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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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

### FINANCIAL SUMMARY

| | For the year ended 31 December | | |
|---|---|---|---|
| | **Year 2019** | Year 2018 | **Change** |
| Revenue *(RMB million)* | **5,127.3** | 3,376.7 | 51.8% |
| Gross profit *(RMB million)* | **1,882.9** | 1,289.9 | 46.0% |
| *Gross profit margin* | ***36.7%*** | *38.2%* | *-1.5 percentage points* |
| Net profit *(RMB million)* | **1,291.6** | 810.9 | 59.3% |
| *Net profit margin* | ***25.2%*** | *24.0%* | *1.2 percentage points* |
| Profit attributable to the Shareholders *(RMB million)* | **1,230.8** | 801.0 | 53.7% |
| Basic earnings per share *(RMB)* | **0.92** | 0.62 | 48.4% |
| Cash and cash equivalents *(RMB million)* | **4,207.3** | 4,808.0 | -12.5% |
| Operating cash flow *(RMB million)* | **1,600.1** | 883.2 | 81.2% |
| Proposed Annual Dividend per Share *(RMB)* | **0.45** | 0.30 | 50.0% |
| Proposed dividend payout ratio (including final and special dividends) | **48.7%** | 50.0% | |
| Total proposed Annual Dividend *(RMB million)* | **600.0** | 400.0 | 50.0% |

- For the year ended 31 December 2019, the Group recorded a revenue of RMB5,127.3 million, representing an increase of 51.8% as compared with the corresponding period of last year. During the Year, the revenue contributed by the three major business lines of the Group was as follows: (i) the revenue from property management services increased by 74.2% to RMB2,829.7 million as compared with the corresponding period of last year; (ii) the revenue from extended value-added services increased by 23.9% to RMB1,812.3 million as compared with the corresponding period of last year; and (iii) the revenue from community value-added services increased by 68.1% to RMB485.3 million as compared with that of the same period last year.

- During the Year, the Group recorded (i) a gross profit of RMB1,882.9 million, representing an increase of 46.0% as compared with the corresponding period of last year, and a gross profit margin of 36.7%, representing a year-on-year decrease of 1.5 percentage points; (ii) a profit attributable to the Shareholders amounting to RMB1,230.8 million, representing an increase of 53.7% as compared with the corresponding period of last year; (iii) a net profit margin of 25.2%, representing a year-on-year increase of 1.2 percentage points; and (iv) a basic earnings per share of RMB0.92.

- As of 31 December 2019, the Group's cash and cash equivalents amounted to RMB4,207.3 million, representing a decrease of RMB600.7 million, or a year-on-year decrease of 12.5%, as compared with 31 December 2018. During the year ended 31 December 2019, the operating cash inflow was RMB1,600.1 million, representing a year-on-year increase of 81.2%.

- Taking into account the Group's business development needs and the Shareholders' investment returns, the Board proposed a final dividend of RMB0.225 per share (before tax) and a special dividend of RMB0.225 per share (before tax) for the year of 2019, which constitutes a total Annual Dividend of RMB0.45 per share, representing a year-on-year increase of 50.0% and a dividend payout ratio of 48.7%.

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Year ended 31 December | |
|---|---|---|---|
| | *Note* | **2019** | 2018 |
| | | ***RMB'000*** | *RMB'000* |
| **Revenue** | *4* | **5,127,293** | 3,376,749 |
| Cost of sales | | **(3,244,433)** | (2,086,808) |
| **Gross profit** | | **1,882,860** | 1,289,941 |
| Selling and marketing expenses | | **(43,103)** | (45,951) |
| Administrative expenses | | **(294,976)** | (302,246) |
| (Impairment losses)/reversal of losses on financial assets | | **(12,236)** | 2,750 |
| Other income | *5* | **131,126** | 100,469 |
| Other gains – net | *6* | **24,484** | 31,317 |
| **Operating profit** | | **1,688,155** | 1,076,280 |
| Finance expenses | *7* | **(16,348)** | (917) |
| Share of post-tax profits of joint ventures and associates | | **22,635** | – |
| **Profit before income tax** | | **1,694,442** | 1,075,363 |
| Income tax expenses | *8* | **(402,854)** | (264,484) |
| **Profit and total comprehensive income for the year** | | **1,291,588** | 810,879 |
| Profit and total comprehensive income attributable to: | | | |
| – Shareholders of the Company | | **1,230,764** | 801,045 |
| – Non-controlling interests | | **60,824** | 9,834 |
| | | **1,291,588** | 810,879 |
| **Earnings per share (expressed in RMB per share)** | | | |
| – Basic and diluted earnings per share | *9* | **0.92** | 0.62 |

## CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|---|---|---|---|
| | *Note* | **2019** | 2018 |
| | | ***RMB'000*** | *RMB'000* |
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | *10* | **159,306** | 80,006 |
| Right-of-use assets | | **24,620** | – |
| Other intangible assets | *11* | **384,456** | 166,448 |
| Goodwill | *11* | **1,370,928** | 1,045,362 |
| Deferred income tax assets | | **9,836** | 15,629 |
| Investment accounted for using the equity method | | **583,634** | 422 |
| Financial assets at fair value through profit or loss | | **170** | – |
| | | **2,532,950** | 1,307,867 |
| **Current assets** | | | |
| Trade and other receivables | *12* | **2,189,347** | 1,164,913 |
| Inventories | | **12,364** | 15,190 |
| Financial assets at fair value through profit or loss | | **440,211** | – |
| Restricted cash | | **5,383** | 586 |
| Cash and cash equivalents | | **4,207,260** | 4,807,993 |
| | | **6,854,565** | 5,988,682 |
| **Total assets** | | **9,387,515** | 7,296,549 |

**CONSOLIDATED BALANCE SHEET (CONTINUED)**

| | *Note* | As at 31 December **2019** ***RMB'000*** | 2018 *RMB'000* |
|---|---|---|---|
| **Equity** | | | |
| **Equity attributable to shareholders of the Company** | | | |
| Share capital | *13* | **1,333,334** | 1,333,334 |
| Reserves | *14* | **3,271,410** | 3,265,887 |
| Retained earnings | | **1,586,100** | 823,119 |
| | | **6,190,844** | 5,422,340 |
| **Non-controlling interests** | | **314,841** | 87,697 |
| **Total equity** | | **6,505,685** | 5,510,037 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Other payables | *15* | **18,524** | 23,656 |
| Borrowings | | **5,400** | – |
| Lease liabilities | | **13,344** | – |
| Deferred income tax liabilities | | **83,974** | 36,562 |
| Financial liabilities for put option written on non-controlling interests | | **70,436** | – |
| | | **191,678** | 60,218 |
| **Current liabilities** | | | |
| Trade and other payables | *15* | **1,738,456** | 1,168,900 |
| Borrowings | | **15,900** | – |
| Contract liabilities | *4(a)* | **614,005** | 365,499 |
| Current income tax liabilities | | **309,600** | 191,895 |
| Lease liabilities | | **12,191** | – |
| | | **2,690,152** | 1,726,294 |
| **Total liabilities** | | **2,881,830** | 1,786,512 |
| **Total equity and liabilities** | | **9,387,515** | 7,296,549 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

The Company was established in the People's Republic of China (the "PRC") on 26 June 1997. On 21 July 2017, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company's registered office is Management Building, Xingye Road, Agile Garden, Sanxiang Town, Zhongshan, Guangdong Province, PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 9 February 2018.

The Company's parent company is Zhongshan A-Living Enterprise Management Services Co., Ltd, an investment holding company established in the PRC, and its ultimate holding company is Agile Group Holdings Limited, a company incorporated in the Cayman Islands and its shares are listed on the Stock Exchange.

The Company and its subsidiaries (together the "Group") are primarily engaged in the provision of property management services and related value-added services in the PRC.

These financial statements are presented in Renminbi, unless otherwise stated.

## 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

#### *(i) Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and requirements of the Hong Kong Companies Ordinance Cap. 622 ("HKCO").

#### *(ii) Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for the following:

- certain financial assets and liabilities (including derivative instruments)

#### *(iii) New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2019:

- HKFRS 16 Leases
- Prepayment Features with Negative Compensation – Amendments to HKFRS 9
- Long-term Interests in Associates and Joint Ventures – Amendments to HKAS 28

- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Plan Amendment, Curtailment or Settlement – Amendments to HKAS 19
- Interpretation 23 Uncertainty over Income Tax Treatments.

The Group had to change its accounting policies as a result of adopting HKFRS 16. The Group elected to adopt the new rules retrospectively but recognised the cumulative effect of initially applying the new standard on 1 January 2019. This is disclosed in note 2.2. Most of the other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

***(iv) New standards and interpretations not yet adopted***

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2019 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

| | |
|---|---|
| • Definition of Material – Amendments to HKAS 1 and HKAS 8 | 1 January 2020 |
| • Definition of a Business – Amendments to HKFRS 3 | 1 January 2020 |
| • Revised Conceptual Framework for Financial Reporting | 1 January 2020 |
| • HKFRS 17 Insurance Contracts | 1 January 2021 (likely to be extended to 1 January 2022) |

## 2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 16 Leases on the Group's financial statements.

As indicated in note 2.1 above, the Group has adopted HKFRS 16 Leases retrospectively from 1 January 2019, but has not restated comparatives for the 2018 reporting period, as permitted under the specific transition provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.75%.

***(i) Practical expedients applied***

In applying HKFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases with reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 January 2019

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases

- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application, and

- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying HKAS 17 and Interpretation 4 Determining whether an Arrangement contains a Lease.

***(ii) Measurement of lease liabilities***

| | **2019** |
|---|---|
| | ***RMB'000*** |
| Operating lease commitments disclosed as at 31 December 2018 (Audited) | **39,344** |
| Discounted using the lessee's incremental borrowing rate at the date of initial application | **37,317** |
| Less: short-term leases recognised on a straight-line basis as expense | **(1,501)** |
| Less: low-value leases recognised on a straight-line basis as expense | **(1,573)** |
| Less: contracts reassessed as service agreements | **(12,986)** |
| **Lease liability recognised as at 1 January 2019** | **21,257** |
| Of which are: | |
| Current lease liabilities | **15,316** |
| Non-current lease liabilities | **5,941** |
| | **21,257** |

***(iii) Measurement of right-of-use assets***

All right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 December 2018.

