-Tech Corporation are entitled to enjoy additional corporate income tax deductions for research and development costs and a preferential corporate income rate of 15%. The tax rate applicable to Guangzhou Yatian during the period ended 30 June 2018 is 15% (six months ended 30 June 2017: 25%).

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group entities as follows:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Profit before income tax	440,479	165,621
Tax charge at effective rate applicable to profits in the respective group entities	104,420	41,405
Tax effects of:		
— Expenses not deductible for tax purposes	288	647
— Reversal of deferred tax assets recognised for tax loss in prior years	—	1,019
	104,708	43,071

The effective income tax rate was 24% for the period ended 30 June 2018 (2017: 26%).

9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares deemed to be in issue during the six months ended 30 June 2018 and 2017.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2018 and 2017. Diluted earnings per share is equal to basic earnings per share.

	Six months ended 30 June	
	2018	2017
Profit attributable to the shareholders of the Company (RMB'000)	332,332	112,164
Weighted average number of ordinary shares deemed to be in issue (in thousands)	1,260,001	720,000
Basic earnings per share for profit attributable to the shareholders of the Company during the period (expressed in RMB per share)	0.26	0.16

10 Property, plant and equipment

	Buildings <i>RMB'000</i>	Transportation equipment <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Machinery <i>RMB'000</i>	Construction in Progress <i>RMB'000</i>	Total <i>RMB'000</i>
As at 31 December 2017						
Cost	64,753	13,320	9,692	30,858	—	118,623
Accumulated depreciation	(17,203)	(9,130)	(5,351)	(16,235)	—	(47,919)
Net book amount	<u>47,550</u>	<u>4,190</u>	<u>4,341</u>	<u>14,623</u>	<u>—</u>	<u>70,704</u>
Period ended 30 June 2018						
Opening net book amount	47,550	4,190	4,341	14,623	—	70,704
Additions	198	2,667	2,002	2,164	5,291	12,322
Acquisition of a subsidiary	—	288	301	10	—	599
Disposals	—	(8)	(44)	(254)	—	(306)
Depreciation charge	(846)	(917)	(735)	(2,253)	—	(4,751)
Closing net book amount	<u>46,902</u>	<u>6,220</u>	<u>5,865</u>	<u>14,290</u>	<u>5,291</u>	<u>78,568</u>
As at 30 June 2018						
Cost	64,951	16,274	13,001	32,464	5,291	131,981
Accumulated depreciation	(18,049)	(10,054)	(7,136)	(18,174)	—	(53,413)
Net book amount	<u>46,902</u>	<u>6,220</u>	<u>5,865</u>	<u>14,290</u>	<u>5,291</u>	<u>78,568</u>

11 Intangible assets

	Computer software RMB'000	Trademarks RMB'000	Customer relationship RMB'000	Subtotal RMB'000	Goodwill RMB'000	Total RMB'000
As at 31 December 2017						
Cost	25,544	18,000	77,000	120,544	918,967	1,039,511
Accumulated amortisation	(3,628)	(1,800)	(4,813)	(10,241)	—	(10,241)
Net book amount	21,916	16,200	72,187	110,303	918,967	1,029,270
Period ended 30 June 2018						
Opening net book amount	21,916	16,200	72,187	110,303	918,967	1,029,270
Additions	5,114	—	—	5,114	—	5,114
Acquisition of a subsidiary (Note (a))	296	10,400	61,900	72,596	124,311	196,907
Amortisation	(1,044)	(1,973)	(6,532)	(9,549)	—	(9,549)
Closing net book amount	26,282	24,627	127,555	178,464	1,043,278	1,221,742
As at 30 June 2018						
Cost	31,110	28,400	138,900	198,410	1,043,278	1,241,688
Accumulated amortisation	(4,828)	(3,773)	(11,345)	(19,946)	—	(19,946)
Net book amount	26,282	24,627	127,555	178,464	1,043,278	1,221,742

- (a) On 30 April 2018, the Group acquired 51% of the equity interests in Nanjing Zizhu (the “Acquisition”) at a total consideration of RMB204,812,000. The consideration will be settled by instalment in 3 years. Taking into account of the discounting effect, the fair value of the consideration amounted to RMB202,033,000. Total identifiable net assets of Nanjing Zizhu attributable to Group amounted to RMB77,722,000, including trademarks of RMB10,400,000 and customer relationship of RMB61,900,000 recognised by the Group. The excess of the consideration paid over the fair value of the identifiable net assets acquired is recorded as goodwill.

