Xinchengyue Holdings Limited
新城悅控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1755)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

ANNUAL RESULTS HIGHLIGHTS

- Revenue amounted to RMB1,150.0 million, representing a year-on-year increase of 32.7% as compared to the annual revenue of RMB866.4 million for the year ended 31 December 2017.

- The Group derives its revenue from two main businesses: property management services and value-added services. (i) Revenue from property management services remained the Group's largest source of revenue amounting to RMB732.0 million, representing 63.7% of the Group's revenue, and it increased by 29.1% compared to RMB567.2 million for the year 2017. (ii) Revenue from value-added services amounted to RMB418.0 million, representing 36.3% of the Group's revenue, with a year-on-year increase of 39.7% compared with the full year of 2017, maintaining strong momentum of growth.

- Gross profit amounted to RMB339.0 million, representing an increase of 39.9% as compared to RMB242.2 million for the year 2017. Gross profit margin was 29.5%, up 1.5 percentage points from the corresponding period last year. The increase in gross profit margin was mainly due to the increase in gross profit margin of property management services and developer-related value-added services.

- The profit of the Group was RMB163.2 million, representing an increase of 77.9% as compared to the corresponding period in 2017. Profits attributable to equity shareholders of the Company amounted to RMB150.4 million, representing an increase of 104.9% as compared to the corresponding period in 2017. Net profit margin (profit attributable to equity shareholders of the Company divided by revenue) was 13.1%, up 4.6 percentage points from 8.5% in the corresponding period last year. The increase in net profit margin was mainly due to the rapid expansion of the Group's business while improving management efficiency, and effective results in cost control.

- The Group's cash and cash equivalents as at 31 December 2018 amounted to RMB1,277.8 million, representing an increase of 101.7% as compared to RMB633.5 million at the end of 2017. This was mainly attributable to: (i) an increase in financing activities of RMB429.9 million; and (ii) net cash from operating activities of RMB192.0 million. The Company had no interest-bearing liabilities at the end of 2018.

- The Board recommends a final dividend of RMB0.1 per share for the year ended 31 December 2018.

The board (the "**Board**") of directors (the "**Directors**") of Xinchengyue Holdings Limited ("**Xinchengyue**" or the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018, together with the comparative data for the corresponding period of the previous year, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December

	Note	**For the year ended 31 December 2018** *RMB'000*	For the year ended 31 December 2017 *RMB'000*
Revenue	*4*	**1,149,949**	866,370
Cost of sales and services	*4, 5*	**(810,973)**	(624,124)
Gross profit		**338,976**	242,246
Selling and marketing expenses	*5*	**(6,943)**	(8,092)
Administrative expenses	*5*	**(144,405)**	(118,633)
Net impairment losses on financial assets		**(12,336)**	(10,682)
Other income		**11,145**	2,556
Other expenses		**(436)**	(1,183)
Other gains/(losses)- net		**18,409**	(8)
Operating profit		**204,410**	106,204
Finance income	*6*	**6,156**	6,811
Profit before income tax		**210,566**	113,015
Income tax expense	*7*	**(47,364)**	(21,273)
Profit for the year		**163,202**	91,742
Profit is attributable to:			
– Owners of the Company		**150,397**	73,406
– Non-controlling interests		**12,805**	18,336
		163,202	91,742
Total comprehensive income for the year		**163,202**	91,742
Total comprehensive income is attributable to:			
– Owners of the Company		**150,397**	73,406
– Non-controlling interests		**12,805**	18,336
		163,202	91,742
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	*8*	**0.24**	0.12

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 December 2018

	Note	**31 December 2018 RMB'000**	31 December 2017 RMB'000
Non-current assets			
Property, plant and equipment		**8,323**	15,643
Intangible assets		**12,031**	10,797
Deferred income tax assets		**24,220**	17,309
Deposits	*10*	**2,812**	2,256
Financial assets at fair value through other comprehensive income		**1,660**	1,660
Prepayments		**5,393**	6,078
Total non-current assets		**54,439**	53,743
Current assets			
Inventories		**8,597**	3,764
Trade receivables	*9*	**128,873**	76,918
Prepayments, deposits and other receivables	*10*	**82,462**	45,692
Cash and cash equivalents		**1,277,821**	633,456
Total current assets		**1,497,753**	759,830
Total assets		**1,552,192**	813,573
Equity			
Equity attributable to owners of the Company			
Share capital	*11*	**56,639**	–
Reserves		**604,095**	61,003
Retained earnings		**184,250**	92,853
		844,984	153,856
Non-controlling interests		**22,088**	35,188
Total equity		**867,072**	189,044
Liabilities			
Non-current liabilities			
Provisions		**1,050**	947
Deferred tax liabilities		**4,646**	–
Total non-current liabilities		**5,696**	947

	Note	31 December 2018 RMB'000	31 December 2017 RMB'000
Current liabilities			
Loans from related parties	*12*	**–**	65,900
Contract liabilities		**248,764**	180,714
Dividend payable		**–**	19,000
Trade and other payables	*13*	**407,559**	345,327
Current income tax liabilities		**23,101**	12,641
Total current liabilities		**679,424**	623,582
Total liabilities		**685,120**	624,529
Total equity and liabilities		**1,552,192**	813,573
Net current assets		**818,329**	136,248

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018

1 GENERAL INFORMATION

Xinchengyue Holdings Limited (the "Company") was incorporated in the Cayman Islands on 16 January 2018 as an exempted company with limited liability under the Companies Law (Cap.22, law 3 of 1961 as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman, KY1-1104 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "PRC"). The ultimate controlling company is Infinity Fortune Development Limited. The ultimate controlling shareholder of the Group is Mr. Wang Zhenhua ("Mr. Wang" or the "Ultimate Controlling Shareholder").

To prepare for the initial listing of the Company's shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"), the Group has undertaken a reorganization (the "Reorganization") pursuant to which the Company became the holdings company of the subsidiaries comprising the Group.

The Company's share were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "stock exchange") on 6 November 2018.

These consolidated financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated.

The annual results set out in this announcement do not constitute the Group's consolidated financial statements for the year ended 31 December 2018 but are extracted from those financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The Historical Financial Information of the Company has been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the HKICPA. The Historical Financial Information has been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through other comprehensive income.

The preparation of Historical Financial Information in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

2.2 Changes in accounting policy and disclosures

The Group had elected to early adopt the standards, amendments and interpretations which became effective from 1 January 2018 including HKFRS 9-Financial instruments and HKFRS 15-Revenue from contract contracts with customers from 1 January 2015 and hence such standards and interpretations were consistently applied in year 2017 and 2018.

The following standards and interpretations had been issued but were not mandatory for the financial year beginning before 1 January 2019 and have not been early adopted.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HKFRIC 23	Uncertainty over income tax treatment	1 January 2019
Amendments to HKFRS 9	Prepayments features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Annual improvements to HKFRSs	Annual improvements to HKFRS standards 2015-2017 cycle	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
HKFRS 17	Insurance contract	1 January 2022
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associates or joint ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the Directors, no significant impact on the financial performance and position of the Group is expected when they become effective except those set out below:

Nature of change

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, 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.