***(iv) Adjustments recognised in the balance sheet on 1 January 2019***

The change in accounting policy affected the following items in the consolidated balance sheet on 1 January 2019:

- right-of-use assets – increase by RMB21,257,000

- lease liabilities – increase by RMB21,257,000

There is no impact on retained earnings on 1 January 2019.

***(v) Lessor accounting***

The Group did not need to make any adjustments to the accounting for assets held as lessor under operating leases as a result of the adoption of HKFRS 16.

## 3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the 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 years ended 31 December 2019 and 2018, the Group was principally engaged in the provision of property management services and related value-added services, including pre-delivery services, household assistance services, property agency services and other services, in the PRC.

All the acquired subsidiaries were principally engaged in the provision of property management services and related value-added services. After acquisition, management reviews the operating results of the business of the acquired subsidiaries and the original business to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there are several operating segments, which are used to make strategic decisions.

For the year ended 31 December 2019, all the segments are domiciled in the PRC and all the revenue are derived in the PRC, and the segments are principally engaged in the provision of similar services to similar customers. All operating segments of the Group were aggregated into a single operating segment.

As at 31 December 2019, all of the assets were located in the PRC except bank deposits of HK$22,153,000 and RMB276,442,000 in Hong Kong.

## 4 REVENUE

Revenue mainly comprises proceeds from property management services and related value-added services. An analysis of the Group's revenue by category for the years ended 31 December 2019 and 2018 is as follows:

| | **Timing of revenue recognition** | **Year ended 31 December** **2019** ***RMB'000*** | 2018 *RMB'000* |
|---|---|---|---|
| Property management services | over time | **2,829,662** | 1,624,835 |
| Value-added services related to property management | | | |
| – Other value-added services | over time | **2,286,452** | 1,747,719 |
| – Sales of goods, parking lots and shops | at a point in time | **11,179** | 4,195 |
| | | **5,127,293** | 3,376,749 |

**(a) Contract liabilities**

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

| | **As at 31 December 2019** *RMB'000* |
|---|---|
| Contract liabilities | |
| – Related parties | **91,430** |
| – Third parties | **522,575** |
| | **614,005** |

(i) 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.

(ii) Revenue recognised in relation to contract liabilities

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

**Revenue recognised that was included in the balance of contract liabilities as at 1 January**

| | **2019** ***RMB'000*** | 2018 *RMB'000* |
|---|---|---|
| Property management services | **316,971** | 254,602 |
| Value-added services | **3,477** | 2,622 |
| | **320,448** | 257,224 |

(iii) Unsatisfied performance obligations

For property management services and part of value-added services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management services contracts do not have a fixed term.

For value-added services related to property management, they are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts.

**(b) Assets recognised from incremental costs to obtain a contract**

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

## 5 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Interest income | **103,347** | 92,775 |
| Tax incentives (Note (a)) | **12,988** | – |
| Government grants (Note (b)) | **9,922** | 4,263 |
| Late payment charges | **2,526** | 2,562 |
| Miscellaneous | **2,343** | 869 |
| | **131,126** | 100,469 |

(a) Tax incentives mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries from 1 April 2019 to 31 December 2019.

(b) Government grants, consisted mainly of financial subsidies granted by the local governments.

## 6 OTHER GAINS – NET

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Gains on disposal of financial assets at fair value through profit or loss | **18,503** | – |
| Exchange gains | **6,506** | 16,890 |
| Gains/(losses) on disposal of property, plant and equipment | **444** | (214) |
| Fair value losses on financial assets at fair value through profit or loss – net | **(969)** | – |
| Gains on forward exchange contract | **–** | 14,641 |
| | **24,484** | 31,317 |

## 7 FINANCE EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| – Fair value loss on financial liabilities for put option written on non-controlling interests | **8,257** | – |
| – Interest expense of amortisation of long-term consideration | **4,275** | 541 |
| – Interest expense of short-term borrowings | **2,160** | 376 |
| – Interest and finance charges paid/payable for lease liabilities | **1,656** | – |
| | **16,348** | 917 |

## 8 INCOME TAX EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Current income tax | | |
| – PRC corporate income tax | **403,090** | 272,983 |
| Deferred income tax | | |
| – PRC corporate income tax | **(236)** | (8,499) |
| | **402,854** | 264,484 |

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:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Profit before income tax | **1,694,442** | 1,075,363 |
| Tax charge at effective rate applicable to profits in the respective group entities | **398,001** | 258,250 |
| Tax effects of: | | |
| – Expenses not deductible for tax purposes | **3,701** | 2,907 |
| – Reversal of deferred tax assets recognised for tax losses in prior years | **2,974** | 1,001 |
| – Associates' and joint ventures' results reported net of tax | **(3,805)** | – |
| – Tax losses for which no deferred income tax asset was recognised | **1,983** | 2,326 |
| | **402,854** | 264,484 |

The effective income tax rate was 24% for the year ended 31 December 2019 (2018: 25%).

**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 year, based on the existing legislation, interpretations and practices in respect thereof.

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

In 2018, Guangzhou Yatian Network Technology Co., Ltd obtained the Certificate of High-Tech Corporation with valid period from 2017 to 2019. According to the Corporation Income Tax Law of the PRC, corporations which obtain the Certificate of High-Tech Corporation are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. Zhuhai Hengqin Yaheng Engineering Consultancy Co., Ltd has enjoyed a preferential policy in Zhuhai Hengqin (Free Trade Area) with an enterprise income tax rate of 15%. Certain subsidiaries of the Group in the PRC are located in western cities, and they are subject to a preferential income tax rate of 15% in certain years.

**Hong Kong income tax**

No Hong Kong profits tax was applicable to the Group for the year ended 31 December 2019. The Group had two subsidiaries incorporated in Hong Kong. No Hong Kong profits tax was provided for those two Hong Kong subsidiaries as there was no estimated assessable profits that was subject to Hong Kong profits tax during the year ended 31 December 2019 (2018: Nil).

## 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 years ended 31 December 2019 and 2018.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2019 and 2018. Diluted earnings per share is equal to basic earnings per share.

| | **Year ended 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| Profit attributable to Shareholders of the Company *(RMB'000)* | **1,230,764** | 801,045 |
| Weighted average number of ordinary shares deemed to be in issue (in thousands) | **1,333,334** | 1,296,667 |
| Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share) | **0.92** | 0.62 |

## 10 PROPERTY, PLANT AND EQUIPMENT

| | Buildings<br>*RMB'000* | Transportation equipment<br>*RMB'000* | Office equipment<br>*RMB'000* | Machinery<br>*RMB'000* | Total<br>*RMB'000* |
|---|---|---|---|---|---|
| **As at 1 January 2018** | | | | | |
| 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** | 47,550 | 4,190 | 4,341 | 14,623 | 70,704 |
| **Year ended 31 December 2018** | | | | | |
| Opening net book amount | 47,550 | 4,190 | 4,341 | 14,623 | 70,704 |
| Additions | 352 | 4,365 | 8,114 | 6,403 | 19,234 |
| Acquisition of subsidiaries | – | 290 | 953 | 402 | 1,645 |
| Disposals | – | (25) | (86) | (1,345) | (1,456) |
| Depreciation charge | (1,703) | (2,030) | (1,815) | (4,573) | (10,121) |
| **Closing net book amount** | 46,199 | 6,790 | 11,507 | 15,510 | 80,006 |
| **As at 31 December 2018** | | | | | |
| Cost | 65,101 | 17,484 | 20,252 | 35,253 | 138,090 |
| Accumulated depreciation | (18,902) | (10,694) | (8,745) | (19,743) | (58,084) |
| **Net book amount** | 46,199 | 6,790 | 11,507 | 15,510 | 80,006 |
| **Year ended 31 December 2019** | | | | | |
| Opening net book amount | 46,199 | 6,790 | 11,507 | 15,510 | 80,006 |
| Additions | 88 | 3,586 | 1,756 | 9,232 | 14,662 |
| Acquisition of subsidiaries | 59,704 | 4,639 | 354 | 21,943 | 86,640 |
| Disposals | – | (529) | (564) | (1,668) | (2,761) |
| Depreciation charge | (4,067) | (3,590) | (2,752) | (8,832) | (19,241) |
| **Closing net book amount** | 101,924 | 10,896 | 10,301 | 36,185 | 159,306 |
| **As at 31 December 2019** | | | | | |
| Cost | 124,868 | 23,914 | 21,625 | 62,368 | 232,775 |
| Accumulated depreciation | (22,944) | (13,018) | (11,324) | (26,183) | (73,469) |
| **Net book amount** | 101,924 | 10,896 | 10,301 | 36,185 | 159,306 |

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

| | **Year ended 31 December** | |
|---|---|---|
| | **2019**<br>***RMB'000*** | 2018<br>*RMB'000* |
| Cost of sales | **7,858** | 6,733 |
| Selling and marketing expenses | **604** | 1,483 |
| Administrative expenses | **10,779** | 1,905 |
| | **19,241** | 10,121 |

## 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 1 January 2018** | | | | | | |
| 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 |
| **Year ended 31 December 2018** | | | | | | |
| Opening net book amount | 21,916 | 16,200 | 72,187 | 110,303 | 918,967 | 1,029,270 |
| Additions | 1,891 | – | – | 1,891 | – | 1,891 |
| Acquisition of subsidiaries | 296 | 10,400 | 66,860 | 77,556 | 126,395 | 203,951 |
| Amortisation | (2,367) | (4,293) | (16,642) | (23,302) | – | (23,302) |
| **Closing net book amount** | 21,736 | 22,307 | 122,405 | 166,448 | 1,045,362 | 1,211,810 |
| **As at 31 December 2018** | | | | | | |
| Cost | 27,919 | 28,400 | 143,860 | 200,179 | 1,045,362 | 1,245,541 |
| Accumulated amortisation | (6,183) | (6,093) | (21,455) | (33,731) | – | (33,731) |
| **Net book amount** | 21,736 | 22,307 | 122,405 | 166,448 | 1,045,362 | 1,211,810 |
| **Year ended 31 December 2019** | | | | | | |
| Opening net book amount | 21,736 | 22,307 | 122,405 | 166,448 | 1,045,362 | 1,211,810 |
| Additions | 4,087 | – | – | 4,087 | – | 4,087 |
| Acquisition of subsidiaries (Note (a)) | 1,364 | – | 260,990 | 262,354 | 325,566 | 587,920 |
| Amortisation | (3,121) | (4,641) | (40,671) | (48,433) | – | (48,433) |
| **Closing net book amount** | 24,066 | 17,666 | 342,724 | 384,456 | 1,370,928 | 1,755,384 |
| **As at 31 December 2019** | | | | | | |
| Cost | 33,370 | 28,400 | 404,850 | 466,620 | 1,370,928 | 1,837,548 |
| Accumulated amortisation | (9,304) | (10,734) | (62,126) | (82,164) | – | (82,164) |
| **Net book amount** | 24,066 | 17,666 | 342,724 | 384,456 | 1,370,928 | 1,755,384 |

Amortisation of intangible assets has been charged to the consolidated statement of comprehensive income as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Cost of sales | **46,618** | 21,322 |
| Selling and marketing expenses | **25** | 212 |
| Administrative expenses | **1,790** | 1,768 |
| | **48,433** | 23,302 |

(a) During the year ended 31 December 2019, the Group acquired several property management companies. Total identifiable net assets of these entities acquired as at their respective acquisition dates were amounted to RMB423,889,000, including identified customer relationships of RMB260,990,000 recognised by the Group.