12 Trade and other receivables

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade receivables (Note (a))		
— Related parties	429,044	199,717
— Third parties	279,123	108,287
	708,167	308,004
Less: allowance for impairment of trade receivables	(27,050)	(7,443)
	681,117	300,561
Other receivables		
— Related parties	53,200	35,737
— Third parties	192,065	102,362
	245,265	138,099
Less: allowance for impairment of other receivables	(2,540)	(1,256)
	242,725	136,843
Prepayments		
— Third parties	13,786	50,785
	937,628	488,189

- (a) Trade receivables mainly represented the receivables of outstanding property management service fees and the receivables of value-added service income.

Property management services income and value-added service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

In determining the recoverability of trade receivables from the property management and value-added services, the Group takes into consideration a number of indicators, including, among others, subsequent settlement status, historical write-off experience and management/service fees collection rate of the customers in estimating the future cashflows from the receivables.

As at 30 June 2018 and 31 December 2017, the aging analysis of the trade receivables based on invoice date were as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
0-180 days	324,984	218,208
181-365 days	267,246	44,214
1 to 2 years	71,744	22,709
2 to 3 years	34,882	9,387
Over 3 years	9,311	13,486
	708,167	308,004

- (b) The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. On that basis, the loss allowance as at 30 June 2018 was determined as follows for third-party trade receivables:

Agile Property Management and Greenland Property Services

	Up to 6 months RMB'000	6 months to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 30 June 2018						
Expected loss rate	0%	1%	10%	20%	50%	
Gross carrying amount	87,439	29,312	21,382	8,427	8,735	155,295
Loss allowance provision	—	293	2,138	1,685	4,368	8,484

Nanjing Zizhu Category 1

	Up to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 30 June 2018					
Expected loss rate	20%	30%	30%	30%	
Gross carrying amount	18,047	16,116	13,994	—	48,157
Loss allowance provision	3,609	4,835	4,198	—	12,642

Nanjing Zizhu Category 2

	Up to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 30 June 2018					
Expected loss rate	5%	10%	20%	50%	
Gross carrying amount	50,061	18,711	6,331	568	75,671
Loss allowance provision	2,503	1,871	1,266	284	5,924

The expected loss rate of the trade receivables from related parties is determined as zero.

On 30 April 2018, the Group completed the acquisition of Nanjing Zizhu. As at 30 June 2018, Nanjing Zizhu's allowance for impairment of trade receivable amounted to RMB18,566,000.

13 Equity securities issued

The share capital as at 30 June 2018 represented the share capital of the Company as follows:

	Number of ordinary shares	Share capital <i>RMB'000</i>
Issued and fully paid		
As at 31 December 2017	1,000,000,000	1,000,000
Issue of H shares	333,334,000	333,334
Total share capital as at 30 June 2018	1,333,334,000	1,333,334

- (a) The Company issued H shares of 333,334,000 at a nominal value of RMB1.00 per share. Such shares were offered at HK\$12.3 per share and listed on the Main Board of the Stock Exchange on 9 February 2018.

14 Reserves

	Statutory reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
Six months ended 30 June 2017			
Balance at 1 January 2017	11,074	94,423	105,497
Appropriation of statutory reserves (Note (a))	4,455	—	4,455
Capital contribution from the then shareholders	—	1,000	1,000
Balance at 30 June 2017	15,529	95,423	110,952
Six months ended 30 June 2018			
Balance at 1 January 2018	33,524	340,019	373,543
Appropriation of statutory reserves (Note (a))	5,000	—	5,000
Issue of H shares (Note 13(a))	—	2,870,340	2,870,340
Balance at 30 June 2018	38,524	3,210,359	3,248,883

- (a) PRC statutory reserve

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

15 Trade and other payables

	30 June 2018 RMB'000	31 December 2017 RMB'000
Trade payables (Note (a))		
— Related parties	1,226	235
— Third parties	210,359	151,867
	211,585	152,102
Other payables		
— Related parties	94,151	60,304
— Third parties	385,374	269,388
	479,525	329,692
Contract liabilities (Note (b))		
— Related parties	11,037	19,769
— Third parties	309,050	276,886
	320,087	296,655
Accrued payroll	165,794	145,652
Other taxes payables	46,395	28,274
	1,223,386	952,375

- (a) As at 30 June 2018 and 31 December 2017, the aging analysis of the trade payables (including amounts due to related parties of a trade nature) based on invoice date were as follows:

	30 June 2018 RMB'000	31 December 2017 RMB'000
Up to 1 year	199,101	140,687
1 to 2 years	4,657	4,135
2 to 3 years	3,167	2,799
Over 3 years	4,660	4,481
	211,585	152,102

The balances of trade payables over 1 year mainly represent the amounts due to third party contractors for renovation and maintenance services.