Impact

The Group is the lessee of certain buildings which are currently classified as operating lease. The standard will affect primarily the accounting for the Group's operating leases. As at 31 December 2018, the Group had non-cancellable operating lease commitments of RMB6,989,000. Among the lease commitments, approximately RMB89,000 of the commitments related to short-term leases and RMB59,000 of the commitments related to low value leases which will both be recognised on a straight-line basis as expense in the statement of comprehensive income. For the remaining lease commitments the Group expects to recognise right-of-use assets of approximately RMB6,369,000 on 1 January 2019, lease liabilities of RMB6,432,000 (after adjustments for prepayments and accrued lease payments recognised as at 31 December 2018) and deferred tax assets of RMB9,000. Net assets will be approximately RMB54,000 lower, and net current assets will be RMB2,243,000 lower due to the presentation of a portion of the liability as a current liability. The Group expects that net profit after tax will decrease by approximately RMB73,000 for 2019 as a result of adopting the new rules. Operating cash flows will increase and financing cash flows decrease by approximately RMB2,308,000 as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group's activities as a lessor are not material and hence the Group does not expect any significant impact on the financial statements. However, some additional disclosures will be required.

Date of adoption by Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

3 SEGMENT INFORMATION

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

For the year ended 31 December 2018, the Group was principally engaged in the provision of property management services and value-added services, including property developer-related services, community-related services and professional services 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 CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The principal operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC during the year ended 31 December 2018.

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

4 REVENUE AND COST OF SALES AND SERVICES

Revenue mainly comprises of proceeds from property management services and value-added services. An analysis of the Group's revenue and cost of sales by category for the years ended 31 December 2018 and 2017 is as follows:

	For the year ended 31 December			
	2018		2017	
	RMB'000		*RMB'000*	
	Revenue	**Cost of sales**	Revenue	Cost of sales
Revenue from customer and recognised over time:				
Property management Services	**732,025**	**528,522**	567,177	423,709
Value added services:				
– Property developer-related services	**296,746**	**221,028**	175,497	136,968
– Community-related services	**47,890**	**8,772**	43,304	6,501
– Professional services	**73,288**	**52,651**	80,392	56,946
	1,149,949	**810,973**	866,370	624,124

5 EXPENSES BY NATURE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Employee benefit expenses	**358,135**	287,774
Outsourced security, greening and cleaning costs	**411,405**	297,677
Raw material and components used in professional services and community-related services	**62,012**	58,281
Utilities	**35,742**	34,382
Professional fees	**30,844**	16,303
Including: Listing expenses	***29,428***	*1,500*
Office expenses	**11,945**	11,274
Travelling expenses	**11,752**	8,577
Taxes and surcharges	**9,602**	6,899
Business entertainment expenses	**5,713**	6,244
Auditor's remuneration	**2,200**	1,000
Including: Audit services	***2,110***	*1,000*
Including: Non-audit services	***90***	–
Employee uniform and related expenses	**6,961**	4,869
Bank charges	**4,855**	3,933
Operating lease payments	**2,684**	3,486
Depreciation and amortization charges	**3,142**	3,155
Advertising & Promotion expenses	**1,371**	2,399
IT system development and maintenance expenses	**760**	1,887
Others	**3,198**	2,709
	962,321	750,849

6 FINANCE INCOME

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest income on cash and cash equivalents	**6,156**	6,811

7 INCOME TAX EXPENSE

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current income tax		
– PRC Corporate income tax	**49,629**	24,730
Deferred income tax		
– PRC Corporate income tax	**(2,265)**	(3,457)
	47,364	21,273

(a) Cayman Island income Tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

(b) Hong Kong profit tax

No provision for Hong Kong profits tax was made as the Group did not derive any income subject to Hong Kong profits tax during the year ended 31 December 2018 (2017: nil).

(c) PRC Corporate Income Tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

Tibet Xinchengyue Property Services Co., Ltd. ("Tibet Xinchengyue") applied a preferential tax rate of 15% until 2020 for its head office in Tibet as part of the Western Region Development strategy after it changed its place of incorporation from Changzhou to Tibet on 17 December 2015. Tibet Xinchengyue has a number of branches across China. According to the relevant tax laws and regulations, the Group files its income tax return by combining the taxable income of head office in Tibet and all of its branches with 50% of the aggregate taxable income apportion to the head office in Tibet which is subject to income tax rate of 15% and the remaining 50% among the branches which are subject to income tax rate of 25%, resulting in an average of 20% applicable income tax rate.

In addition, according to Zang Zheng Fa [2014] No. 51, "Announcement on the Distribution of the Implement Policy concerning the Enterprise Income Tax in Tibet Autonomous Region", Tibet Xinchengyue was entitled to an exemption of income tax for local retention of income tax attributed to the local tax bureau generated from head office in Tibet till 31 December 2017. Accordingly, Tibet Xinchengyue's applicable income tax rate was further reduced to 18.5% for the year ended 31 December 2017.

The corporate income tax rate applicable to the entities located in Mainland China out of Tibet Autonomous Region is 25% according to the Corporate Income Tax Law of the PRC.

8 EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares of 632,164,000 (2017: 600,000,000) in issue during the year. The weighted average number of ordinary shares used in 2017 has been retrospectively adjusted for the effects of the sub-division of ordinary shares and the issue of shares in connection with the Capitalisation Shares (Note 11(d)) which were deemed to have been in issue since 1 January 2017.

	For the year ended 31 December	
	2018	2017
Earnings:		
Profit attributable to owners of the Company used in the basic earnings per share calculation *(RMB'000)*	**150,397**	73,406
Number of shares:		
Weighted average number of ordinary shares in issue during the year per share calculation (in thousand)	**632,164**	600,000
Basic earnings per share for profit attributable to the owners of the Company during the year (expressed in RMB)	**0.24**	0.12

For the years ended 31 December 2018 and 2017, diluted earnings per share were equal to the basic earnings per share as there were no dilutive shares.

9 TRADE RECEIVABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*		
– Related parties	**49,762**	12,539
– Third parties	**116,521**	91,544
	166,283	104,083
Less: allowance for impairment of trade receivables	**(37,410)**	(27,165)
	128,873	76,918

(a) Trade receivables mainly arise from property management services managed under lump sum basis and value-added services. 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 property owners upon rendering of services.

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

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**108,828**	61,659
1 to 2 years	**23,132**	20,072
2 to 3 years	**13,588**	6,643
3 to 4 years	**5,563**	4,828
4 to 5 years	**4,515**	2,289
Over 5 years	**10,657**	8,592
	166,283	104,083

As at 31 December 2018 and 2017, the trade receivables were denominated in RMB, and the fair value of trade receivables approximated their carrying amounts. Property management services and value-added services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice.