The excess of the consideration transferred over the fair value of the identifiable net assets attributable to the Group is recorded as goodwill.

## 12 TRADE AND OTHER RECEIVABLES

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Trade receivables *(Note (a))* | | |
| – Related parties | **708,447** | 507,646 |
| – Third parties | **612,246** | 342,766 |
| | **1,320,693** | 850,412 |
| Less: allowance for impairment of trade receivables | **(44,169)** | (21,385) |
| | **1,276,524** | 829,027 |
| Other receivables | | |
| – Related parties | **79,874** | 70,669 |
| – Third parties | **301,205** | 232,736 |
| | **381,079** | 303,405 |
| Less: allowance for impairment of other receivables | **(7,502)** | (3,472) |
| | **373,577** | 299,933 |
| Prepayments | | |
| – Related parties | **436** | – |
| – Third parties *(Note (b))* | **522,943** | 35,953 |
| | **523,379** | 35,953 |
| Dividend receivables | **15,867** | – |
| | **2,189,347** | 1,164,913 |

(a) Trade receivables mainly represented the receivables of outstanding property management service fee 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 fee collection rate of the customers in estimating the future cash flows from the receivables.

(b) The prepayments of third parties mainly included a prepayment of RMB468,000,000 for the acquisition of 60% equity interest in CMIG Futurelife Property Management Limited (中民未來物業服務有限公司).

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

| | **As at 31 December** | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| 0–180 days | **774,828** | 556,855 |
| 181–365 days | **285,351** | 142,015 |
| 1 to 2 years | **166,593** | 101,565 |
| 2 to 3 years | **56,132** | 24,557 |
| Over 3 years | **37,789** | 25,420 |
| | **1,320,693** | 850,412 |

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at 31 December 2019, a provision of RMB44,169,000 was made against the gross amounts of trade receivables (2018: RMB21,385,000).

## 13 SHARE CAPITAL

| | **As at 31 December** | | **As at 31 December** | |
|---|---|---|---|---|
| | **2019** | 2018 | **2019** | 2018 |
| | ***shares*** | *shares* | ***RMB'000*** | *RMB'000* |
| Issued and fully paid | **1,333,334,000** | 1,333,334,000 | **1,333,334** | 1,333,334 |

### (a) Movements in ordinary shares

| | **Number of ordinary shares** | **Share capital** |
|---|---|---|
| | *(thousands)* | *RMB'000* |
| Opening balance as at 1 January 2018 | 1,000,000 | 1,000,000 |
| Issue of H shares *(Note (i))* | 333,334 | 333,334 |
| Balance as at 31 December 2018 | 1,333,334 | 1,333,334 |
| Balance as at 31 December 2019 | 1,333,334 | 1,333,334 |

(i) 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. Gross proceeds from the issue amounted to HK$4,100,008,000 (equivalent to RMB3,313,422,000). After deducting the underwriting fees and relevant expenses, net proceeds from the issue amounted to RMB3,199,343,000, among of which, RMB333,334,000 was recorded as share capital and RMB2,866,009,000 was recorded as share premium.

## 14 RESERVES

| | Statutory reserve *RMB'000* | Share premium *RMB'000* | Other reserve *RMB'000* | Total *RMB'000* |
|---|---|---|---|---|
| **As at 1 January 2018** | 33,524 | 272,044 | 67,975 | 373,543 |
| Issue of H shares | – | 2,866,009 | – | 2,866,009 |
| Appropriation of statutory reserves *(Note (a))* | 26,335 | – | – | 26,335 |
| **As at 31 December 2018** | 59,859 | 3,138,053 | 67,975 | 3,265,887 |
| Appropriation of statutory reserves *(Note (a))* | 67,783 | – | – | 67,783 |
| Transaction with non-controlling interests | – | – | (81) | (81) |
| Put options granted during the acquisition of subsidiaries | – | – | (62,179) | (62,179) |
| **As at 31 December 2019** | **127,642** | **3,138,053** | **5,715** | **3,271,410** |

### (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

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Trade payables *(Note (a))* | | |
| – Related parties | **5,766** | 7,333 |
| – Third parties | **493,826** | 306,051 |
| | **499,592** | 313,384 |
| Other payables | | |
| – Related parties | **55,443** | 40,755 |
| – Third parties | **706,499** | 487,265 |
| | **761,942** | 528,020 |
| Accrued payroll | **384,102** | 274,974 |
| Other taxes payables | **111,344** | 76,178 |
| | **1,756,980** | 1,192,556 |
| Less: non-current portion of other payables *(Note (b))* | **(18,524)** | (23,656) |
| Current portion | **1,738,456** | 1,168,900 |

(a) As at 31 December 2019 and 2018, the aging analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date were as follows:

| | As at 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Up to 1 year | **455,734** | 283,634 |
| 1 to 2 years | **32,709** | 21,379 |
| 2 to 3 years | **3,996** | 2,864 |
| Over 3 years | **7,153** | 5,507 |
| | **499,592** | 313,384 |

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

(b) Non-current portion of trade and other payables primarily represent the consideration payable for the acquisition of Nanjing Zizhu Property Management Services Co., Ltd., Lanzhou Chengguan Property Services Group Co., Ltd and Qingdao Huaren Property Co., Ltd to be settled beyond one year from 31 December 2019.

## 16 DIVIDENDS

| | Year ended 31 December | |
|---|---|---|
| | **2019** | 2018 |
| | ***RMB'000*** | *RMB'000* |
| Proposed Annual Dividend comprised of a final dividend of RMB0.225 (2018: RMB0.15) per ordinary share and a special dividend of RMB0.225 (2018: RMB0.15) per ordinary share *((Note (a))* | **600,000** | 400,000 |
| Special dividend of 2017 *(Note (b))* | **–** | 50,000 |
| | **600,000** | 450,000 |

(a) A final dividend of RMB0.225 per share and a special dividend of RMB0.225 per share for the year ended 31 December 2019 (collectively the "Annual Dividend"), totalling RMB600,000,000 have been proposed by the Board of the Company and are subject to the approval of the forthcoming annual general meeting to be held on 15 May 2020. The Annual Dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected the Annual Dividend payable.

A final dividend of RMB0.15 per share and a special dividend of RMB0.15 per share for the year ended 31 December 2018, totalling RMB400,000,000 were declared at the annual general meeting on 28 May 2019. These dividends have been distributed out of the Company's retained earnings.

(b) A special dividend in respect of 2017 of RMB50,000,000 was declared by the Company to the then shareholders at the Board Meeting on 15 January 2018. The special dividend of 2017 has been distributed out of the Company's retained earnings.

## CHAIRMAN'S STATEMENT

Dear shareholders,

We are pleased to present the audited consolidated results of A-Living Services Co., Ltd. ("**A-Living**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2019 (the "**Year**").

In 2019, property management, as an encouraged industry in the People's Republic of China ("**China**" or the "**PRC**"), had booming growth and enjoyed loose guiding policy on property management fee in many cities, coupled with "people's desire for better life" which requires more professional and higher quality property management services, all of which have provided strong momentum to the growth of the industry. Through the alliance between leading enterprises and by leveraging financial platforms, leading players are now enjoying the advantage of "strong ones becoming stronger" as the market concentration is on the rise of the industry. During the Year, the Group devoted itself to improving its "quality, scale and efficiency". Based on its advantage in providing management services to residential properties, the Group expanded horizontally into a property management platform with diversified business portfolio through quality mergers and acquisitions ("**M&A**"), as well as expansion into projects from third-party developers, and sustained rapid growth in the scale of properties under management. At the same time, the Group explored vertically the needs of property owners to scale up community value-added services by making full use of its own advantages. With its leading scale and brand strength, the Group ranked 7$^{th}$ in the "2019 Top 100 Property Management Companies in China" by China Index Academy. The Group has also been included in the Hang Seng Composite Index, eligible stocks for Shenzhen-Hong Kong Stock Connect and MSCI China Index and has won a number of authoritative awards dedicated to listed companies attributable to its comprehensive and transparent communications as well as outstanding performance in the capital market.

### Business Review

2019 was a milestone year for A-Living in its history. Through optimising the structure and business lines, the Group had four major business segments, namely "property management services", "asset management services", "public services" and "community commercial services". Seven regional offices were formed and created synergies with acquired companies and joint ventures. During the Year, the Group announced the biggest-ever M&A deal in the property management industry to date to fill the gaps in different regions and business portfolios. The scale and profitability of the Group experienced leapfrogging growth and all performance indicators were accomplished, resulting in a successful conclusion of the Group's three-year plan from 2017 to 2019. The revenue and net profit of the Group recorded a compound annual growth rate of 70.6% and 107.4% respectively from 2017 to 2019.