- (b) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property management services.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is a reputable property management service provider in China focusing on mid- to high-end properties. Supported by Agile Group and Greenland Holdings, two leaders in the property development industry, the Group operates its business under the two renowned brands, “Agile Property Management” and “Greenland Property Services”. The Group’s excellent services and brand have won widespread recognition, securing a leadership position for the Group in the industry. During the Period, the Group won, among other honors, “the 11th place of the 2018 Top 100 Property Management Companies in China”, “the 2nd place of the 2018 Top 100 Property Management Companies in China in terms of Growth” and “2018 China Leading Property Management Companies in terms of Customer Satisfaction”.

Looking back at the first half of 2018, the Group’s business maintained rapid growth. As of 30 June 2018, the GFA under management and the contracted GFA reached 109.1 million sq.m. and 185.6 million sq.m. respectively, representing a growth of 39.3% and 47.2% as compared with those as at the end of 2017. During the Period, the revenue of the Group amounted to RMB1,405.7 million, representing an increase of 103.1% as compared with that of RMB692.2 million for the corresponding period in 2017. The net profit amounted to RMB335.8 million, representing an increase of 173.9% as compared with that of RMB122.6 million for the corresponding period in 2017.

Material Acquisitions and Disposals

Acquisition of 51% equity interest in Nanjing Zizhu

On 9 April 2018, the Company entered into an equity interest transfer agreement with Nanjing Zizhu to acquire 51% equity interest of Nanjing Zizhu at a consideration of RMB204.8 million. The consideration for the acquisition contemplated under the equity transfer agreement was determined after arm’s length negotiation with reference to, among other things, certain times the net profit after deducting non-recurring gains and losses of Nanjing Zizhu for the year ended 31 December 2017. After the completion of such acquisition, Nanjing Zizhu became a direct non-wholly owned subsidiary of the Company, with its results consolidated into the Company’s results from May 2018 onwards. For more details, please refer to the announcements dated 9 April 2018 and 12 April 2018 of the Company.

Acquisition of 51% equity interest in Lanzhou Chengguan

On 11 July 2018, the Company entered into an equity interest transfer agreement with Lanzhou Chengguan to acquire 51% equity interests of Lanzhou Chengguan at a consideration of RMB147.9 million. The consideration for the acquisition contemplated under the equity transfer agreement was determined after arm’s length negotiation with reference to, among other things, certain performance targets and the net book value of properties held by Lanzhou Chengguan as at 11 July 2018. After the completion of such acquisition, Lanzhou Chengguan will become a direct non-wholly owned subsidiary of the Company and its results expected be consolidated into the Company’s results after the completion of equity transfer in the third quarter of 2018. For more details, please refer to the announcements dated 11 July 2018 and 19 July 2018 of the Company.

Material Investment

Except for the above two acquisitions, the Group had not made any other material investment in the period up to 30 June 2018.

Events after the Reporting Period

Save as mentioned in the section headed “Material Acquisitions and Disposals”, there were no other significant events up to the date of this announcement and after the reporting period.

Financial Review

The Group's revenue is derived from three major business lines, i.e. (i) property management services; (ii) value-added services to non-property owners; and (iii) value-added services to property owners.

	Six months ended 30 June		
	2018 RMB'000	2017 RMB'000	Growth rate %
Property management services	750,334	547,465	37.1%
Value-added services to non-property owners	575,428	106,775	438.9%
Value-added services to property owners	79,931	37,953	110.6%
Total	1,405,693	692,193	103.1%

Property Management Services

Property management services primarily include security, cleaning, greening and gardening, repairs and maintenance, and consultancy services.

During the Period, the Group's revenue from property management services was RMB750.3 million, representing an increase of 37.1% as compared with that of RMB547.5 million for the corresponding period in 2017. The property management services, which contributed 53.4% of the Group's revenue in the first half of 2018, are the main source of revenue of the Group. Revenue from property management services provided to the properties developed by Agile Group was RMB518.9 million, representing an increase of 15.3% as compared with that of RMB450.3 million for the corresponding period in 2017, and accounting for 69.2% of the revenue from property management services in 2018 (82.2% for the corresponding period in 2017).

The following table sets forth a breakdown of the Group's total GFA under management as of 30 June 2018 and as of 30 June 2017.

	30 June 2017 (0,000 sq.m.)	30 June 2018 (0,000 sq.m.)	New year-on-year growth (0,000 sq.m.)	Growth rate %	Percentage of GFA as at 30 June 2018 %
Agile Group	3,910	4,453	543	13.9%	40.8%
Third-party property developers ¹	3,084	6,071	2,987	96.9%	55.6%
Greenland Holdings	150	389	239	159.3%	3.6%
Total	7,144	10,913	3,769	52.8%	100%

Note 1: Included the accumulated GFA under management provided by third-party property developers through property management contracts and that of Nanjing Zizhu as at the date of the acquisition.