10 PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	As at 31 December			
	2018		2017	
	RMB'000		*RMB'000*	
	Current	**Non-current**	Current	Non-current
Prepayments				
– Utilities and outsourced services	**28,694**	**–**	12,809	–
– Raw materials for engineering and maintenance services	**3,844**	**–**	816	–
Subtotal	**32,538**	**–**	13,625	–
Input VAT to be deducted	**1,047**	**–**	1,332	–
Deposits	**18,021**	**2,840**	8,753	2,280
Other receivables				
– Payments on behalf of property owners *(Note)*	**31,986**	**–**	23,476	–
– Other	**6,476**	**–**	4,025	–
Subtotal	**38,462**	**–**	27,501	–
Total	**90,068**	**2,840**	51,211	2,280
Less: allowance for impairment of other receivables and deposits	**(7,606)**	**(28)**	(5,519)	(24)
	82,462	**2,812**	45,692	2,256

Note: As at 31 December 2018 and 2017, the amounts represented the payments on behalf of property owners in respect of mainly utilities and elevator maintenance costs of the properties.

As at 31 December 2018 and 2017, prepayments, deposits and other receivables were denominated in RMB.

11 SHARE CAPITAL

The Company was incorporated in the Cayman Islands on 16 January 2018. At the date of incorporation, the authorised share capital is USD51,200 comprising 51,200 ordinary shares of USD1.00 each. As at 31 December 2018, the authorised share was 10,000,000,000 shares with par value of USD0.01.

Ordinary shares, issued and fully paid:

	Number of shares	**USD**	**RMB**
At 16 January 2018 (date of incorporation) *(Note a)*	1	1	6
Issuance of ordinary shares *(Note b)*	1	1	6
Sub-division of ordinary shares *(Note c)*	198	–	–
Capitalisation issue *(Note d)*	599,999,800	5,999,998	41,445,000
Global initial public offering *(Note e)*	200,000,000	2,000,000	13,815,000
Exercise of over-allotment option *(Note f)*	20,000,000	200,000	1,379,000
At 31 December 2018	820,000,000	8,200,000	56,639,012

Notes:

(a) 1 share of USD1.00 was allotted and issued on 16 January 2018.

(b) 1 share of USD1.00 was allotted and issued on 29 March 2018.

(c) Pursuant to the written resolution passed by the shareholders on 18 April 2018, the Company sub-divided all its issued and unissued shares with par value of USD1.00 each into 100 shares of USD0.01 each. Accordingly, the number of issued ordinary shares increased from 2 shares to 200 shares. In addition, the Company increased its authorised share capital from USD51,200 divided into 5,120,000 ordinary shares of a par value of USD0.01 each to USD100,000,000 divided into 10,000,000,000 ordinary shares of a par value of USD0.01 by the creation of an additional 9,994,880,000 shares.

(d) Pursuant to a shareholders' resolution dated 6 November 2018, the Company capitalised an amount of USD5,999,998 (approximately RMB41,445,000), standing to the credit of its other reserve account and to appropriate such amount as capital to pay up 599,999,800 shares in full at par to the then shareholders of the Company in proportion to their then respective shareholdings in the Company.

(e) On 6 November 2018, the Company issued 200,000,000 new ordinary shares of HKD2.90 each at USD0.01 per share in connection with its global offering and commencement of the listing of its shares on the Stock Exchange on the same date and raised gross proceeds of approximately HKD580,000,000 (equivalent to RMB511,444,000).The excess over the par value of USD2,000,000 (equivalent to RMB13,815,000) net of the transaction costs of approximately RMB24,138,000 was credited to other reserve account with an amount of RMB473,491,000.

(f) On 4 December 2018, the Company issued 20,000,000 new ordinary shares of HKD2.90 each at USD0.01 per share and raised gross proceeds of approximately HKD58,000,000 (equivalent to RMB51,156,000) pursuant to the exercise at the over-allotment option. The excess over the par value of USD200,000 (equivalent to RMB1,379,000) net of the transaction costs of approximately RMB42,000 was credited to other reserve account with an amount of RMB49,735,000.

12 LOANS FROM RELATED PARTIES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Loans from related parties	–	65,900

At 31 December 2017, the Group's loans were unsecured and denominated in RMB, bearing interest at nil. The loans from related parties were settled on 30 January 2018.

13 TRADE AND OTHER PAYABLES

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables *(Note (a))*		
– Third parties	**71,835**	56,323
Other payables		
– Accrued expenses	**19,780**	17,863
– Amounts collected on behalf of property owners	**219,788**	193,748
– Others	**4,032**	2,995
	243,600	214,606
Accrued payroll	**72,026**	59,861
Other tax payables	**20,098**	14,537
	407,559	345,327

(a) At 31 December 2018 and 2017, the ageing analysis of the trade payables based on invoice date were are follows:

	As at 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 1 year	**70,914**	55,065
1 to 2 years	**533**	1,000
2 to 3 years	**251**	174
Over 3 years	**137**	84
	71,835	56,323

14 DIVIDENDS

	For the year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Dividends	**59,000**	19,000

On 30 January 2018, Xincheng Fuyue declared dividends of RMB59,000,000 to its then shareholder.

During the year ended 31 December 2017, Tibet Xinchengyue declared divided of RMB19,000,000 to its non-controlling shareholder.

No dividends had been paid by the Company during the year ended 31 December 2018.

At a Board meeting held on 8 March 2019, the directors proposed a final dividend for 2018 of RMB0.1 per ordinary share using the share premium account. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of reserves for the year ending 31 December 2019 upon approval by the shareholders at the forthcoming annual general meeting of the Company.

CHAIRMAN'S STATEMENT:

To Shareholders:

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

On 6 November 2018, the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Landing in the capital markets has brought to the Company new opportunities for development. The Company's management has fully seized the opportunity to further enhance the influence of the Company's brand and expand business with sustained profitability. The Company's management will continue to push forward the application of technology in the property management field to continuously meet the increasingly high customer requirements for service. The Company's management will continue to carry out innovation in management mechanisms to improve the Company's operational and management efficiency, generating good returns for the shareholders of the Company (the "**Shareholders**").

2018 was an extraordinary year for the property management industry. During the year, altogether five property companies were successfully listed on the Main Board of the Stock Exchange and that the number of property companies listed in 2018 exceeded the total number of listed property companies in the past. Against the backdrop of a still relatively robust property merger and acquisition market and the continuous moves for mergers and acquisitions among listed and to-be-listed companies, the property industry concentration continued to rise. According to the China Index Academy's (the "**CIA**") report, the Top 100 Property Management Service Providers in China in 2017 accounted for 32% of the market share in terms of total area under management, representing an increase of more than 12 percentage points over 19.5% in 2014. In 2018, technological empowerment was another bright spot in the property industry. Smart home security, smart access control, smart parking, smart energy monitoring and so forth were constantly being applied and promoted in property companies. With the promotion of smart communities, the living experience of property owners was greatly enhanced and the operational efficiency of property companies was improved.