During the Year, the revenue of the Group was RMB5,127.3 million, representing an increase of 51.8% as compared with the corresponding period in the last year. Gross profit was RMB1,882.9 million, representing a year-on-year increase of 46.0%. Gross profit margin was 36.7%, representing a decrease of 1.5 percentage points year-on-year. Net profit was RMB1,291.6 million, representing a year-on-year increase of 59.3%. Net profit margin was 25.2%, representing an increase of 1.2 percentage points year-on-year. Profit attributable to the shareholders of the Company (the "**Shareholders**") amounted to RMB1,230.8 million, representing a year-on-year increase of 53.7%. The basic earnings per share amounted to RMB0.92.

During the Year, with support from the Shareholders, the Group implemented a multi-brand development strategy, among which the Group continued to stably undertake the gross floor area ("**GFA**") respectively from Agile Group (as defined below) and Greenland Holdings (as defined below) under the brands of "Agile Property Management" and "Greenland Property Services". Capitalising on its brand strength and extensive experience, the Group put great efforts in exploring the markets of third-party developers, while expanding its scale rapidly and consolidating its market leading position through investment, M&A, and participating mixed-ownership reform of state-owned enterprises ("**SOEs**").

During the Year, the Group completed the acquisition of the shares of Qingdao Huaren Property Co., Ltd. ("**Qingdao Huaren**"), and the respective equity interests in Harbin Jingyang Property Management Co., Ltd. ("**Harbin Jingyang**"), Lanzhou Chengguan Property Services Group Co., Ltd. ("**Lanzhou Chengguan**") and Guangzhou Yuehua Property Co., Ltd. ("**Guangzhou Yuehua**"), and further expanded the industrywide and nationwide business coverage. In September 2019, the Group announced the acquisition of 60% equity interest in CMIG Futurelife Property Management Limited ("**CMIG PM**") and Minrui Property Management (Shanghai) Co., Ltd. ("**New CMIG PM**"), recording the largest M&A deal in the property management industry to date. During the Year, the Group carried out systematic post-integration works for its acquired enterprises. In accordance with the needs of such enterprises, the Group empowered them in the aspects of information system, management efficiency and expansion capability through sharing the resources. An in-depth integration in terms of management, business and corporate culture was realised, which effectively improved the management efficiency and facilitated the growth in scale and profitability of the acquired companies.

With a focus on economically developed and promising regions, the Group developed a diversified business portfolio and expanded its business in various types of buildings. In addition, given its outstanding brand strength and service quality, the Group has enjoyed premium pricing for its services. Thus, the Group managed to improve the property management fee as well as the service quality of the newly obtained projects from third-party developers during the Year. The Group has actively participated in the mixed-ownership reform of SOEs to explore the development model of mixed-ownership in property management services. The Group cooperated with Lanzhou Lanshi Group Co., Ltd.* (蘭州蘭石集團有限公司) to implement mixed-ownership reform in a SOE, namely Lanzhou Lanshi A-Living Property Management Services Co., Ltd.* (蘭州蘭石雅生活物業服務有限公司), taking the first step of mixed-ownership reform of state-owned property management enterprise in Gansu Province. It was also recognised as a demonstration project of comprehensive reform in Gansu province. Capitalising on the extensive experience, professional services and outstanding reputation of the acquired companies, the public services segment witnessed a strong growth momentum during the Year. The Group obtained several large-scale benchmarking projects in this segment, which further enhanced its influence in the niche markets. In respect of high-end commercial and office buildings, the Group won the bids for super high-rise city landmark office building projects such as the Gate of Hangzhou (杭州之門) and achieved a breakthrough in terms of obtaining third-party projects.

As of 31 December 2019, the GFA under management and contracted GFA of the Group were 234.0 million sq.m. and 356.2 million sq.m. in total, respectively, among which, the contracted GFA from 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**") amounted to 77.1 million sq.m. and 40.1 million sq.m., respectively, representing an increase of 9.5% and 81.9% respectively as compared with that as of 31 December 2018. The contracted GFA from these two shareholders accounted for 32.9% of the total contracted GFA. The contracted GFA from third-party developers (including contribution from M&A) amounted to 239.1 million sq.m. in total, representing an increase of 74.0% as compared with that as of 31 December 2018, accounting for 67.1% of the total contracted GFA.

Through professional operation of the community commercial services segment and adopting a flexible business model, coupled with reasonable incentive mechanism, the Group has developed a community economic ecosphere centered on the residents, houses, vehicles and public resources in the communities. During the Year, through organising and sorting out community resources and introducing high quality suppliers, the utilisation rate of community resources was significantly improved. A foundation was laid for the further development of community value-added services following progressive integration of the resources from acquired enterprises. Meanwhile, considering the property owners' needs and pursuit of a better life, the Group innovated small-scaled yet dedicated value-added services and products, and built Lexianghui (樂享薈) as a 360-degree community value-added service system, which comprises a total of 12 service and product lines.

2019 was the "Year of Standard Establishment". The Group managed to take the quality of its property management services to the next level by providing attentive, meticulous and thoughtful property management services and adopting scientific, systematic and standardized management methods. As of 31 December 2019, the overall collection rate of the Group's residential projects (excluding those from M&A) maintained at a high level of 94.9%. According to the statistics from China Index Academy, a third-party authority, the overall satisfaction rate of the Group's property management services in 2019 was 90.5% (excluding M&A), representing an increase of 0.4 percentage points as compared with that in 2018, far higher than the industry average and benchmarking levels of 73.1% and 85.5% respectively. In particular, the Group's steward services and community cultural activities were highly appreciated by property owners. The Group's nationwide 400 Hotline Call Center received over 500,000 calls from property owners in aggregate during the Year and provided services to property owners in more than 200 communities. By commencing closed-loop management, the processing time for each call was shortened by three times and hundreds of common problems across the country were rectified. During the Year, the Group also initiated to raise property management fee of several key projects and managed to increase the management fee of four super large-scale projects including Agile Garden Guangzhou (廣州雅居樂花園), providing valuable experience for price increase for other projects in the future.

During the Year, the Group optimised its organisational structure, pushed forward the progress of innovation and reform, and established regional platforms, a flat management structure, an elite team and a centralized service model. More job functions were delegated to the regional level and stringent control was made over management costs to significantly improve management efficiency. The operations of all business segments and regional companies became more flexible and efficient, achieving economies of scale and synergetic development. The Group also promoted the integration of "Big Project" under which organizational vitality was invigorated to lay a solid foundation for rapid future development. In the fourth quarter of 2019, the Group launched a comprehensive budget system, forming an efficient, regulated and standardized closed-loop budget process, which enabled multi-dimensional big data analysis and full-process tracing of internal funds.

During the Year, the Group continued to receive recognitions from the market and the industry as evidenced by the various awards and honors it received. A-Living was ranked 7th in the "2019 Top 100 Property Management Companies in China" and ranked 7th in the "2019 Top 500 Property Management Companies in terms of Comprehensive Strength in China". As one of the "2019 Top 100 Property Management Companies in China", A-Living was accredited as No.1 of the "2019 China Top 100 Property Management Companies in terms of Growth Potential", "2019 China Top 10 Property Management Companies in terms of Business Performance", "2019 China Leading Property Management Company in terms of Service Quality", "2019 China Leading Property Management Company in terms of Customer Satisfaction" and "2019 Specialized Operational Leading Brand of China Property Service Company". The Group has also received "Golden Hong Kong Stock Award 2019", "2019 Listed Property Management Companies with Growth Potential Award", etc.

**Prospects and Strategy**

2020 is the "Year of Capability Building" for the property management industry in China, in which the industry will be exposed to a new opportunity of transformation and upgrade into a modern service industry in pursuit of high-quality development. With continuous growing management scope, stronger market expansion capability and channels of leading property management companies, coupled with the capital input into industry consolidation and optimization, it is expected that market concentration will increase significantly in the next three to five years. Looking ahead, with rising market concentration, leading players in the field with advantages in technology, talents, management and capital will enjoy more development opportunities. The Group will continue to focus on its main business and maintain high-quality of services. Centering on the idea of "talent+mechanism+innovation", the Group will expand its management scale horizontally and explore value-added services vertically to develop innovative businesses with divergent thinking.

The Group will continue to facilitate the transformation from capital-driven exogenous growth to market-oriented endogenous development through multi-channel expansion and diversification of services in order to further solidify and expand its market leading position, generate brand premium, and achieve rapid and sustainable growth. Leveraging the ten-billion-dollar property management platform and the 18-brand matrix strategy, the Group will expand nationwide collaboratively with its subsidiaries and joint ventures as a team. Taking advantage of its business portfolios, geographical presence and supportive shareholders, the Group will accelerate its expansion through multiple channels, diversify its products and put in place corresponding incentive mechanism to develop an aggressive team dedicated to expansion works. At the same time, the Group will actively identify cooperation opportunities arising from the mixed-ownership reform of SOEs and strategic joint ventures, enlarge its strategic presence in the property management industry chain in order to develop new growth drivers.

The Group will further upgrade its quality control standards and focus on quality operations to optimize the quality standardization system, effectively increase the conversion rate and collection rate, and develop industry benchmarking projects of exquisite quality. The concept of platformization will be adopted to improve lean management level and project operation efficiency. Project pipelines for price increase will be all sorted out and successful price increase experiences will be widely promoted to normalize such practice. In addition, the Group will invigorate the vitality and improve per capita efficiency through intelligentization and informatization, flexible shift and corresponding incentive mechanism. Leveraging the big data platform and information system, standardized and intelligent management, aggregation of multi-level data and full-caliber output standards make possible to achieve lean management and risk control. The comprehensive budget system will be utilized to keep tabs on spending, strictly control management costs and achieve economies of scale on a regional level in order to achieve comprehensive and effective cost reduction.

Upon completion of the acquisition of CMIG PM and New CMIG PM, the total GFA under management of the Group will exceed 500 million sq.m., its profitability and brand strength will be significantly improved, and its market share in economically developed regions such as Shanghai, Chongqing, Jiangsu and Shandong will be increased rapidly. Meanwhile, through the acquisition of CMIG PM and New CMIG PM, the Group will be able to strengthen its presence in the segments of public buildings, commercial and office buildings and enter into other niche markets with high entry barriers to manage numerous city landmark projects, which will greatly enhance the Group’s ability to establish itself as a nationwide property management platform with a diversified business portfolio and multiple prominent brands.