The increase in revenue was primarily attributable to the increase in GFA under management whose gains had been accounted for in the revenue. As of 30 June 2018, the Group's total GFA under management amounted to 109.1 million sq.m., representing a substantial increase of 52.8% as compared with that of 71.4 million sq.m. as of 30 June 2017. The increase in GFA under management was primarily attributable to the facts that the Group continued to undertake the projects developed by Agile Group, which accounted for 40.8% of the total GFA under management as of 30 June 2018; the Group undertook the projects developed by independent third-party property developers, which accounted for 55.6% of the total GFA under management as of 30 June 2018, which included a GFA under management of 24.3 million sq.m. from the acquisition of Nanjing Zizhu. Furthermore, among the GFA under management, 72.8% has adopted the operation mode of lump sum contract basis and 27.2% has adopted the operating mode of commission basis with consultation as of 30 June 2018. The Group primarily adopted a lump sum contract basis so that it was conducive to improve service quality and operational efficiency. The operation model of commission and consultation is helpful for ensuring the profit and profit margin of property management projects.

During the Period, the Group endeavored to expand its business scale. Both of the GFA under management and contracted GFA had increased significantly in the first half of 2018.

The following table sets out a breakdown of the Group's total GFA under management as of 30 June 2018 and 31 December 2017.

	31 December 2017	30 June 2018	Increase in the first half of 2018	Growth rate	Percentage of GFA as at 30 June 2018
	(0,000 sq.m.)	(0,000 sq.m.)	(0,000 sq.m.)	%	%
Agile Group	4,219	4,453	234	5.5%	40.8%
Third-party property developers ¹	3,346	6,071	2,725	81.4%	55.6%
Greenland Holdings	268	389	120	44.8%	3.6%
Total	7,834	10,913	3,079	39.3%	100%

Note 1: Included the total GFA under management provided by third-party property developers through property management contracts and that of Nanjing Zizhu as at the date of the acquisition.

As of 30 June 2018, the Group's GFA under management was 109.1 million sq.m., representing a substantial increase of 30.8 million sq.m. or 39.3% as compared with that of 78.3 million sq.m. as at the end of 2017. The Group had 420 projects under management on a cumulative basis, covering 27 provinces, municipalities and autonomous regions in China.

As more quality projects were taken by the Group as of 30 June 2018, the average property management fees of the residential properties provided by Agile Group and Greenland Holdings were RMB3.02/m²/month; the average property management fees of the commercial properties provided by Greenland Holdings were RMB7.40/m²/month. The relatively higher management fees were attributed to the property owners and residents' recognition of service quality and brand premium of the Group. The average property management fees of the residential properties obtained from third-party property developers were RMB2.03/m²/month. The average property management fees were above the average level in the regions.

The following table sets forth a breakdown of the Group's total contracted GFA as of 30 June 2018 and 31 December 2017.

	31 December 2017	30 June 2018	Increase in the first half of 2018	Growth rate	Percentage of GFA as at 30 June 2018
	(0,000 sq.m.)	(0,000 sq.m.)	(0,000 sq.m.)	%	%
Agile Group	5,868	6,340	472	8.0%	34.1%
Third-party property developers ¹	5,809	10,336	4,527	77.9%	55.7%
Greenland Holdings	933	1,887	954	102.3%	10.2%
	<u>12,610</u>	<u>18,563</u>	<u>5,953</u>	<u>47.2%</u>	<u>100%</u>

Note 1: Included the total contracted GFA provided by third-party property developers through property management contracts and that of Nanjing Zizhu as at the date of the acquisition.

The contracted GFA, which is defined by the Group as the contracts signed with property developers for providing property management services and includes delivered and undelivered GFA, which will become the GFA under management in the future and expand the base of the Group's revenue. As of 30 June 2018, the contracted GFA was 185.6 million sq.m., representing an increase of 47.2% as compared with that of 126.1 million sq.m. as of 2017. The significant increase in the contracted GFA was primarily due to the increase in the projects obtained from Greenland Holdings, the increase in the projects obtained from third-party property developers. In the first half of 2018, the Group obtained a bid contracted GFA of 9.5 million sq.m. from Greenland Holdings, which was close to the full-year target set between the Group and Greenland Holdings. The total contracted GFA of the properties provided by third-party developers for the full-range property management was 21.0 million sq.m., which was approximately equivalent to that throughout the whole year of 2017. In addition, the acquisition of Nanjing Zizhu in the first half of 2018 also led to an increase in the contracted GFA of 24.3 million sq.m.

