Ever Sunshine Lifestyle Services Group Limited
永升生活服务集团有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

1. Revenue for 2019 was approximately RMB1,877.8 million, representing an increase of 74.5% from approximately RMB1,075.8 million for 2018.

2. The gross profit of the Group for 2019 was approximately RMB555.4 million, representing an increase of 79.7% from approximately RMB309.0 million for 2018. Gross profit margin for 2019 was 29.6%, while that of 2018 was 28.7%, representing a year-on-year increase of 0.9 percentage points.

3. Profit for 2019 was approximately RMB249.0 million, representing an increase of 148.5%, as compared with approximately RMB100.2 million for 2018. Meanwhile, profit attributable to owners of the Company for 2019 was approximately RMB223.8 million, representing and increase of 122.7% as compared with approximately RMB100.5 million for 2018.

4. As at 31 December 2019, the contracted GFA of the property management services of the Group was approximately 110.6 million sq.m, representing an increase of approximately 68.6%, as compared with approximately 65.6 million sq.m as at 31 December 2018.

5. During the year ended 31 December 2019, net cash inflow from operating activities of the Group amounted to approximately RMB508.7 million, representing an increase of 191.0%, as compared with approximately RMB174.8 million for 2018.

6. The Board recommended the payment of a final dividend of HK$0.0479 per ordinary share of the Company for the year ended 31 December 2019 (2018: HK$0.0231).

The board (the "**Board**") of directors (the "**Directors**") of Ever Sunshine Lifestyle Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**") for the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018. These audited consolidated results have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Notes	**For the year ended 31 December**	
		2019	2018
		RMB'000	*RMB'000*
Revenue	5	**1,877,822**	1,075,830
Cost of sales		**(1,322,424)**	(766,802)
Gross profit		**555,398**	309,028
Other income and other net gain		**48,045**	16,011
Administrative expenses		**(246,519)**	(187,155)
Expected credit loss on financial assets		**(24,116)**	(4,087)
Share of joint venture's (loss)/profit		**(95)**	6,486
Share of associate's (loss)/profit		**(324)**	2,486
Finance cost		**(1,334)**	(98)
Other expense		**(2,543)**	(884)
Profit before income tax expense		**328,512**	141,787
Income tax expense	8	**(79,558)**	(41,547)
Profit and total comprehensive income for the year		**248,954**	100,240
Profit and total comprehensive income for the year			
Attributable to:			
Owners of the Company		**223,845**	100,521
Non-controlling interests		**25,109**	(281)
		248,954	100,240
Earnings per share (expressed in RMB per share)			
Basic and diluted earnings per share	9	**0.1458**	0.0885

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a joint venture		**—**	6,986
Interest in an associate		**—**	4,642
Property, plant and equipment		**62,432**	27,007
Investment properties		**50,814**	49,279
Other intangible assets		**100,600**	—
Goodwill		**431,128**	17,230
Deferred tax assets		**11,831**	3,819
Prepayments of property, plant and equipment		**13,368**	—
		670,173	108,963
Current assets			
Trade and bills receivables	6	**342,006**	162,032
Deposits, prepayments and other receivables		**139,279**	51,323
Income tax recoverable		**—**	451
Pledged bank deposit		**—**	9,969
Restricted cash		**43,000**	—
Bank balance, deposits and cash		**1,283,642**	1,160,122
		1,807,927	1,383,897

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2019

	Notes	**31 December 2019** *RMB'000*	31 December 2018 *RMB'000*
Current liabilities			
Trade payables	7	**284,593**	71,844
Accruals and other payables		**490,187**	286,627
Contract liabilities	5(d)	**334,317**	171,339
Lease liabilities		**7,972**	—
Bank loan		**—**	9,281
Provision for taxation		**70,102**	34,935
		1,187,171	574,026
Net current assets		**620,756**	809,871
Total assets less current liabilities		**1,290,929**	918,834
Non-current liabilities			
Lease liabilities		**13,218**	—
Other payables		**1,265**	—
Deferred tax liabilities		**48,516**	16,234
		62,999	16,234
Net assets		**1,227,930**	902,600
EQUITY			
Share capital		**13,607**	13,290
Reserves		**1,134,290**	885,641
Equity attributable to owners of the Company		**1,147,897**	898,931
Non-controlling interests		**80,033**	3,669
Total equity		**1,227,930**	902,600

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ever Sunshine Lifestyle Services Group Limited ("**the Company**") is a limited liability company incorporated in the Cayman Islands as an exempted company under the Companies Laws. The Company was listed on The Stock Exchange of Hong Kong Limited on 17 December 2018. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. The Company's principal place of business is located at the People's Republic of China ("**PRC**"). The Group, comprising the Company and its subsidiaries, is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners.