Upon completion of the acquisition of CMIG PM and New CMIG PM, the management scale of the Group will experience leap-frog growth and a new chapter of nationwide expansion with comprehensive business portfolios will commence. Based on the principles of "mutual respect, seeking common grounds while putting aside difference and inclusive symbiosis", the Group will effectively enhance the cohesiveness of the A-Living team and emphasize post-acquisition management and comprehensive empowerment. It will assist the acquired companies to achieve growth through market and brand resources sharing and collaboration, upgrade of information system, benchmarking assessment and incentive system, and optimization of management level, while exploring value-added services together with these companies. In addition, capitalising on the first-mover advantages of the comprehensive business portfolio layout, the Group will actively explore property management business for residential, high-end commercial and public buildings to optimize the whole industry chain layout of property management services.

The community groups and social resources brought by consumption upgrade and industrial transformation and upgrade have paved the way for the community economic ecosphere, which may possibly become one of the major catalysts for development of property management companies in the future given its enormous potential in market scale and growth. The Group will become one of the largest property management platforms in the industry and enjoy significant benefits from demographic flow. The Group will continue to adopt the asset-light operation model to vigorously promote the value-added services with low usage frequency but high revenue, and enhance the stickiness of services and products with high usage frequency and high demand in order to increase the platform traffic. Meanwhile, the Group will step out of the mindset of property management industry and identify high-dimensional, cross-industry cooperation opportunities to unearth the potential of community value-added services. In the future, the Group will innovate and revitalize the community economy, promote unit-based model and strengthen smart community services to address the needs of property owners. At the same time, the penetration rate and stickiness of community value-added services will be further improved by focusing on the promotion of community new retail, community nursery, community finance, community leasing and sales and so on, which will be applied to the projects of the acquired companies in a standardized manner.

The Group will keep up with the times. By upgrading the industry mindset and leveraging the endogenous forces stimulated from both talents and mechanisms, the Group will strive to become the leading company in the property management industry and a benchmarking enterprise in terms of quality. Meanwhile, the Group will embrace Internet and Internet of Things technologies to take preemptive moves in the 5G era based on its cutting-edge information management system and technological methods. The Group will manage to first complete the upgrade and transformation from a traditional labor-intensive property management services provider to a smart community urban operation services provider driven by "talent+technology+capital". With an informatization management platform put in place, a comprehensive consolidation of information and data covering finance, human resources and administration, market expansion, operation, and community value-added services will be made possible to realize effective, intelligent and unified management.

At the beginning of 2020, following the epidemic outbreak of Coronavirus Disease 2019 (the "**COVID-19 outbreak**") spread from Wuhan, the whole country has united together to fight against the epidemic. The Group has responded quickly with comprehensive arrangements and collaborated with seven regional offices, subsidiaries and joint ventures, to stand in the frontline of epidemic prevention and control. The Group actively assumed the social responsibility to prevent the epidemic from spreading and safeguard the life, health and safety of property owners and its employees to the greatest extent possible. The Group has united as one to overcome the challenges brought by the epidemic and maintained normal operation of various businesses. At the same time, it will turn challenges into motivation to explore potential positive factors and make every effort to work towards its business goals for 2020.

2020 marks the first year of A-Living's new three-year plan and the first year of the Group's journey into a new decade. The Group is committed to becoming a company with a ten-billion-dollar platform in China's property management industry. "Connecting to countless people and boundless areas", the Group will uphold its original intention of "lifelong caring for property owners" in the future to earnestly build a happy life for people and draw a blueprint of full-scenario property management business. By focusing on "talent+mechanism+innovation", the Group strives to serve the "property owners+employees+shareholders" with "quality+scale+efficiency" and create greater value for all shareholders and the society.

**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 our shareholders and customers, as well as the dedicated efforts of all our staff members, which contributed to the growth of the Group.

**Chan Cheuk Hung/Huang Fengchao**
*Co-Chairman of the Board*

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Looking back to 2019, under the favourable policies such as the upward adjustment of government-guided prices for property management services and the regulation of pricing mechanism in certain cities, the property management industry in the PRC has accelerated its development and the industry concentration has kept rising. As an enterprise with over 27 years of experience in the property management industry in the PRC, the Group upholds the development strategy of "Consolidating footholds in Beijing, Shanghai and Guangzhou, serving the whole PRC". With the support of Agile Group and Greenland Holdings, the two major property developer shareholders, it proactively expands our business through projects from third-party property developers and M&A. During the Year, the Group completed the acquisition of the shares of Qingdao Huaren, and the equity interests in Harbin Jingyang, Lanzhou Chengguan and Guangzhou Yuehua, and announced the acquisitions of CMIG PM and New CMIG PM. The Group also actively participated in the mixed ownership reform of SOEs to steadily achieve a balanced business layout with nationwide layout, comprehensive business portfolio and the whole industry chain.

Adhering to the philosophy of "quality is the lifeline to business", the Group has earned brand reputation with excellent service quality and mature management capability, maintained its leading position in the industry while its strength has been widely recognised. During the Year, the Group was ranked the 7th in the "2019 Top 100 Property Management Companies in China", No.1 of the "2019 China Top 100 Property Management Companies in terms of Growth Potential", and was accredited as "2019 Top 50 Most Valuable Brand of Property Management Service" and the sixth of the "2019 Specialized Operational Leading Brand of China Property Service Companies". It was also recognised as "2019 Blue Chip Property Management Company" and had received "Golden Hong Kong Stock Award 2019" etc, reflecting the recognition and confidence from both the industry and capital market in the Group's comprehensive strength.

With rapid growth of its business, the Group continuously optimized its income structure and enhanced its operating efficiency. For the year ended 31 December 2019, the GFA under management and contracted GFA reached 234.0 million sq.m. and 356.2 million sq.m. respectively, representing a respective growth of 69.4% and 55.0% as compared with that of 2018. During the Year, revenue of the Group amounted to RMB5,127.3 million, representing an increase of 51.8% as compared with RMB3,376.7 million for the corresponding period of last year. Net profit was RMB1,291.6 million, representing an increase of 59.3% as compared with RMB810.9 million in 2018.

## Financial Review

### Revenue

For the year ended 31 December 2019, revenue of the Group amounted to RMB5,127.3 million (2018: RMB3,376.7 million), representing an increase of 51.8% as compared with the corresponding period in the last year.

The Group's revenue was derived from three major business lines: (i) property management services; (ii) extended value-added services; and (iii) community value-added services.

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | **Percentage of revenue** | 2018 | Percentage of revenue | **Growth rate** |
| | ***(RMB' 000)*** | **%** | *(RMB' 000)* | % | % |
| Property management services | **2,829,662** | **55.2%** | 1,624,835 | 48.1% | 74.2% |
| Extended value-added services | **1,812,325** | **35.3%** | 1,463,135 | 43.3% | 23.9% |
| — Sales center property management services | **701,802** | **13.7%** | 675,178 | 20.0% | 3.9% |
| — Other extended value-added services | **1,110,523** | **21.6%** | 787,957 | 23.3% | 40.9% |
| Community value-added services | **485,306** | **9.5%** | 288,779 | 8.6% | 68.1% |
| Total | **5,127,293** | **100.0%** | 3,376,749 | 100.0% | 51.8% |

## Property Management Services

Property management services include security, cleaning, greening, gardening, repair and maintenance, etc., constitute the main source of revenue of the Group.

During the Year, revenue from property management services amounted to RMB2,829.7 million (2018: RMB1,624.8 million), accounting for 55.2% of the Group's revenue and representing an increase of 74.2% as compared with the corresponding period in the last year.

***The following table sets forth a breakdown of the Group's total GFA under management***

| Project sources | **As of 31 December 2019** *('000 sq.m.)* | **Percentage of areas** *%* | As of 31 December 2018 *('000 sq.m.)* | Percentage of areas *%* | **Growth** *('000 sq.m.)* | **Growth rate** *%* |
|---|---|---|---|---|---|---|
| Agile Group | **53,826** | **23.0%** | 48,192 | 34.9% | 5,634 | 11.7% |
| Greenland Holdings | **8,558** | **3.7%** | 4,728 | 3.4% | 3,830 | 81.0% |
| Third-party property developers[1] | **171,602** | **73.3%** | 85,200 | 61.7% | 86,402 | 101.4% |
| Total | **233,986** | **100.0%** | 138,120 | 100.0% | 95,866 | 69.4% |

*Note 1:* Including the GFA under management provided by the Group and third-party property developers through property management contracts and the GFA under management contributed by the projects from acquired companies.

As of 31 December 2019, the Group's total GFA under management was 234.0 million sq.m., representing an increase of 95.9 million sq.m. from 138.1 million sq.m. as of 31 December 2018, with a growth rate of 69.4%. The increase was mainly attributable to: (i) the Group continued to take over the projects developed by Agile Group, with a newly increased GFA under management of 5.6 million sq.m. during the Year; (ii) the newly increased GFA of 3.8 million sq.m. from the projects of Greenland Holdings during the Year; (iii) the newly increased GFA of 86.4 million sq.m. from projects developed by third-party property developers and M&A during the Year, including the respective GFA under management of approximately 9.1 million sq.m. and approximately 9.8 million sq.m. from the acquisition of Qingdao Huaren and Harbin Jingyang, the GFA under management of approximately 30.0 million sq.m. resulting from the acquisition of Guangzhou Yuehua, and approximately 17.9 million sq.m. resulting from the acquisition of Lanzhou Chengguan.

During the Year, the Group focused on the improvement of service quality and continued to build smart community. Through scientific, systematic and standardized management, the Company strived to improve the service skills of its employees, provide high-standard and high-quality property management services to meet the needs of property owners, create a good community atmosphere, therefore continuously increase the loyalty and satisfaction of property owners. In 2019, the overall satisfaction rate of the Group's property management services was 90.5% (excluding M&A), representing an increase of 0.4% as compared with that of 2018, far higher than the industry and the benchmarking levels of 73.1% and 85.5% respectively. Meanwhile, the Group advocated the quality management philosophy of providing quality service with reasonable charge. The Group initiated price enhancement for several key and large-scale projects during the Year, improving the sustainability of existing projects. In terms of third-party expansion, the Group actively entered into key cities with promising development prospects such as provincial capitals and first-and second-tier cities, and targeted to more diversified project types. The average management fee of projects from third-party expansion steadily increased.