The Group is also an expert in vacation property. As of 30 June 2018, the contracted GFA of vacation properties achieved 15.5 million sq.m., among which, 6.5 million sq.m. turned into the GFA under management.

During the Period, the collection rate of property management fees were 91.9%, increased by 1.6% as compared with that of 90.3% for the corresponding period in 2017. The increase in the collection rate of property management fees was attributed to the Group's implementation of various collection measures.

Value-added Services to Non-property Owners

These services primarily include sales assistance and preliminary consultancy services, property agency, home inspection and advertising services, etc.

During the Period, the Group recorded a revenue from value-added services to non-property owners of RMB575.4 million, representing an increase of 438.9% as compared with that of RMB106.8 million for the corresponding period in 2017, and accounting for approximately 40.9% of the total revenue of the Group. In particular, the revenue from sales assistance and preliminary consultancy services accounted for 51.0% of the revenue from value-added services to non-property owners whereas the revenue from property agency services accounted for 43.4%. The increase in the revenue from value-added services to non-property owners was due to the development of sales assistance services, property agency, and other diversified revenue sources.

The increase in the services related to sales assistance of the Group was due to i) pre-sale GFA and sales of commodity properties pre-sold by Agile Group increased in the first half of 2018; and ii) the provision of comprehensive services related to property sales center to Greenland Holdings by Greenland Property Services.

As of 30 June 2018, the Group's subsidiary, Guangzhou Yazhuo Real Estate Sales Co., Ltd.* (廣州市雅卓房地產營銷有限公司) ("Guangzhou Yazhuo"), had 36 branches in operation with 1,149 employees in 38 cities or regions in China and had 80 property agency service projects. Guangzhou Yazhuo has gradually developed business since the fourth quarter of 2017, hence, no relevant revenue has been recorded for the corresponding period of last year. The property agency services provide early-stage foundation and advantages for the Group to undertake subsequent property management services in the future.

Value-added Services to Property Owners

These services primarily include resident services and property value management services.

During the Period, the Group recorded a revenue from value-added services to property owners of RMB79.9 million, representing an increase of 110.6% as compared with that of RMB38.0 million for the corresponding period in 2017, and accounting for approximately 5.7% of the total revenue of the Group. Value-added services to property owners focus on improving the community living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties. Resident services include repair and maintenance, housekeeping, community-based group purchase, travel services, and turnkey services, etc.. The revenue from resident services accounted for 70% of the revenue from value-added services to property owners during the Period.

Property value management services primarily include club operation, apartment operation, community property operation and second-hand property agency services. Property value management services accounted for 30% of the revenue from value-added services to property owners during the Period.

Other Income

During the Period, other income of the Group amounted to RMB26.9 million, representing an increase of 398.1% as compared with that of RMB5.4 million for the corresponding period in 2017. The aforementioned increase primarily resulted from the capital raised from the IPO proceeds.

Net Other Gains

During the Period, the Group's net other gains amounted to RMB14.5 million (RMB0.0 million for the corresponding period in 2017), primarily derived from the exchange gains of RMB14.6 million generated from the forward foreign exchange settlement agreements executed with Agricultural Bank of China.

Gross Profit and Gross Profit Margin

	Six months ended 30 June					
	2018			2017		
	Revenue	Cost of sales <i>RMB'000</i>	Gross profit margin %	Revenue	Cost of sales <i>RMB'000</i>	Gross profit margin %
Property management services	750,334	532,588	29.0%	547,465	372,686	31.9%
Value-added services to non-property owners	575,428	320,305	44.3%	106,775	73,420	31.2%
Value-added services to property owners	79,931	42,452	46.9%	37,953	25,609	32.5%
	<u>1,405,693</u>	<u>895,345</u>	<u>36.3%</u>	<u>692,193</u>	<u>471,715</u>	<u>31.9%</u>

During the Period, the Group recorded a gross profit of RMB510.3 million, representing an increase of 131.4% as compared with that of RMB220.5 million for the corresponding period in 2017; and a gross profit margin of 36.3%, representing an increase of 4.4 percentage points as compared with that of 31.9% for the corresponding period in 2017.

During the Period, the Group recorded a gross profit of RMB217.7 million from property management services, representing an increase of 24.5% as compared with that of RMB174.8 million for the corresponding period in 2017; a gross profit margin of 29.0%, representing a decrease of 2.9 percentage points as compared with that of 31.9% for the corresponding period in 2017. The unit price of service fee in providing property management services to third-party property developers is relative lower and by the increase in the proportion of properties developed by them under the management of the Group, the profit margin in property management service being reduced slightly during the Period.