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (hereinafter collectively referred to as the "**HKFRS**") and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at fair values.

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

3 ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

3.1 Adoption of new/revised HKFRSs

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

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

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

Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("HKAS 17"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease, HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as a right-of-use assets and a lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17.

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

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

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

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

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

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

3.2 New/revised HKFRSs that have been issued but are not yet effective

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

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

Notes:

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 Effective for annual periods beginning on or after a date to be determined

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

4 SEGMENT INFORMATION

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

For the years ended 31 December 2019 and 2018, revenue from a shareholder - CIFI Holdings (Group) Co. Ltd., its subsidiaries and joint venture (the "**CIFI Group**") contributed 13.6% and 19.5% of the Group's revenue, respectively. Other than the CIFI Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2019 and 2018.

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

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue was derived in the PRC for the years ended 31 December 2019 and 2018.

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

5 REVENUE

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

(a) Disaggregated revenue information

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue from contract with customer		
Property management services	**1,069,987**	666,853
Community value-added services	**483,194**	198,447
Value-added services to non-property owners	**324,641**	210,530
	1,877,822	1,075,830
Geographical markets		
Mainland China	**1,877,822**	1,075,830
Timing of revenue recognition		
Services transferred at a point in time	**116,294**	—
Services transferred over time	**1,761,528**	1,075,830
	1,877,822	1,075,830

(b) Unsatisfied performance obligations

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

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

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

(d) Details of contract liabilities

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Contract liabilities	**334,317**	171,339

(i) Significant changes in contract liabilities

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

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current year carried-forward contract liabilities:

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management services	**129,108**	79,760
Community value-added services	**6,112**	5,468
Value-added service to non-property owners	**2,357**	25,217
	137,577	110,445

6 TRADE AND BILLS RECEIVABLES

	31 December 2019 RMB'000	31 December 2018 RMB'000
Related parties	**62,140**	42,787
Third parties	**304,852**	128,439
Total	**366,992**	171,226
Less: allowance for impairment of trade receivables	**(25,761)**	(9,515)
	341,231	161,711
Bill receivables	**775**	321
	342,006	162,032

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

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

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

The maturity of the bills receivable of the Group as at 31 December 2019 is within 6 months. As at 31 December 2019, no bills receivable is due from related parties.

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

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Within 1 year	**304,714**	151,921
1 to 2 years	**48,446**	16,507
2 to 3 years	**12,214**	1,335
3 to 4 years	**358**	626
4 to 5 years	**306**	339
Over 5 years	**954**	498
	366,992	171,226

7 TRADE PAYABLES

	31 December 2019	31 December 2018
	RMB'000	*RMB'000*
Related parties	**6,728**	—
Third parties	**277,865**	71,844
	284,593	71,844

Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group's trade payables as at 31 December 2019 and 2018 as follows:

	31 December 2019 *RMB'000*	31 December 2018 *RMB'000*
Within 1 year	**274,897**	71,570
1 to 2 years	**9,422**	274
2 to 3 years	**274**	—
	284,593	71,844

8 INCOME TAX EXPENSE

	For the year ended 31 December	
	2019 *RMB'000*	2018 *RMB'000*
Current tax		
Tax for the current year	**85,982**	44,599
Over-provision in respect of prior year	**(4,953)**	—
	81,029	44,599
Deferred tax		
Credited to profit or loss for the year	**(1,471)**	(3,052)
	79,558	41,547

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

Pursuant to the rules and regulations of the British Virgin Islands (the "**BVI**"), the Group is not subject to any income tax in the BVI.