During the Year, the overall collection rate of the Group's residential projects (excluding those from M&A) reached 94.9% (2018: 95.7%).

***The project portfolio for GFA under management***

As of 31 December 2019, for the GFA under management, the proportion of residential property business accounted for 58.9% (2018: 60.4%), and the proportion of non-residential property business accounted for 41.1% (2018: 39.6%) (public buildings accounted for 35.1%, commercial buildings and complex accounted for 5.5%). The increase in the proportion of non-residential business was mainly due to the relative high proportion of non-residential projects of the newly acquired companies during the Year.

With the increase of industry concentration, development with diversified business portfolio has become an important trend in the industry. On the basis of its advantages in providing property management services to residential properties, the Group actively expanded into non-residential business portfolio such as public buildings and commercial and office buildings.

*The geographic coverage for GFA under management*

During the Year, the Group's projects under management reached 1,180, covering 27 provinces, municipalities and autonomous regions nationwide, in 93 cities. As of 31 December 2019, among the Group's GFA under management by regions, 28.0% were located in the Guangdong-Hong Kong-Macao Greater Bay Area, 19.3% were located in the Yangtze River Delta Region, 10.8% were located in the Lanzhou-Xining city cluster, 6.0% were located in the Shandong Peninsula city cluster, 5.5% were located in the Harbin-Changchun city cluster, 4.2% were located in the Northern Bay city cluster while the reminder spread across other regions in the PRC.

*The charging mode*

The revenue of the Group from property management services was mainly based on a lump sum contract basis, which accounted for 97.8% of that from property management services (2018: 96.1%). The lump sum contract basis the Group primarily adopted is conducive to improving service quality and operational efficiency.

*The following table sets forth a breakdown of the Group's total contracted GFA*

| **Project Sources** | **As of 31 December 2019** *('000 sq.m.)* | **Percentage of areas** % | As of 31 December 2018 *('000 sq.m)* | Percentage of areas % | **Growth** *('000 sq.m)* | **Growth rate** % |
|---|---|---|---|---|---|---|
| Agile Group | **77,053** | **21.6%** | 70,371 | 30.6% | 6,682 | 9.5% |
| Greenland Holdings | **40,076** | **11.3%** | 22,026 | 9.6% | 18,050 | 81.9% |
| Third-party property developers | **239,108** | **67.1%** | 137,402 | 59.8% | 101,706 | 74.0% |
| Total | **356,237** | **100.0%** | 229,799 | 100% | 126,438 | 55.0% |

The contracted GFA, which is defined by the Group as areas agreed in the contracts signed with property developers for providing property management services and include delivered and to-be-delivered (i.e. reserved) GFA, and the to-be-delivered (reserved) GFA will become the Group's GFA under management in the future and expand the base of the Group's revenue. As of 31 December 2019, the contracted GFA reached 356.2 million sq.m., representing an increase of 126.4 million sq.m. or a growth rate of 55.0% as compared with that of 229.8 million sq.m. as of 31 December 2018.

During the Year, the Group obtained newly increased contracted GFA of 6.7 million sq.m. from Agile Group, 18.1 million sq.m. from Greenland Holdings, and 101.7 million sq.m. from third-party property developers.

**Extended value-added services**

Extended value-added services primarily include sales center property management services and other extended value-added services for property developers.

During the Year, the Group recorded revenue from extended value-added services of RMB1,812.3 million, representing an increase of 23.9% from RMB1,463.1 million in 2018, and accounted for approximately 35.3% of the total revenue, including:

(1) The revenue from sales center property management services (accounted for 38.7% of the revenue from the extended value-added services): amounted to RMB701.8 million during the Year, representing an increase of 3.9% as compared with RMB675.2 million in 2018. The increase of revenue from sales center property management services was primarily due to the increase of sales center property management services for third-party developers.

(2) Other extended value-added services (accounting for 61.3% of the revenue from the extended value-added services): including property agency services and housing inspection services, etc. The revenue for the Year amounted to RMB1,110.5 million, representing an increase of 40.9% as compared to that of RMB787.9 million in 2018, mainly due to the increase in business volume of property agency services, the increase of the GFA completed and delivered by Agile Group, as well as higher demands in quality of house delivery and technology empowerment.

**Community value-added services**

Community value-added services mainly include living and comprehensive services, community asset management services and home improvement services. Community value-added services 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.

During the Year, revenue from community value-added services amounted to RMB485.3 million, representing an increase of 68.1% as compared with RMB288.8 million in 2018, accounting for approximately 9.5% of the total revenue.

(1) Living and comprehensive services include: property maintenance, housekeeping, community-based group purchase, and comprehensive consulting services, etc. During the Year, the Group continued to focus on the intensive development of "Xiaoya" series of homecare services, and actively developed new retail services in communities. It developed four sub-brands of Lexianghui platform, namely Lexiang Fresh Food, Lexiang Orchard, Lexiang Chateaus and Lexiang Granary. Revenue from living and comprehensive services amounted to RMB171.1 million, representing an increase of 52.4% as compared with that of 2018, accounting for approximately 35.3% of revenue from community value-added services.

(2) Community asset management services primarily include: club house operation services, property lease services, community-based advertising, parking lot management services, community asset operation and second-hand property agency services. During the Year, the Group deeply explored the needs of consumption and advertising in community, continued to revitalize community public resources, introduced a variety of suppliers, and effectively reduced the vacancy rate of community resources. Community asset management services amounted to RMB219.0 million, representing an increase of 108.4% as compared with that of 2018, accounting for approximately 45.1% of revenue from community value-added services.

(3) Home improvement services primarily include turnkey furnishing services. During the Year, the Group focused on the standardized operation of home improvement services, introduced nearly 30 well-known suppliers, and provided one-stop refined decoration services for roughcast houses and housing renovation service for the existing projects. Such services accounted for approximately RMB95.2 million of revenue, representing an increase of 33.3% as compared with that of 2018, accounting for around 19.6% of revenue from community value-added services.

During the Year, the remarkable growth in community value-added services was mainly due to the significant increase in the utilization rate and penetration rate of temporary parking spaces, advertising billboards, club houses and rental spaces through the Group's professional operation, in-depth exploration of community resources and introduction of high-quality suppliers. In addition, for community living services, the Group launched a wide range of community retail products through the upgraded "Lexianghui" (樂享薈) platform to expand its homecare services.

**Cost of sales**

The Group's cost of sales primarily consists of employee salaries and benefit expenses, cleaning expenses, security charges, maintenance costs, utilities, greening and gardening expenses, cost of consumables, depreciation and amortisation charges and others.

During the Year, cost of sales of the Group was RMB3,244.4 million (2018: RMB2,086.8 million), representing an increase of 55.5% as compared with that of the corresponding period in 2018, which was primarily due to the increase in relevant costs in response to an increase in turnover with the rapid growth of the Group's businesses. Overall, the Group's growth of the cost of sales was faster than that of revenue, primarily due to (i) the continuous expansion of the Group's GFA under management, the improvement of service quality of the existing projects and the increase in early-stage investment of projects, resulting in the increase in daily operating costs and various outsourcing costs; and (ii) the impact in RMB45.3 million of amortisation of trademarks and customer relationships attributable to the acquisition of companies.

**Gross profit and gross profit margin**

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2019** | | 2018 | | |
| | **Gross profit** *(RMB'000)* | **Gross profit margin** % | Gross profit *(RMB'000)* | Gross profit margin % | **Changes in gross profit margin** |
| Property management services | **715,422** | **25.3%** | 444,629 | 27.4% | -2.1 percentage points |
| Extended value-added services | **903,190** | **49.8%** | 698,209 | 47.7% | +2.1 percentage points |
| Community value-added services | **264,248** | **54.4%** | 147,103 | 50.9% | +3.5 percentage points |
| Total | **1,882,860** | **36.7%** | 1,289,941 | 38.2% | -1.5 percentage points |

During the Year, the Group's gross profit amounted to RMB1,882.9 million, representing an increase of 46.0% as compared with that of RMB1,289.9 million in 2018. Gross profit margin decreased to 36.7% from 38.2% in 2018.

The gross profit margin of property management services was 25.3% (2018: 27.4%), representing a decrease of 2.1 percentage points as compared with that of last year, which was mainly due to the Group's active expansion into projects developed by third-party developers during the Year, resulting in a relatively low gross profit margin caused by more early-stage investment. Meanwhile, the contribution of acquired companies increased year-on-year. The gross profit margin of acquired companies was relatively low due to market-oriented development strategies applied.

The gross profit margin of extended value-added services was 49.8% (2018: 47.7%), representing an increase of 2.1 percentage points as compared with that of last year, which was mainly due to (i) previous investment in market expansion bringing about economies of scale in property agency business and sales center property management business, which effectively improved gross profit; and (ii) the Group internally integrated its service teams to reduce costs and improve efficiency during the Year.

The gross profit margin of community value-added services was 54.4% (2018: 50.9%), representing an increase of 3.5 percentage points as compared with that of last year, mainly due to the continuous increase in types of value-added services and active development of community living services, community asset management, turnkey furnishing and community-based economy services. The Group operated public resources in communities through professional platforms to effectively improve utilization rate of resources and enhance penetration rate of services. With the early-stage investment and the economies of scale effect formed during the Year, the overall gross profit margin increased.

**Selling and marketing expenses**

During the Year, the Group's selling and marketing expenses amounted to RMB43.1 million (2018: RMB46.0 million), accounting for 0.8% of the revenue, representing a decrease of 6.3% as compared with that of 2018, which is mainly due to the remarkable brand effect brought by the substantial brand promotion since 2018. "Agile Property Management" and "Greenland Property Services" have established their coverage and leverage in different regions and business portfolios through dual-brand development strategy, enabling the Group to transform from general distribution to precise positioning in brand promotion, which effectively reduced market promotion expenses in 2019.

**Administrative expenses**

During the Year, the Group's administrative expenses amounted to RMB295.0 million, accounting for 5.8% of the revenue and representing a decrease of 2.4% as compared with that of RMB302.2 million in 2018. This was primarily due to the organizational structure optimization of the Group during the Year, the adjustment of the regional offices in different cities into seven regional companies as well as the implementation of regional centralized management and stringent control over expenses. The Group streamlined the original management structure and conducted centralized procurement through measures such as actively activating resources synergies with acquired companies and group's empowerment, thereby effectively reduced management costs.