Xinchengyue is positioned as a "high-quality service platform for communities in China" and is committed to delivering the core values of "professionalism, patience, sharing and trust" to every property owner and business partner. Xinchengyue is primarily engaged in business including property management services and value-added services, among which, the value-added services have covered three areas, namely, developer-related value-added services, community-related value-added services and professional services. Through the above comprehensive services, Xinchengyue practices the values of creating value on "professionalism", creating satisfaction on "patience", creating ecology on "sharing" and creating a win-win situation on "trust", hence achieving a win-win result for property owners, the Group and various business partners, including cooperative developers and community-based service providers.

Business Review

In 2018, on the back of a relatively complex economic situation at home and abroad, the real estate industry showed an upward and then downward trend. In this macro context, Future Land Development Holdings Limited (listed on the Main Board of the Stock Exchange with stock code: 1030, together with its subsidiaries, "**Future Land Group**"), an associated company of Xinchengyue, recorded a good result of a 95.2% year-on-year increase in contracted sales area. Benefitting from the fast-growing contracted sales since 2016 and the rapid growth in area newly taken over by us, the Company recorded an overall revenue reaching RMB1,150.0 million in 2018, representing a year-on-year growth of 32.7%. With the continuous improvement in the percentage of the Company's new projects and the effective implementation of cost control, the Company's profitability was significantly enhanced.

In 2018, the Company achieved a relatively fast growth in management scale, with revenue from property services increasing by 29.1% year on year to RMB732.0 million. As at the end of 2018, contracted gross floor area ("**GFA**") of the Group exceeded 112.2 million sq.m., representing an increase of 65.5% compared with the end of 2017. As at the end of 2018, GFA under management of the Group reached 42.9 million sq.m., representing an increase of 18.2% from the end of 2017. In 2018, the Company achieved good results in implementing the acquisition of third-party projects of higher quality. Throughout the year of 2018, contracted GFA and GFA under management from properties developed by third party developers increased by approximately 8.4 million sq.m. and by approximately 2.3 million sq.m., respectively. Since the second half of 2017, the Company has raised the community requirements for taking over properties delivered by third parties, and has adopted the major expansion strategy of taking over newly-developed real estate projects of small- and medium-sized developers. As a result, the increase in GFA under management from properties developed by third party developers has slowed down. In 2018, we took the initiative in withdrawing from some third-party projects and optimizing the third-party project portfolios, hence bettering the overall project portfolio under our management.

In 2018, the Company's revenue from value-added services increased by 39.7% year on year to RMB418.0 million. The Company is working hard to launch a series of new attempts on the value-added services front. Since the second half of 2018, we have focused on developing the asset management business. After conducting trials in cities such as Shanghai, Suzhou and Nanjing, we have established sound business operation specifications for the business and we will replicate the asset management operating model to more regions in 2019. As at the date of this announcement, our Orange APP has a subscriber base of around 547,000, thanks to the Company's continued implementation of the strategy of promoting Orange APP to enhance service experience. We promise that property owners will be able to get in touch with our steward within five minutes after making a report through the Orange APP. We also gradually expanded the APP business while solving the needs of property owners for property management services through the Orange APP.

Prospects

At the beginning of 2019, the domestic economic situation was still unclear and a certain degree of uncertainty lingered over the real estate industry. However, the property industry is expected to continue to demonstrate its industry characteristics of not being affected by the macroeconomic situation and remain relatively stable. Among which, superior enterprises will maintain their growth.

In 2019, we will strive to quicken the increase in GFA under management. On the one hand, we will make good preparation for the arrival of new project delivery peaks by increasing personnel reserves, stepping up staff training and other means to create positive property service experience in new communities for property owners. On the other hand, with the delivery of new property projects by Future Land Group nationwide, the management team of Xinchengyue will also penetrate into more cities, laying a good foundation for the expansion of third-party projects. Xinchengyue's expansion strategy will continue to focus on new projects of small- and medium-sized developer or quality second-hand projects, while actively paying attention to merger and acquisition opportunities, and under the premise of being in line with the Company's layout of the "1+3" regional strategy in the Yangtze River Delta Region plus the Bohai Rim Region, the Pearl River Delta Region and the central and western regions of China, appropriately carrying out mergers and acquisitions of quality property companies.

In 2019, we will further increase the allocation of high-calibre personnel in community-related value-added services and professional services to enhance operational capacity, striving for higher growth. In the area of community-related value-added services, we will focus on developing the asset management business, increasing investment in the research and development of the Orange APP and smart communities, and intensifying innovation of the business model of ready-to-move-in. For professional services, we will actively participate in the intelligent engineering construction business newly initiated by developers for establishing business management models on a high base to achieve a high-quality and rapid growth of the intelligent engineering construction business.

We are confident that, with the strong support of Future Land Group, we will continue to grow rapidly in the next three years. We will continue to increase investment in the area of community-related value-added services and professional services, with the aim of achieving revenue from value-added services exceeding 50% of the total revenue. We will step up marketing efforts in the area of smart community, further enhancing the experience of property owners, business partners and other interested parties by combining smart communities with the Orange APP, thus strengthening the appeal of the community service platform to suppliers while improving the satisfaction of property owners. We will continue to implement the "1+3" regional strategy and increase expansion in cities where we have a management team, striving to achieve the minor target of managing GFA of 100 million sq.m. at an early date. As industry consolidation continues to advance, we have to grow faster than the industry and that entering the top ten of the industry in the comprehensive ranking will become possible. While providing high quality services to our communities and property owners, we have always committed to creating maximum long-term value for the Shareholders!

MANAGEMENT DISCUSSION AND ANALYSIS

Business overview

We are a fast-growing national property management service provider. According to CIA, we have been ranked among the Top 10 Property Management Service Providers in terms of growth in China for four consecutive years from 2015 to 2018, ranking sixth among the Top 100 Property Service Companies in China in terms of managed floor area in the Yangtze River Delta region in 2018. In addition, we ranked 16th among the Top 100 Property Management Service Providers in China published by the CIA in 2018.

Our business can be divided into two major aspects and four businesses: first, property management services; second, value-added services (including developer-related value-added services, community-related value-added services and professional services)

Business Review

Property management services - 63.7% of total revenue and 60.0% of total gross profit

Property management services remain our largest source of revenue and gross profit. Income from property management services provides a stable cash flow throughout the year, and the quality of our services is the basis for ensuring this cash flow. At present, projects in our charge mainly adopt lump sum basis property management service agreements and only a few projects adopt commission basis property management service agreements. We believe that in the current business environment, the charging mode of lump sum basis is more conducive to the healthy development of the industry.

Throughout 2018, our property management services:

- Revenue amounted to RMB732.0 million, representing an increase of 29.1% as compared to RMB567.2 million for the year 2017, which was mainly attributable to the continued increase in the area under management.