During the Period, the Group recorded a gross profit of RMB255.1 million from value-added services to non-property owners, representing an increase of 663.8% as compared with that of RMB33.4 million for the corresponding period in 2017; a gross profit margin of 44.3%, representing an increase of 13.1 percentage points as compared with that of 31.2% for the corresponding period in 2017. The increase was primarily attributed to the benefits from cost optimization, scale economy and diversification of the services.

During the Period, the Group recorded a gross profit of RMB37.5 million from value-added services to property owners, representing an increase of 204.9% as compared with that of RMB12.3 million for the corresponding period in 2017; a gross profit margin of 46.9%, representing an increase of 14.4 percentage points as compared with that of 32.5% for the corresponding period in 2017. The increase was primarily due to economies of scale and the Group's continuous efforts in diversifying the types of value-added services to provide more comprehensive and diversified value-added services for property owners.

Cost of Sales

The Group's cost of sales primarily consists of employee benefit expenses, utility charges, cleaning expenses, tax and extra charges, maintenance costs, cost of consumables, greening and gardening expenses, operating lease payments, cost of sales in parking lot and stores, consulting fees and others.

During the Period, cost of sales of the Group was RMB895.3 million, representing an increase of 89.8% as compared with that of RMB471.7 million for the corresponding period in 2017. The increase in cost of sales was primarily due to the increase in various kinds of costs following an increase in revenue with the rapid development of the Group's businesses. In general, the growth of the Group's cost of sales was slower than that of revenue, primarily because the Group made great efforts in developing value-added services. Value-added services grew faster than property management services and yielded a higher gross profit margin.

Selling and Marketing Expenses

During the Period, selling and marketing expenses of the Group was RMB15.7 million, representing a decrease of 1.9% as compared with that of RMB16.0 million for the corresponding period in 2017.

Administrative Expenses

During the Period, administrative expenses of the Group was RMB108.3 million, representing an increase of 122.4% as compared with that of RMB48.7 million for the corresponding period in 2017. The aforementioned increase was primarily due to the facts that (i) in response to the rapid business development of the Group, more employees were recruited, resulting in an increase in expenses on employee remuneration, welfare and training, etc.; (ii) the daily administrative expenses of Greenland Property Services and Nanjing Zizhu were included; and (iii) the listing expenses of RMB9.0 million were included. These increases were in line with the Group's business diversification strategy and expansion.

Income Tax

During the Period, the Group's income tax expense was RMB104.7 million, representing an increase of 142.9% as compared with that of RMB43.1 million for the corresponding period in 2017, and the effective income tax rate was 23.8% as compared with that of 26.0% for the corresponding period in 2017. The decrease in effective income tax rate during the Period was because the Group's subsidiary, Guangzhou Yatian Network Technology Co., Ltd.* (廣州市雅天網絡科技有限公司), had obtained the certificate of new high-tech enterprise in December 2017, which allows it to enjoy a preferential 15% enterprise income tax rate in 2017, 2018 and 2019.

Profit for the Year

During the Period, net profit of the Group was RMB335.8 million, representing an increase of 173.9% as compared with that of RMB122.6 million for the corresponding period in 2017.

During the Period, profit attributable to the shareholders of the Company was RMB332.3 million, representing an increase of 196.2% as compared with that of RMB112.2 million for the corresponding period in 2017.

During the Period, the Company's non-controlling interest was RMB3.4 million.

Current Assets, Reserves and Capital Structure

During the Period, the Group maintained solid financial position. As of 30 June 2018, current assets amounted to RMB5,127.4 million, representing an increase of 266.5% as compared with that of RMB1,399.0 million as at 31 December 2017. Cash and cash equivalents amounted to RMB4,173.1 million (RMB879.8 million as at 31 December 2017), primarily because the Group raised funds by issuing H Shares on 9 February 2018.

As of 30 June 2018, the Group's total equity was RMB5,038.7 million, representing an increase of 241.8% as compared with that of RMB1,474.1 million as at 31 December 2017; the Group's reserves amounted to RMB3,248.9 million, representing an increase of 769.9% as compared with that of RMB373.5 million as at 31 December 2017. The aforementioned increase was primarily due to the issuance of H Shares of the Group on the Stock Exchange on 9 February 2018 to raise funds and realized profit in the current period.