**Other income**

During the Year, other income of the Group amounted to RMB131.1 million (2018: RMB100.5 million), representing an increase of 30.4% as compared with that of last year. The increase was mainly resulted from the income from the capital generated from efficient capital usage, as well as government grants.

**Income tax**

During the Year, the Group's income tax expense was RMB402.9 million (2018: RMB264.5 million). The effective income tax rate was 23.8% (2018: 24.6%). The effective income tax rate for the year represents a decrease of 0.8 percentage point as compared with that of 2018, which is mainly due to certain subsidiaries and the acquired companies of the Group in the western region enjoying a 15% preferential enterprise income tax rate in respect of the "Great Western Development Strategy".

**Profit**

During the Year, the Group's net profit was RMB1,291.6 million, representing an increase of 59.3% as compared with that of RMB810.9 million in 2018. Net profit margin was 25.2%, representing an increase of 1.2 percentage points as compared with that of 24.0% for the corresponding period of last year, which was attributable to (i) economies of scale brought by the overall business expansion of the Group, particularly the rapid development of the community value-added services; and (ii) the Group's stringent control over its daily operating costs and optimization of its organizational structure which effectively enhanced its operating efficiency. Profit attributable to the Shareholders for the Year was RMB1,230.8 million, representing an increase of 53.7% as compared with RMB801.0 million for the corresponding period of last year. Basic earnings per share was RMB0.92.

**Current assets, reserve and capital structure**

During the Year, the Group maintained a sound financial position. As of 31 December 2019, current assets amounted to RMB6,854.6 million, representing an increase of 14.5% from RMB5,988.7 million as of 31 December 2018. Cash and cash equivalents of the Group amounted to RMB4,207.3 million, representing a decrease of 12.5% as compared with that of RMB4,808.0 million as of 31 December 2018, primarily because of the payment of the consideration for the acquired companies.

As of 31 December 2019, the Group's total equity was RMB6,505.7 million, representing an increase of RMB995.7 million or 18.1% as compared with RMB5,510.0 million as at 31 December 2018, which was primarily due to the significant increase of the profit after tax of the Group.

**Property, Plant and Equipment**

The Group's property, plant and equipment mainly comprised buildings, office equipment, machinery equipment and other fixed assets. As of 31 December 2019, the Group's net property, plant and equipment amounted to RMB159.3 million, representing an increase of 99.1% as compared with RMB80.0 million as of 31 December 2018, which was primarily due to the new addition of property, plant and equipment by the acquired companies, which was partly offset by the depreciation for the Year.

**Other intangible assets**

As of 31 December 2019, the book amount of other intangible assets of the Group was RMB384.5 million, representing an increase of 131.1% as compared with RMB166.4 million as of 31 December 2018. Intangible assets of the Group mainly included (i) RMB28.4 million from the trademark value of acquired companies; (ii) RMB404.9 million generated from customer relations attributable to acquired companies; (iii) the software developed and purchased by the Group; and (iv) partially offset by amortisation of trademarks, customer relationships and software. Trademarks, customer relationship and software have a specific validity period and are carried at cost less accumulated amortization.

**Goodwill**

As of 31 December 2019, the Group recorded goodwill of RMB1,370.9 million, representing an increase of 31.1% as compared with RMB1,045.4 million as of 31 December 2018. The increase in goodwill of the Group primarily included RMB325.5 million in relation to the goodwill from the acquisition of Guangzhou Yuehua, Qingdao Huaren, Harbin Jingyang and Lanzhou Chengguan. The goodwill primarily derived from the expected future business developments of the acquired companies, improvement on market coverage, expansion of service portfolio, integration of value-added services and improvement of management efficiency.

The management confirmed that there was no significant goodwill impairment risk as of 31 December 2019.

**Trade and other receivables**

As of 31 December 2019, trade and other receivables amounted to RMB2,189.3 million, representing an increase of 87.9% from RMB1,164.9 million as of 31 December 2018. It was mainly due to (i) a prepayment of RMB468 million for the acquisition of 60% equity interest in CMIG PM; (ii) the newly increased trade receivables brought by acquired companies; (iii) conversion of newly undertaken projects and development of diversified business, leading to an increase of the trade receivables; and (iv) with the scale expansion of acquired companies and the Group, the year-on-year increase of deposit, margin, reserve and account current with business partners in daily operation.

**Trade and other payables**

As of 31 December 2019, trade and other payables (including current and non-current portion) amounted to RMB1,757.0 million, representing an increase of 47.3% as compared with RMB1,192.6 million as of 31 December 2018. It was primarily attributable to (i) the increase in the GFA under management and subcontracting of more services to third-party service providers so as to enhance professionalism; (ii) stage consideration payable for acquired companies; and (iii) the increase of trade and other payables brought by acquired companies.

**Borrowings**

As of 31 December 2019, the Group had borrowings of RMB15.9 million with a term of less than one year (2018: Nil) and RMB5.4 million with a term of more than one year (2018: Nil).

**Gearing ratio**

The gearing ratio is calculated as total borrowings divided by total equity, and the sum of long-term and short-term interest bearing bank loans and other loans as of the corresponding date divided by the total equity as of the same date. As of 31 December 2019, the gearing ratio was 0.3% (2018: Nil).

**Current and deferred income tax liabilities**

As of 31 December 2019, the current income tax liabilities of the Group amounted to RMB309.6 million, representing an increase of 61.3% as compared with RMB191.9 million as of 31 December 2018, which was primarily attributable to the significant increase of the profit before tax of the Group. Deferred income tax liabilities increased from RMB36.6 million as of 31 December 2018 to RMB84.0 million as of 31 December 2019, which was primarily resulted from the deferred tax liabilities in relation to the acquisition completed during the Year.

**Proceeds from the Listing**

The Company's H Shares were listed on the main board of Hong Kong Stock Exchange on 9 February 2018 (the "**Listing**"), with a total of 333,334,000 new H Shares issued. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK$3,958.8 million (equivalent to RMB3,199.3 million). Subject to the requirements of relevant PRC laws and regulations, approximately HK$3,600.0 million of the proceeds from the Listing was remitted to its bank accounts in the PRC, the rest of approximately HK$358.8 million of the proceeds from the Listing was kept in overseas bank accounts. As of 31 December 2019, approximately HK$22.2 million and RMB276.4 million of bank deposits were in Hong Kong.

As of 31 December 2019, the Group has used approximately RMB2,622.3 million of the proceeds, of which (i) RMB2,303.0 million was used to pursue selective strategic investment and acquisition opportunities and further develop strategic alliances, including RMB1,037.0 million for injecting capital into subsidiaries, RMB1,026.1 million for acquiring (including injecting capital into subsidiaries for acquisitions) other property management companies and other companies in related businesses, and RMB240.0 million for investing in property management industry funds jointly with our business partners; (ii) approximately RMB14.6 million was used to develop the Group's one-stop service platform and develop "management digitalization, service specialization, procedure standardization and operation automation" of the Group; and (iii) approximately RMB304.7 million was used for working capital and general corporate purposes. Such used proceeds were allocated in accordance with the purposes set out in the prospectus of the Company dated 29 January 2018 (the "**Prospectus**") and the announcement of change in use of proceeds from the global offering dated 15 August 2019 (the "**Announcement**").

The intended uses of the net proceeds as set out in the Prospectus were allocated in the following manner:

- approximately 65% will be used to pursue selective 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.

The Group adjusted the intended use and allocation of the net proceeds on 15 August 2019. As set out in the Announcement, the unused proceeds were intended to be allocated and used as follows:

- approximately 85% will be used to pursue selective strategic investment and acquisition opportunities and further develop strategic alliances — inject capital into subsidiary companies, acquire (including injecting capital into subsidiary companies for acquisitions) other property management companies and other companies in related businesses and invest in property management industry funds jointly with our business partners;

- approximately 5% will be used to further develop the one-stop service platform of the Group and 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.

The net proceeds are currently held as bank deposits and will be used according to the distribution as set out in the Announcement.

**Pledge of assets**

As of 31 December 2019, the Group had pledged certain properties of its subsidiary in Chengguan District, Lanzhou City for its loan guarantee.

**Major Acquisitions**

***Acquisition of shares in Qingdao Huaren***

On 23 January 2019, the Company entered into share transfer agreements to acquire 89.6643% shares of Qingdao Huaren at a consideration of approximately RMB133.6 million. The consideration for the acquisition under the share transfer agreement was determined after arm’s length negotiation with reference to, among other things, the audited net profit of Qingdao Huaren for the year ended 31 December 2017 and the asset condition as of 30 June 2018. The Company had completed the acquisition of such shares in the first half of 2019. Qingdao Huaren is currently a direct non-wholly owned subsidiary of the Company.

The acquisition of Qingdao Huaren further expanded the Group’s business scale and coverage, and enhanced the Group’s leverage and competitiveness in Shandong Peninsula. After the completion of acquisition, the Group can share its resources and advantages in brand, technology, management and expansion capability with Qingdao Huaren, assisting Qingdao Huaren to achieve balanced development in business scale and project quality.

*Acquisition of equity interest in Harbin Jingyang*

On 26 February 2019, the Company entered into an equity interest transfer agreement to acquire 60% equity interest of Harbin Jingyang at a consideration of approximately RMB113.9 million. The consideration for the acquisition under the equity interest transfer agreement was determined after arm's length negotiation with reference to, among other things, certain times the audited net profit after deducting non-recurring profit and loss of Harbin Jingyang for the year ended 31 December 2018. The Company had completed the acquisition of such equities in the first half of 2019, and Harbin Jingyang is currently a direct non-wholly owned subsidiary of the Company.

The Group expanded its business into Northeast China after the acquisition of Harbin Jingyang, which further enhanced its coverage and competitiveness in the market of Northeast China and offered strong support in improving its regional layout, rapidly expanding and enhancing its business.