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

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

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

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before income tax expense	**328,512**	141,787
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	**76,316**	35,447
Tax effect of share of loss/(profit) of an associate	**81**	(621)
Tax effect of share of loss/(profit) of an joint venture	**24**	(1,621)
Utilisation of tax losses previously not recognised	**(705)**	—
Tax effect of expenses not deductible for tax purposes	**2,600**	5,539
Tax effect of income not taxable for tax purposes	**(1,597)**	(180)
Tax effect of deductible temporary differences/(tax lossess) not recognised	**—**	(1,009)
Effect of tax exemptions granted to PRC subsidiaries	**—**	453
Tax effect of tax losses not recognised	**1,689**	—
Over-provision of tax for the prior year	**(4,953)**	—
Deferred tax on undistributed earnings of PRC subsidiaries	**6,103**	3,539
Income tax expense	**79,558**	41,547

9 EARNINGS PER SHARE

	For the year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profits		
Profit attributable to owners of the Company	**223,845**	100,521

	For the year ended 31 December	
	2019	2018
	Number'000	*Number'000*
Number of shares		
Weighted average number of ordinary shares *(note)*	**1,535,501**	1,135,618

Note:

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

Weighted average of 1,135,618,000 ordinary shares for the year ended 31 December 2018, includes the weighted average of 380,000,000 ordinary shares issued immediately after the completion of placing, in addition to the 1,120,000,000 ordinary shares issued immediately after the completion of capitalization issued in 31 December 2018.

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

10 DIVIDENDS

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

11 SUBSEQUENT EVENTS

1. On 27 February 2020, Shanghai YongSheng Property Management Company Limited, an indirect wholly-owned subsidiary of the Company entered into the acquisition agreement with Qingdao Yinshengtai Group Limited, Ms. Jiang Ping and Qingdao Yinshengtai Property Services Limited regarding the acquisition of the 50% equity interest in an PRC Company at the consideration of

RMB8,644,025. As at the date of this announcement, acquisition of the PRC Company has not been completed and the management of the Group was still in the midst of determining the financial effect of the aforesaid transactions. Details of which were set out in the Company's announcements dated 27 February 2020.

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

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

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

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

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

Our Business Model

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

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

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

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

Property Management Services

Continuous Increase in Area Size

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

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

	For the year ended 31 December			
	2019		2018	
	Contracted GFA ('000 sq.m.)	**GFA under management ('000 sq.m.)**	Contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
As at the beginning of the year	**65,551**	**40,239**	33,367	26,479
New engagements[1]	**47,499**	**26,616**	34,198	15,774
Acquisition	**2,317**	**2,148**	—	—
Terminations[2]	**(4,809)**	**(3,852)**	(2,014)	(2,014)
As at the end of the year	**110,558**	**65,151**	65,551	40,239

Note:

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

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

Our Geographic Footprint

Since our inception up to 31 December 2019, we have expanded our geographic footprint from Shanghai to 78 cities in China.

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

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

Notes:

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

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

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

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

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

Multi-wheel Driven Market Development Strategies

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

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

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

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

Continuous Increase in Average Property Management Fee

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

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

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

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

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

Diversified Property Management Portfolio

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

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

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

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

Lump Sum Basis and Commission Basis

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

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

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

Community Value-Added Services

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

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

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

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

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

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

Notes:

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

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

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

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

Value-Added Services to Non-Property Owners

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

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

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

The table below sets forth a breakdown of our revenue generated from our value-added services to non-property owners for the years indicated:

	For the year ended 31 December			
	2019		2018	
	RMB'000	**%**	RMB'000	%
Sales assistance services	**208,839**	**64.3**	134,163	63.7
Additional tailored services	**40,764**	**12.5**	30,337	14.4
Preliminary planning and design consultancy services	**39,816**	**12.3**	15,838	7.5
Housing repair services	**19,449**	**6.0**	22,997	10.9
Pre-delivery inspection services	**15,445**	**4.8**	7,194	3.4
Others	**328**	**0.1**	1	0.1
Total	**324,641**	**100.0**	210,530	100.0

Outlook

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

Step-up increase our business size and market share

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

Continuous endeavour to diversify our services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in planning and design services, project quality monitoring, home inspection, sales assistance services and house repair services. We will enhance full industrial chain coverage for property development, sales and management, to achieve vertical industry extension. We aim to acquire more opportunities to secure property management projects while providing value-added services to property developers. We also plan to provide consultancy services to local property management companies to expand our business and enhance our brand awareness.