- Gross profit amounted to RMB203.5 million, representing an increase of 41.8% as compared to RMB143.5 million for the year 2017. The gross profit margin of new projects is much higher than that of our overall property management services. With the increase of the proportion of new projects in the whole project portfolio, the growth of gross profit outperformed that of the Group's revenue in 2018.

	As of or for the year ended 31 December							
	2018				2017			
Properties developed by	**GFA under management (thousand sq.m.)**	**Percentage in GFA under management %**	**Property management services Income (RMB'000)**	**Percentage in property management service income %**	GFA under management (thousand sq.m.)	Percentage in GFA under management %	Property management services Income (RMB'000)	Percentage in property management service income %
Future Land Group	**30,473**	**71.1**	**571,357**	**78.1**	26,178	72.2	445,870	78.6
Third Party	**12,414**	**28.9**	**160,668**	**21.9**	10,099	27.8	121,307	21.4
Total	**42,887**	**100.0**	**732,025**	**100.0**	36,277	100.0	567,177	100.0

	As of or for the year ended 31 December							
	2018				2017			
	Property management service Income (RMB'000)	**Percentage in property management services income %**	**GFA under management (thousand sq.m.)**	**Percentage in GFA under management %**	Property management service Income (RMB'000)	Percentage in property management services income %	GFA under management (thousand sq.m.)	Percentage in GFA under management %
Yangtze Delta	**605,219**	**82.7**	**37,207**	**86.7**	498,452	87.9	31,845	87.8
Of which: Jiangsu Province	**454,211**	**62.0**	**29,218**	**68.1**	380,339	67.1	25,758	71.0
Bohai Rim	**14,250**	**1.9**	**708**	**1.7**	722	0.1	515	1.4
Midwest	**82,618**	**11.3**	**4,105**	**9.6**	48,860	8.6	3,237	8.9
Pearl River Delta	**–**	**0.0**	**–**	**0.0**	–	0.0	–	0.0
Other regions	**29,938**	**4.1**	**867**	**2.0**	19,143	3.4	680	1.9
Total	**732,025**	**100.0**	**42,887**	**100.0**	567,177	100.0	36,277	100.0

Notes: Yangtze River Delta includes: Jiangsu, Shanghai, Zhejiang
Bohai Rim includes: Shandong, Tianjin, Beijing and Hebei
Midwest includes: Anhui, Jiangxi, Hunan, Hubei, Henan, Shaanxi, Shanxi, Sichuan, Chongqing
Pearl River Delta includes: Guangdong

	As of or for the year ended 31 December			
	2018		2017	
Properties developed by	**Contracted GFA (thousand sq.m.)**	**Percentage in contracted GFA %**	Contracted GFA (thousand sq.m.)	Percentage in contracted GFA %
Future Land Group	**87,689**	**78.2**	51,673	76.2
Third Party	**24,510**	**21.8**	16,135	23.8
Total	**112,199**	**100.0**	67,808	100.0

	As of or for the year ended 31 December			
	2018		2017	
	Contracted GFA (thousand sq.m.)	**Percentage in contracted GFA %**	Contracted GFA (thousand sq.m.)	Percentage in contracted GFA %
Yangtze Delta	**71,928**	**64.1**	54,236	80.0
Of which: Jiangsu Province	**54,566**	**48.6**	40,985	60.4
Bohai Rim	**8,594**	**7.7**	2,104	3.1
Midwest	**23,479**	**20.9**	8,977	13.2
Pearl River Delta	**2,489**	**2.2**	617	0.9
Other regions	**5,709**	**5.1**	1,874	2.8
Total	**112,199**	**100.0**	67,808	100.0

- As of the end of 2018, the GFA under management was 42.9 million sq.m., representing an increase of 18.2%, or 6.6 million sq.m., from 36.3 million sq.m. in 2017. The net increase in GFA under management and the rate of increase have slipped compared with the previous, mainly because we have changed our strategy of outward expansion since 2017. The expansion strategy of third-party projects has changed from taking over communities with owners committee to pre-sale communities. The pre-sale projects cannot generate property service income for us immediately, and can only be converted into our GFA under management after the successful delivery of these projects.

- Our contracted GFA consists of two parts, the GFA under management and the reserved GFA. The contracted GFA exceeded 100.0 million sq.m. during the year and reached 112.2 million sq.m. at the end of the year, representing an increase of 65.5% from 67.8 million sq.m. in 2017. There are two reasons for the explosive growth in contracted GFA. One is that the rapid development of our excellent partner, Future Land Group, has enabled us to continue to obtain a large number of high-quality property management contracts, and the other is due to the rapid expansion in respect of properties developed by third party developers. As mentioned above, the Company has adjusted the development strategy for our third-party projects and has shifted its focus to undelivered new communities, for which the Company will record the contracted GFA of such projects after the contract is signed. At the end of the year, our reserved GFA accounted for more than 60% of the contracted GFA, which will lay a good foundation for our rapid growth in the future.

- We had 200 projects under management as of the end of 2018, representing an increase of 23 from the end of 2017. The residential areas under our management had covered 23 provinces, municipalities and autonomous regions in China as of the end of 2018. In the process of gradually covering the whole country, we will continue to focus on key strategies and districts. Of our contracted GFA, the "1+3" strategic area accounted for 94.9%.

Value-added services – 36.3% of total revenue and 40.0% of total gross profit

Value-added services are a symbol of diversification of traditional property service enterprises. Revenue from value-added services amounted to RMB418.0 million, representing an increase of 39.7% from RMB299.2 million in 2017, and the ratio of value-added services to total revenue increased from 34.5% to 36.3%. Value-added services have a higher gross profit margin than property management services, and the increase in their contribution to our revenue has brought us a more diversified and richer source of profit. Our value-added services are divided into three types: developer-related value-added services, community-related value-added services and professional services. Below, we will introduce the various value-added services in detail:

- *Developer-related value-added services – 25.7% of total revenue, 22.3% of total gross profit*

  Developer-related services were our fastest growing segment of the year, generating a revenue of RMB296.7 million, up 69.1% from RMB175.5 million in 2017. We mainly provide consulting services, sales office services and detail inspection services for developers, and Future Land Group is our largest customer in this business. As stated in our prospectus dated 24 October 2018 (the "**Prospectus**"), these services are important to the overall property development and sales process of our clients and contribute to the success and reputation of the developers. Generally speaking, developers who are strict with their own products will have the demand for this kind of service. The rapid growth in revenue for the full year of 2018 was mainly attributable to the performance of sales office services. Revenue of such services is tied to the sales of the developers we served (e.g. number of items on sale or number of sales offices). The cumulative contracted sales volume of Future Land Group for the period from January to December 2018 increased by approximately 74.8% as compared to the corresponding period of 2017, and the cumulative sales area increased by approximately 95.2% as compared to the corresponding period of 2017. The rapid growth of Future Land Group has contributed to the improvement of the performance of our business in this category.