*Acquisition of equity interest in Guangzhou Yuehua*

On 28 March 2019, the Company entered into an equity interest transfer agreement to acquire 51% equity interest of Guangzhou Yuehua at a consideration of approximately RMB195.3 million. The consideration for the acquisition under the equity interest transfer agreement was determined after arm's length negotiation with reference to the audited net profit after deducting non-recurring profit and loss of Guangzhou Yuehua for the year ended 31 December 2018. The Company had completed the acquisition of such equities in the first half of 2019, and Guangzhou Yuehua is currently an indirect non-wholly owned subsidiary of the Company.

The acquisition of Guangzhou Yuehua filled the business gap of the Group in the public building property management market of South China, further diversified the Group's business portfolio, and assisted the Group to develop its whole industry chain layout covering mid-to high-end residential properties as the principal portfolio, and high-end commercial buildings and public buildings as the complementary. By leveraging A-Living's brand and scale advantages and its nationwide market network, the Group will empower Guangzhou Yuehua to develop the nationwide business coverage so as to become a national leading public building property management enterprise from a regional player. After the acquisition, the Group established the fourth business segment — the public services, with Guangzhou Yuehua as the major entity, and will horizontally expand to the public building property management market in the PRC with huge potential and increasing openness through building a flagship brand of the Group.

*Acquisition of equity interest in Lanzhou Chengguan*

On 11 July 2018, the Company entered into an equity transfer agreement to acquire 51% equity interest of Lanzhou Chengguan at a consideration of RMB147.9 million. The Company had completed the acquisition of such equities in the first half of 2019, and Lanzhou Chengguan is currently a direct non-wholly owned subsidiary of the Company.

*Acquisition of equity interests in CMIG PM and New CMIG PM*

On 25 September 2019, the Company entered into an equity transfer agreement in relation to the acquisition of the 60% equity interest in CMIG PM at a consideration of approximately RMB1.56 billion. On 12 December 2019, the Company entered into the New CMIG PM Agreement to acquire 60% equity interest in New CMIG PM at a variable consideration of not more than RMB500 million, on the basis that the conditions to the execution of the New CMIG PM Agreement (including completion of the Reorganisation) have been fulfilled. The consideration for the Acquisitions was determined with reference to 12.5 times of the CMIG PM 2019 Guaranteed Net Profit and the CMIG PM Guaranteed Profit for the relevant financial year, respectively. The consideration for the Acquisitions was determined after arm's length negotiations between the parties and was funded by internal resources of the Group. Upon completion of the Acquisitions, CMIG PM and New CMIG PM will become non-wholly owned subsidiaries of the Group respectively.

CMIG PM and New CMIG PM have established an extensive presence in economically developed city clusters across the country, covering a wide range of business portfolios such as public buildings, commercial offices and residential properties. They have several leading brands in the niche property markets to manage numerous city landmark projects, and have leading market shares and strong brand reputation in public buildings and other niche markets in different regions nationwide. Upon completion of the Acquisitions, CMIG PM and New CMIG PM can effectively complement the Group's existing businesses and regions, consolidate its leading position and create synergies. In addition, the Acquisitions can effectively enhance the management scale, profitability and brand competitiveness of the Group, thereby strengthening the Group's position as a leading property management service enterprise with nationwide layout, comprehensive business portfolio and reputable brands.

As announced in the poll results announcement of the Company dated 17 March 2020, an extraordinary general meeting was convened and held on 17 March 2020 to approve the acquisition of CMIG PM. The relevant resolution was passed by the Shareholders as special resolution of the Company. For the year ended 31 December 2018, the total GFA under management of the subsidiaries of the CMIG PM was approximately 154 million sq.m. and that of their associates was approximately 100 million sq.m.. Upon completion of the acquisition of CMIG PM, the total GFA under management of the Group (including the GFA under management of its associates) will approach approximately 500 million sq.m..

**Major disposals**

During the Year, the Group had no material disposals of subsidiaries and associated companies.

**Major Investment**

During the Year, the Group held no major investment.

**Contingent liabilities**

As of 31 December 2019, the Group had no significant contingent liabilities (2018: Nil).

## Foreign exchange risk

In 2018, the Company has exchanged most of the proceeds from the Listing into Renminbi in tranches. As of 31 December 2019, the Group had no significant exchange rate risk.

## Employees and remuneration policies

As at 31 December 2019, the Group had 28,771 employees, representing an increase of 52.6% as compared with 18,859 employees as at 31 December 2018. Total staff costs amounted to RMB2,160.7 million, representing an increase of 46.7% as compared with that of RMB1,472.5 million in 2018. The increase in staff costs was mainly due to (i) the increase brought by the acquired companies; (ii) the rapid development of the community value-added services, the expansion of the GFA to projects from the third-party developers etc., leading to a significant increase in employee remuneration; (iii) the increased demand for high-quality talents in response to the requirements of the Group's business development.

The compensation plan of the Group is determined with reference to the market levels as well as employees' performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training programs appropriate to the employees' needs.

Apart from taking into account the advice from the remuneration and appraisal committee of the Board and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for Directors. Appropriate benefit schemes are in place for the Directors.

## Subsequent events

### *(a) Acquisition of equity interest in CMIG PM*

On 25 September 2019, the Group entered into a framework agreement to conditionally agree to acquire the 60% equity interest in CMIG PM at the fixed consideration of RMB1,560,000,000 from Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership). The circular had been despatched to the Group's Shareholders on 24 February 2020. Upon the completion of the acquisition, CMIG PM would become a subsidiary of the Group.

### *(b) Outbreak of novel coronavirus*

After the COVID-19 outbreak in early 2020, a series of precautionary and control measures have been and continued to be implemented across the country. The Group will pay close attention to the development of the COVID-19 outbreak and evaluate its impact on the financial position and operating results of the Group. As at the date on which this set of financial statements were authorised for issue, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

## ANNUAL DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.225 per share (before tax) and a special dividend of RMB0.225 per share (before tax) for the year ended 31 December 2019 (collectively the "**Annual Dividend**"), the dividend payout ratio will be equivalent to 48.7%, and the amount of which will be subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 15 May 2020 ("**2019 AGM**"). Annual Dividend payable to the shareholders of Domestic Shares will be paid in Renminbi, whereas Annual Dividend payable to the shareholders of the H Shares and the shareholders of Unlisted Foreign Shares will be declared in Renminbi and paid in Hong Kong dollars, the exchange rate of which will be calculated based on the average exchange rate of RMB against Hong Kong dollars published by The People's Bank of China five business days prior to the 2019 AGM. Subject to the approval of the 2019 AGM, the Annual Dividend will be paid on or about Wednesday, 24 June 2020.

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函2008 897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Annual Dividend as enterprise income tax, distribute the Annual Dividend to non-resident enterprise shareholders whose names appear on the H Shares register of members of the Company, i.e. any shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or shareholders of H Shares registered in the name of other organizations and groups. After receiving dividends, the non-resident enterprises shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

In accordance with requirement of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi 1994 No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994 020]號)) which was promulgated by the Ministry of Finance and the State Administration of Taxation and came into effect on 13 May 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. Therefore, as a foreign-invested enterprise, the Company will not withhold PRC individual income tax on behalf of overseas individual shareholders whose names appear on the H Shares register of members of the Company when the Company distributes the dividends.

## CLOSURE OF REGISTER OF MEMBERS FOR THE 2019 AGM

The 2019 AGM will be held on Friday, 15 May 2020 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2019 AGM, the register of members of the Company will be closed from Wednesday, 15 April 2020 to Friday, 15 May 2020, both days inclusive, during which period no transfer of the shares will be registered. In order to qualify for attending and voting at the 2019 AGM, shareholders of H Shares of the Company whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 14 April 2020.

## CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF ANNUAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2019 AGM, the Annual Dividend will be payable to Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 26 May 2020. For the purpose of determining the entitlement of shareholders of H Shares of the Company to the Annual Dividend, the H Share register of members of the Company will be closed from Thursday, 21 May 2020 to Tuesday, 26 May 2020, both days inclusive, during which period no transfer of H Shares will be registered. In order for shareholders of H Shares to qualify for the proposed Annual Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 20 May 2020.

## NOTICE OF ANNUAL GENERAL MEETING

Notice of 2019 AGM will be published on the respective websites of the Company at www.agileliving.com.cn and the Stock Exchange at www.hkex.com.hk and will be despatched to the Shareholders within the prescribed time and in such manner as required under the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

## REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2019 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. Wan Kam To, Mr. Wan Sai Cheong, Joseph and Mr. Wang Peng who are independent non-executive Directors.

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

The Company has adopted a code for securities transactions by 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 Codes**") 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 Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors and they have confirmed that they had complied with the Securities Dealing Codes during the year ended 31 December 2019.

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 during the year ended 31 December 2019.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

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 for the year ended 31 December 2019 save for code provision A.2.1 of the CG Code.

The code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. However, in view of the present composition of the Board, Mr. Huang Fengchao's in-depth knowledge of the operations of the Group and of the industry, his extensive business network and connections in the sector and the scope of operations of the Group, the Board believes that Mr. Huang Fengchao, in his dual capacity as the co-chairman of the Board and chief executive officer of the Company, will provide strong and consistent leadership for the development of the Group. The Board also believes that this structure is in the best interest of the Company and will not impair the balance of power and authority of the Board and such arrangement will be subject to review from time to time.

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

During the year ended 31 December 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

## PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, for the year ended 31 December 2019 and as of the date of this announcement, the Company had maintained sufficient public float as required under the Listing Rules.

## PUBLICATION OF ANNUAL RESULTS AND ANNUAL 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 annual report of the Company for the year ended 31 December 2019 containing all the information required under the Listing Rules will be despatched to the Shareholders 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, Chief Executive Officer and General Manager), Mr. Feng Xin^, Mr. Wei Xianzhong^^, Ms. Yue Yuan^^, Mr. Wan Kam To^^^, Mr. Wan Sai Cheong, Joseph^^^ and Mr. Wang Peng^^^.*

^ *Executive Directors*
^^ *Non-executive Directors*
^^^ *Independent Non-executive Directors*

By order of the Board
**A-Living Services Co., Ltd.***
**Chan Cheuk Hung/Huang Fengchao**
*Co-chairman*

Hong Kong, 17 March 2020

*Scope of work of PricewaterhouseCoopers*

*The figures in respect of the Group's consolidated statements of comprehensive income, consolidated balance sheets and the related notes thereto for the year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.*

*Any discrepancy 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*