Property, Plant and Equipment

The Group's property, plant and equipment primarily comprise buildings, office equipment, machinery equipment and other fixed assets. As of 30 June 2018, the Group's property, plant and equipment amounted to RMB78.6 million, representing an increase of 11.2% as compared with that of RMB70.7 million as at 31 December 2017. The increase was primarily due to the purchase of office equipment and machinery equipment needed for business development, of which partly had been offset by the depreciation in the current period.

Intangible Assets

As of 30 June 2018, the net book amount of intangible assets of the Group was RMB178.5 million, representing an increase of 61.8% as compared with that of RMB110.3 million as at 31 December 2017. Intangible assets of the Group primarily included (i) RMB18.0 million from the right to use the trademark of Greenland Holdings; (ii) RMB77.0 million from the contractual relationship between Greenland Holdings and the Group; (iii) RMB10.4 million from the trademark value of Nanjing Zizhu acquired in the Period; (iv) RMB61.9 million from the contractual relationship with Nanjing Zizhu; and (v) the softwares developed and purchased by the Group.

Goodwill

As of 30 June 2018, the Group recorded goodwill of RMB1,043.3 million, representing an increase of 13.5% as compared with that of RMB919.0 million as at 31 December 2017. The goodwill of the Group primarily included (i) the goodwill of RMB919.0 million in relation to the acquisition of Greenland Property Services; and (ii) the goodwill of RMB124.3 million in relation to the acquisition of Nanjing Zizhu. The goodwill primarily derived from the expected future business developments of Greenland Property Services and Nanjing Zizhu, increase of market coverage, expansion of service portfolio, integration of value-added services and improvement of management efficiency.

With reference to the appraisers' appraisal report on Nanjing Zizhu's equity value and intangible assets as of 30 April 2018 and its operating conditions after the completion of equity transfer, the management confirmed that no provision for impairment shall be made on the goodwill and intangible assets arising from the acquisition of Nanjing Zizhu as of 30 June 2018.

In addition, as Greenland Property Services' operating results in the first half of 2018 reached the management's expectation, the management confirmed that no provision for impairment shall be made on the goodwill and intangible assets arising from the acquisition of Greenland Property Services as of 30 June 2018.

Trade and Other Receivables

As of 30 June 2018, the trade and other receivables reached RMB937.6 million, representing an increase of 92.1% as compared with that of RMB488.2 million on 31 December 2017, which was primarily attributable to (i) the increase of trade and other receivables after the acquisition of Nanjing Zizhu as at 30 April 2018; and (ii) the growth of corresponding business brought by the increase in GFA under management of the Group.

Trade and Other Payables

As of 30 June 2018, the trade and other payables reached RMB1,223.4 million, representing an increase of 28.5% as compared with that of RMB952.4 million on 31 December 2017, which was primarily attributable to (i) the increase of trade and other payables after the acquisition of Nanjing Zizhu; (ii) equity funds payable for the acquisition of Nanjing Zizhu; (iii) the increase in GFA under management and subcontract of more services to independent third-party service providers.

Borrowings

As of 30 June 2018, the borrowings of the Group representing the loan obtained by Nanjing Zizhu from China Merchants Bank Co., Ltd. Nanjing Branch to replenish its working capital for daily operations which had been repaid by Nanjing Zizhu before the date of this announcement.

Income Tax Liabilities

As of 30 June 2018, the current income tax liabilities of the Group totally RMB144.4 million, representing an increase of 132.2% as compared with that of RMB62.2 million as of 31 December 2017, which was primarily attributable to the significant increase of the profit before tax. The deferred income tax liabilities of the Group was RMB38.2 million, representing an increase of 72.9% as compared with that of RMB22.1 million on 31 December 2017, which was primarily due to the increased value incurred from asset appraisal against Greenland Property Services and Nanjing Zizhu after their acquisitions.

Proceeds from Listing

The Company's H Shares were listed on the main board of the Stock Exchange (the "Listing") on 9 February 2018, with a total of 333,334,000 new H Shares issued. After deducting the underwriting fees and relevant expenses, the total proceeds from the Listing amounted to approximately HK\$3,931.0 million (equivalent to RMB3,176.8 million). As of the date of the announcement, the Group had used around RMB165.7 million of the capital collected, of which, RMB117.8 million was used for strategic investment and acquisition; around RMB11.9 million was used for the development of management digitalization, service specialization, procedure standardization and operation automation; and around RMB36 million was used for working capital and general corporate purposes. The used proceeds was in accordance with the purposes set out in the prospectus of the Group dated 29 January 2018 (the "Prospectus"). And the unused proceeds will be used for the purposes set out in the Prospectus as below:

- approximately 65% will be used to selectively pursue strategic investment and acquisition opportunities and to further develop strategic alliances;
- approximately 10% will be used to further develop the one-stop service platform of the Group;
- approximately 15% will be used to develop the "management digitalization, service specialization, procedure standardization and operation automation" of the Group; and
- approximately 10% will be used for working capital and general corporate purposes.