- *Community-related value-added services – 4.2% of total revenue, 11.6% of total gross profit*

  Revenue from community-related value-added services amounted to RMB47.9 million, representing an increase of 10.6% as compared to RMB43.3 million in 2017. In 2018, only a small increase was achieved in this service, mainly due to the business restructuring during the year. In order to better tap the value of the currently managed community, we now divide the value-added services into four categories, strive to serve the entire life cycle of the community, and achieve full coverage in all forms. Four types of services are community public resources management, ready-to-move-in services, asset management services and Orange APP operations. After the listing, as we actively recruit the various types of business talents, we have seen some productive results in some business areas, and believe that the revenue growth rate of community-related value-added services will be on the right track in the future. Below we will introduce these four types of services in detail:

  - The revenue of the public resource management in the community mainly comes from the advertising revenue in the management project attributed to the property company. This year, we signed a strategic partnership agreement with Focus Media, a global pioneer in elevator media that will cover the vast majority of our elevator advertising in the future. Focus Media's high market share and a large number of existing customers make them have a high bidding ability, and cooperation with Focus Media can bring value to public resources in our mature communities.

- Ready-to-move-in service used to mainly serve the new community we took over. Owners of these communities often have needs for finishing and decoration after they get the new houses. We will take this opportunity to provide owners with brand furniture, appliances, decoration and other suppliers for their selection. In the second half of 2018, we strategically upgraded the business to become a branded product that enhances the owner's residential experience. In addition to the one-stop decoration and purchase of the new apartment, we have also introduced locally renovated loading products for self-management and control, which are aimed at products of rigid demand and used at home, such as balcony storage, bedroom cabinets, balcony window seals. We aim to serve owners of newly delivered houses as well as existing owners with renovation needs. We hope that this service will not only bring value to our owners in the new delivery phase, but will also be available to our owners over a longer period of time.

- Asset management is a new business category that we launched in the second half of 2018. It includes two major services, parking lot sales and secondary property renting and sales. Success has been initially achieved in parking lot sales. With the steady improvement of living standards, the per capita car ownership of residents is also gradually increasing. Statistics from the Ministry of Public Security show that by the end of 2018, there were 240 million vehicles in China, an increase of 22.85 million vehicles or 10.5% over 2017. Parking problems in some of the old communities have begun to emerge, and the demand for private car park is on the rise. In this case, we timely adjust the strategy, the original passive sales strategy will be adjusted to active selling. Accelerated sale of parking lot can help developers get their money back more quickly, so it's not only a very promising business category for us, but it also enhances our relationship with developers. In August 2018, we first tried out parking lot sales in Shanghai, and then gradually extended to Suzhou, Nanjing and other places. This year, under this business model, we sold 668 parking lots.

- Orange APP operations are our online sales business. In addition to operating close to the owner's daily life, we tried to add some products with high unit price and high gross profit during the year, such as fingerprint locks and water purifiers. On the one hand, we have a cost advantage in obtaining these products, while on the other hand, these products which improve the quality of life can better meet young owners' tastes and needs, who are the main force of Internet consumption.

- *Professional services – 6.4% of total revenue and 6.1% of total gross profit*

Revenue from professional services amounted to RMB73.3 million during the year, representing a decrease of 8.8% from RMB80.4 million in 2017. In the past, the focus of our professional services is mainly on the intelligent transformation of the old residential area. Now the new residential area will be equipped with the mature intelligent system before delivery, which leads to the bottleneck of our transformation business after undertaking the existing old residential areas. The popularity of intelligent equipment in residential areas is increasing; we believe that this is an unchangeable trend, penetrating professional services into the new residential areas of the intelligent field is imperative. In the fourth quarter of 2018, we have already taken the first step on the intelligent engineering business of the new residential area. Our intelligent company has successfully entered the supplier catalogue of the developers and participated in the intelligent engineering service of the residential area under construction, which is a large market opportunity for us.

FINANCIAL REVIEW

Revenue

Revenue amounted to RMB1,150.0 million for the year ended 31 December 2018, representing a year-on-year increase of 32.7% as compared to RMB866.4 million for the year ended 31 December 2017. The Group derives its revenue from two main businesses: (i) property management services and (ii) value-added services. In 2018, (i) property management services revenue remained as the Group's largest source of revenue and profit, amounting to RMB732.0 million, which accounted for 63.7% of the Group's revenue and represented year-on-year increase of 29.1% as compared to RMB567.2 million for the year of 2017; and (ii) revenue from value-added services amounted to RMB418.0 million, representing 36.3% of the Group's revenue. There is a year-on-year growth of 39.7% compared with the year of 2017, which maintained strong momentum of growth.

Cost of sales

Cost of sales for the year ended 31 December 2018 was RMB811.0 million, representing an increase of 29.9% as compared to RMB624.1 million for the corresponding period in 2017 and a slight decrease as compared to the Group's revenue growth of 32.7%. This is mainly due to the scale effect and management efficiency improvement brought about by the expansion of our management scale. In the mean time, the Group has been focusing and attaching great importance to the cost control.

Gross profit margin

– Gross profit amounted to RMB339.0 million for the year ended 31 December 2018, representing an increase of 39.9% as compared to RMB242.2 million for the year of 2017. Gross profit margin was 29.5%, up 1.5 percentage points from the corresponding period in 2017. The increase in gross profit margin was mainly due to the increase in gross profit margin of property management services and developer -related value-added services.

– Gross profit margin on property management services was 27.8% for the year ended 31 December 2018, up 2.5 percentage points from 25.3% in 2017. During the year, the Group's proportion of new projects under management continued to increase, which was the dominant factor contributing to the increase in gross profit margin of our property management services. In addition, with the expansion of management scale, the Group has spared no effort to provide property owners with a better service experience through the investment in intelligent equipment and the upgrading of management system. The Group continues to promote the standardized management system while rapidly expand the business nationwide. On the premise of customer satisfaction, the Group achieved excellent cost control capacity as well as quality assurance for its rapid expansion thanks to the establishment of automation, centralization, standardization management system.

– Gross profit margin was 25.5% for developer-related value-added services for the year ended 31 December 2018. The increase in gross profit margin by approximately 3.5% from 22.0% in 2017 was mainly attributable to 1) a significant increase in revenue from detail inspection services in 2018 compared with 2017 which carried a relatively higher gross profit margin; 2) revenue from on-site sales assistance services increased by approximately 88.2% as compared to revenue of RMB128.3 million in 2017, resulting in an increase in sales office management efficiency and gross profit margin due to the expansion of business scale and the promotion of standardized management system.

- Gross profit margin on community-related value-added services was 81.7% for the year ended 31 December 2018, down slightly from 85% in 2017. It is mainly due to the Group's increase in personnel cost for the purpose of talent reserve in respect of developing asset management business, resulting in the decrease of the gross profit margin.

- Gross profit margin of professional services was 28.2% for the year ended 31 December 2018, down 1% from 29.2% in 2017. This is mainly due to the decline in maintenance and repair business of elevators and intelligent equipment in residential areas with a relatively high gross profit, and the rise in the business proportion of new intelligent construction projects of developers with a relatively low gross profit.

Administrative expenses

The administrative expenses of the Group amounted to RMB144.4 million for the year ended 31 December 2018, representing an increase of 21.7% as compared to RMB118.6 million in 2017. The increase was mainly attributable to (i) the increase in the number of management personnel and the corresponding increase in staff expenses due to the rapid growth in revenue; and (ii) the substantial increase in professional fees paid to the sponsor, counsels, auditors and other professional parties for the Company's listing on the Stock Exchange as included in the listing fees.

As the Group has put its emphasis on improvement of management efficiency, the Group has launched various business management systems, including revenue management system, comprehensive budget management system and financial sharing center, resulting in the Group's administrative expenses growth rate lower than the Group's revenue growth rate in 2018.

Other gains/(losses)

Other gains include gains from foreign currency translation, while other losses include the loss on disposal of property, plant and equipment. The Group recorded a foreign currency translation gain of approximately RMB18.5 million in 2018, mainly due to the impact of the appreciation of the Hong Kong dollar against the Renminbi during the year.

Income tax

The income tax for the year ended 31 December 2018 amounted to RMB47.4 million, representing an increase of 122.6% as compared to RMB21.3 million for the year ended 31 December 2017, and the tax burden increased from 18.8% in 2017 to 22.5% in the current year. The increase in tax burden was mainly attributable to the increase in the income tax rate applicable to Tibet Xinchengyue Property Services Co., Ltd. ("**Tibet Xinchengyue**") from 18.5% for the year ended 31 December 2017 to 20.0% for the year ended 31 December 2018 due to the expiration of the exemption of income tax for local retention of income tax attributable to the local tax generated from the Company's head office in Tibet for the year ended 31 December 2017.

Under the rules and regulations of the Cayman Islands, the Group is exempted from income tax in the Cayman Islands.

For the Group entities incorporated in Hong Kong, as the Group did not derive any income subject to Hong Kong profits tax for the year ended 31 December 2018, accordingly, the Group did not make provision for Hong Kong profits tax.

The income tax provisions of the Group in respect of its operations in the mainland China have been calculated in accordance with existing applicable laws, interpretations and practices at the rate applicable to the assessable tax profits for the year. The statutory tax rate for the record period was 25%. After Tibet Xinchengyue, the principal operating subsidiary of the Group, moved its place of incorporation from Changzhou to Tibet on 17 December 2015, as part of its development strategy for the western region, its Tibet headquarters has adopted a preferential tax rate of 15% which is expected to expire in the year ended 31 December 2020. Tibet Xinchengyue has a number of branches throughout China. In accordance with the relevant tax laws and regulations, the Group has filed income tax returns by consolidating the taxable income of the Tibet headquarters and all its branches. 50% of the total taxable income is apportioned to the Tibet headquarters, which is subject to income tax at a rate of 15%, and the remaining 50% of the total taxable income is apportioned to branches, which are subject to income tax at a rate of 25%, resulting in an average applicable income tax rate of 20%. In addition, according to the Circular of "Announcement on the Distribution of the Implementation Policy concerning the Enterprise Income Tax in Tibet Autonomous Region Tax Policy (ZZF [2014] No. 51)", Tibet Xinchengyue was entitled to an exemption of income tax for local retention of income tax attributable to the local tax bureau generated from its head office in Tibet till 31 December 2017. As a result, the income tax rate applicable to Tibet Xinchengyue was further reduced to 18.5% from 17 December 2015 to 31 December 2017. According to the Corporate Income Tax Law, the corporate income tax rate applicable to entities located in mainland China and outside the Tibet Autonomous Region is 25%.

Profit for the year

For the year ended 31 December 2018, the profit of the Group was RMB163.2 million, representing an increase of 77.9% as compared to the corresponding period in 2017. Profits attributable to equity shareholders of the Company amounted to RMB150.4 million, representing an increase of 104.9% as compared to the corresponding period in 2017. Net profit margin (profit attributable to equity shareholders of the Company divided by revenue) was 13.1%, up 4.6 percentage points from 8.5% in the corresponding period of 2017. The increase in net profit margin was mainly attributable to the Group's rapid expansion in business and improved management efficiency and effective cost control, resulting in a 1.5 percentage points increase in gross profit margin and a 1.4 percentage points decrease in selling and marketing, and administrative expenses as a percentage of revenue in 2018 as compared to 2017. In addition, the Group recorded foreign exchange gains of approximately RMB18.5 million in 2018, which contributed approximately 1.6 percentage points to the increase in net profit margin.

Liquidity, Reserves and Capital Structure

The Group maintained a healthy financial position during the year ended 31 December 2018. Current assets amounted to RMB1,497.8 million as at 31 December 2018, representing an increase of 97.1% as compared to RMB759.8 million as at 31 December 2017. The Group's cash and cash equivalents amounted to RMB1,277.8 million, representing an increase of 101.7% as compared to RMB633.5 million as at 31 December 2017. The Company has abundant cash, bearing no bank loans and is in a net cash position. The current ratio was 2.2 at the end of 2018, which was at a robust level.

The Group's cash and cash equivalents as at 31 December 2018 amounted to RMB1,277.8 million in 2018, representing an increase of 101.7% as compared to RMB633.5 million at the end of 2017. This was mainly attributable to: (i) the increase in net cash from operating activities of RMB192.0 million; (ii) an increase of RMB429.9 million in financing activities; and (iii) exchange rate translation resulted in an increase of RMB18.5 million. Net cash inflow from operating activities remained stable and strong, contributing to a net inflow of approximately RMB192.0 million in 2018, which remained stable as compared to the year of 2017.

The Group's total equity amounted to RMB867.1 million as at 31 December 2018, representing an increase of approximately RMB678.1 million, or 358.8%, as compared to RMB189.0 million as at 31 December 2017. This is mainly due to the successful listing on the Stock Exchange in November 2018 with a fund of approximately RMB538.4 million raised and the accumulation of profits of the Company for the year 2018.

As all the Group's businesses are conducted in the mainland China, revenue and profits for the year ended 31 December 2018 were denominated in Renminbi. The major foreign currency source for the Group is the fundraising following the successful listing on the Stock Exchange during the year, all of which were in Hong Kong dollars. The Group is of the view that there is no significant foreign exchange risk.

Property, plant and equipment

Property, plant and equipment amounted to RMB8.3 million as at 31 December 2018, representing a decrease of 47% as compared to RMB15.6 million as at 31 December 2017. It is mainly because the Group ultimately terminated its purchase of a building in Tibet during the year ended 31 December 2018 of which the consideration was RMB7.5 million due to the fact that it had not obtained the relevant title certificates.

Trade receivables

Trade receivables amounted to RMB128.9 million as at 31 December 2018, representing an increase of 67.5% as compared to RMB76.9 million as at the end of 2017. The balances as at the end of both 2018 and 2017 remained within the range of 9%-11% as a percentage of total revenue although the increase percentage appears to be on a high level and exceeds the increase percentage in revenue. Trade receivables as a percentage of total assets decreased from 9.5% as at the end of 2017 to 8.3% as at 31 December 2018, demonstrating the Group's ability to control and enforce recovery of due amounts.