Subject to the requirements of relevant PRC laws and regulations, approximately HK\$3,000.0 million of the proceeds from the Listing will be remitted to its bank accounts in the PRC for use, approximately HK\$931.0 million from the Listing will be retained in overseas bank accounts for use.

The net proceeds are currently held as bank deposits and are planned to be used in the same manner of distribution as proposed in the Prospectus.

Dividend Distribution

Taking into account of the Group's business development needs and shareholders' investment returns, the Group declared a cash dividend totalling of RMB50 million to pre-Listing shareholders on 15 January 2018, with RMB0.05 per share. The Group had completed the aforementioned distribution by the end of March 2018.

Pledge of Assets

As of 30 June 2018, the Group had no pledge of assets.

Gearing Ratio

The gearing ratio is calculated as total borrowings divided by total equity, i.e. the sum of long-term and short-term interest-bearing bank borrowings and other borrowings as of the corresponding date divided by the total equity as of the same date. As of 30 June 2018 and 31 December 2017, the gearing ratios were 0.2% and 0%, respectively. The increase in the gearing ratio was primarily attributable to the loan obtained by Nanjing Zizhu, which was acquired by the Group during the Period, from China Merchants Bank Co., Ltd. Nanjing Branch to replenish its working capital for daily operations.

Exchange Rate Risk

In the first half of 2018, the Company has converted most of the proceeds from Listing into Renminbi in tranches. As of 30 June 2018, the Group had no significant exchange rate risk.

Contingent Liabilities

As of 30 June 2018, the Group had no significant contingent liabilities.

INTERIM DIVIDEND

The Board did not recommend any payment of interim dividend for the six months ended 30 June 2018.

REVIEW OF INTERIM RESULTS

The Company's audit committee has reviewed the unaudited interim results of the Group for the six months ended 30 June 2018.

The interim results of the Group for the six months ended 30 June 2018 had not been audited but had been reviewed by PricewaterhouseCoopers, the auditor of the Company, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code for securities transactions by the Directors and a code for securities transactions by supervisors of the Company (the "Supervisors") as its own codes of conduct governing Directors' and Supervisors' dealings in the Company's securities (the "Securities Dealing Code") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

Specific enquiry has been made of all the Directors and Supervisors and they have confirmed that they have complied with the relevant Securities Dealing Code during the period from 9 February 2018 (the "Listing Date") to 30 June 2018.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company throughout the period from the Listing Date to 30 June 2018.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Listing Date, the Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all the applicable code provisions set out in the CG Code from the Listing Date to 30 June 2018.

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

The Company was listed on the Stock Exchange on 9 February 2018. The over-allotment option in relation to allot and issue up to an aggregate of 50,000,000 additional H Shares was not exercised.

Save as disclosed above, from the Listing Date and up to 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CHANGES IN BOARD COMPOSITION

Reference is made to the announcements dated 4 May 2018 and 31 May 2018 and supplemental circular dated 4 May 2018 of the Company in relation to, among other things, the removal of the then executive Director, Mr. Wang Wei (the “Removal”). Following the passing of the resolution at the Company’s annual general meeting on 31 May 2018, Mr. Wang Wei has been removed as an executive Director with effect from 31 May 2018. Save as otherwise disclosed by the Company, there is no other matter that needs to be brought to the attention of the shareholders of the Company with regard to the Removal.

Reference is also made to the announcement dated 31 May 2018, Mr. Chan Cheuk Hung has been re-designated as an executive Director and co-chairman of the Board with effect from 31 May 2018.

PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE STOCK EXCHANGE

This announcement is published on the respective websites of the Company at www.agileliving.com.cn and the Stock Exchange at www.hkex.com.hk. The interim report of the Company for the six months ended 30 June 2018 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises eight members, being Mr. Chan Cheuk Hung[^] (Co-chairman), Mr. Huang Fengchao[^] (Co-chairman), Mr. Liu Deming[^], Mr. Feng Xin[^], Mr. Wei Xianzhong^{^^}, Mr. Wan Kam To^{^^^}, Mr. Wan Sai Cheong, Joseph^{^^^} and Mr. Wang Peng^{^^^}.

[^] Executive Directors

^{^^} Non-executive Director

^{^^^} Independent Non-executive Directors

By Order of the Board
A-Living Services Co., Ltd.
CHAN Cheuk Hung / HUANG Fengchao
Co-chairman

Hong Kong, 8 August 2018

Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *for identification purposes only*