Prepayments, deposits and other receivables

Prepayments, deposits and other receivables mainly consists of other receivables due from property owners, utilities, operational prepayments and others. Prepayments, deposits and other receivables amounted to RMB82.5 million as at 31 December 2018, representing an increase of RMB36.8 million as compared to RMB45.7 million as at the end of 2017. The increase is mainly attributable to the significant increase in pre-paid utilities and project deposits as a result of the increase in number of projects under management.

Trade and other payables

Trade and other payables primarily include trade payables to third parties, other payables to third parties and other taxes payable. Trade payable to third parties mainly represents balances due to suppliers for the purchase of services and goods related to property management. Other amounts due to third parties mainly represent balances due to third parties resulted from an increase in special project funds (including elevator maintenance funds and public operation funds) received by us on behalf of all property owners. Other taxes payable include taxes other than income tax. As at 31 December 2018, trade and other payables amounted to RMB407.6 million, representing an increase of RMB62.3 million as compared to RMB345.3 million as at the end of 2017. The increase was mainly due to an increase in trade and other payables due to third parties and an increase in accrued salaries. Trade payables to third parties increased by 27.5% from RMB56.3 million as at 31 December 2017 to RMB71.8 million as at 31 December 2018, mainly due to an increase in outsourcing of gardening and cleaning services. Other amounts due to third parties increased by 13.5% from RMB214.6 million as at 31 December 2017 to RMB243.6 million as at 31 December 2018, mainly because of the increase in payments received on behalf of property owners, which was in line with the increase in the number of property under management. Our accrued salaries increased by 20.3% from RMB59.8 million as at 31 December 2017 to RMB72.0 million as at 31 December 2018, mainly because of the increase in the number of employees and salaries of employees.

Contract liabilities

Contract liabilities mainly representing customer advances for property management fee amounted to RMB248.8 million as at 31 December 2018, which increased 37.7% as compared to RMB180.7 million in 2017, and was substantially in line with the growth in revenue.

Proceeds from listing

The Company successfully listed on the Main Board of the Stock Exchange on 6 November 2018 with the issue of 220,000,000 new shares, with total net proceeds of approximately RMB538.4 million from the listing after deducting underwriting fees and related expenses. As at the date of this Annual Results Announcement, due to the Company's sound business operations and ample cash level, the Company has not utilised such fund according to the use as set out in the Prospectus.

The proceeds are to be used in the following manners:

– 60% for acquisition of property service companies and acquisition of property management projects (not utilised yet);

– Approximately 15% for expansion of our value-added services portfolio (not utilised yet);

– About 15% invested in advanced technology and employees to provide more efficient services to households (not utilised yet); and

– 10% for working capital and general business purposes (not utilised yet).

Dividend

The Board recommends the payment of a final dividend of RMB0.1 per share for the year ended 31 December 2018 from the share premium account and the retained earnings account. The final dividend is still subject to approval by the Shareholders at the forthcoming annual general meeting (the "**AGM**") to be held on 20 May 2019, and is expected to be paid on 31 May 2019 to the Shareholders whose names appear on the register of members of the Company as at 28 May 2019.

The proposed final dividend shall be declared in RMB and paid in Hong Kong dollars. The final dividend payable in Hong Kong dollars will be converted from RMB at the average middle rate of RMB to Hong Kong dollars as announced by the People's Bank of China for the business days during the period from 15 May 2019 to 20 May 2019.

Closure of the register of members

For the purpose of determining the Shareholders entitled to attend the AGM, the register of members of the Company will be closed from 15 May 2019 to 20 May 2019 (both days inclusive). To qualify for attendance at the AGM, all completed share transfer documents together with the relevant share certificates must be lodged for registration with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14 May 2019.

For the purpose of determining the Shareholders entitled to receive the final dividend, the register of members of the Company will also be closed from 24 May 2019 to 28 May 2019 (both days inclusive). In order to qualify for the final dividend, all completed share transfer documents together with the relevant share certificates must be lodged for registration with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 May 2019.

Corporate Governance Code

The Group is committed to maintaining a high level of corporate governance to safeguard Shareholders' interests and enhance corporate value and accountability. The Company has adopted the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own corporate governance code.

During the period from 6 November 2018 (the "**Listing Date**") until 31 December 2018, the Company complied with all the code provisions contained in the CG Code and adopted most of the recommended best practices contained therein except code provision A.2.1 which stipulates that the roles of chairman and chief executive should be separate and should not be performed by the same person. Mr. Qi Xiaoming is the Chairman and Chief Executive Officer of the Company, is responsible for overall management of the Group and guides the strategic development and business plan of the Group. In view of the current status of the Group's development, the Board considers that the same individual who performs two positions of Chairman and Chief Executive Officer can provide a strong and consistent leadership to the Company and be conducive to the implementation and execution of the Group's business strategy. Nevertheless, the Company will review the structure from time to time based on the prevailing circumstances. The Board will continue to evaluate the situation and consider the separation of the roles of Chairman and Chief Executive Officer when appropriate, taking into account the general conditions of the Group then. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

Model code for securities transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as the code of conduct for the securities transactions by Directors. After specific enquiries with all Directors, the Directors have confirmed that they have complied with the required standard set out in the Model Code from the Listing Date until 31 December 2018.

Purchase, sale or redemption of listed securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the period from the Listing Date to 31 December 2018.

Audit committee

The Board has established an Audit Committee (the "**Audit Committee**") comprising one non-executive Director, Mr. Lu Zhongming, and two independent non-executive Directors, Ms. Zhang Yan (Chairman) and Mr. Zhu Wei. The primary responsibility of the Audit Committee is to review and supervise the Company's financial reporting system, risk management and internal control.

The Audit Committee has reviewed with the management the accounting principles and practices adopted by the Group, and has reviewed the annual results for the year ended 31 December 2018.

This Annual Results Announcement is based on the Group's audited consolidated financial statements for the year ended 31 December 2018 as agreed with the auditors of the Company.

Publication of the Annual Results and 2018 Annual Report

This Annual Results Announcement is posted on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.xinchengyue.com) and the 2018 Annual Report containing all the information required under the Listing Rules will be sent to the Shareholders and posted on the respective websites of the Stock Exchange and the Company in due course.

By order of the Board
Xinchengyue Holdings Limited
Chairman
Executive Director
Chief Executive Officer
Qi Xiaoming

Hong Kong, 8 March 2019

As at the date of this announcement, the board of directors of the Company comprises Mr. Qi Xiaoming, Ms. Wu Qianqian and Mr. Lan Ziyong as executive Directors; Mr. Wang Zhenhua, Mr. Lv Xiaoping and Mr. Lu Zhongming as non-executive Directors; and Ms. Zhang Yan, Mr. Zhu Wei and Mr. Xu Xinmin as independent non-executive Directors.