Further investment in technologies and intelligent operations

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

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

FINANCIAL REVIEW

Revenue

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

Revenue of the Group by business line is as follows:

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

The property management services were still our largest source of income. During 2019, the revenue from property management services was approximately RMB1,070.0 million, accounting for 57.0% of the Group's total revenue. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. During this year, our total GFA under management increased from approximately 40.2 million sq.m. as of 31 December 2018 to approximately 65.2 million sq.m. as of 31 December 2019, which was resulted from both our steady cooperation with CIFI Group and our efforts to expand the third-party customer base, as well as our acquisition of Qingdao Yayuan. The following table sets out the Group's revenue derived from property management services by type of property developer during the year:

	For the year ended 31 December			
	2019		2018	
	RMB'000	***%***	*RMB'000*	*%*
CIFI Group	**535,789**	**50.1**	437,931	65.7
Third-party property developers	**534,198**	**49.9**	228,922	34.3
Total revenue	**1,069,987**	**100.0**	666,853	100.0

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

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

Cost of sales

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

Gross profit

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

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

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

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

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

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

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

Other income and other net gain

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

Administrative expenses

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

The following table sets out a summary for administrative expenses:

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

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

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

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

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

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

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

Expected credit loss on financial assets

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

Other expenses

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

Profit before income tax expense

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

Income tax expense

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

Profit attributable to owners of the Company

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

Interest in a joint venture

As at 31 December 2019, the Group's interest in a joint venture was nil, while that was approximately RMB7.0 million as at 31 December 2018. As at 31 December 2018, the interest in a joint venture was share of net assets of Shanghai Yongsheng Yizhi Property Management Company Limited (上海永升怡置物業管理有限公司) ("**Yongsheng Yizhi**"), which was a joint venture set up together with Yizhi Property Service Company Limited (怡置物業服務有限公司) in 2018. The principal business of Yongsheng Yizhi is the provision of property management services. As at 31 December 2018, Yongsheng Yizhi was accounted for as a 50% interest joint venture of the Group and was included in the consolidated financial statements using the equity method. During the year, the joint venture partners of Yongsheng Yizhi amended the cooperation agreement. According the amended cooperation agreement, all significant financial and operating decisions were approved by a simple majority of the board of directors, of which four directors and three directors are nominated by the Group and the other joint venture partner, respectively. Since the Group obtained effective control of voting power to govern relevant activities of Yongsheng Yizhi, Yongsheng Yizhi became a subsidiary of the Group and the assets, liabilities and financial results of Yongsheng Yizhi were consolidated in the financial statements of the Group since then.

Interest in an associate

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

Property, plant and equipment

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

Investment properties

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

Other intangible assets

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

Goodwill

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

Trade and bill receivables

Our trade and bill receivables mainly arise from property management services income under a lump sum basis and value-added services to non-property owners. As at 31 December 2019, trade and bills receivables of the Group amounted to approximately RMB342.0 million, representing an increase from approximately RMB162.0 million as at 31 December 2018, which was in consistency with the increase in our revenue.

Deposits, prepayments, deposits and other receivables

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

Bank balance, deposits and cash

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

Trade payables

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

Accruals and other payables

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

Contract liabilities

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

Cash flows

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

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

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

Gearing ratio and the basis of calculation

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

Capital expenditure

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

Capital structure

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

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

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

Liquidity and financial resources

During the year 2019, the Group's principal use of cash was working capital and consideration payment for acquisition of subsidiaries, which was mainly funded from cash flow from operations and proceed raised from the Listing. In the foreseeable future, we expect cash flow from operations will continue to be our principal source of liquidity and we may use a portion of the proceeds from the global offering to finance some of our capital expenditures.

As at 31 December 2019, the Group's borrowings were nil, representing a decrease from approximately RMB9.3 million as at 31 December 2018. Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at the end of 2019.

Pledging of assets

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

Contingent liabilities

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

Interest rate risk

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

Foreign exchange risk

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

Employment and remuneration policy

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

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

Use of proceed raised from IPO

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

As stated in the Prospectus of the Company dated 4 December 2018, we intended to use (i) approximately 55%, or approximately HK$375.6 million for strategic acquisition and investment, (ii) approximately 26%, or approximately HK$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers, (iii) approximately 9%, or approximately HK$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform, and (iv) approximately 10%, or approximately HK$68.3 million as for our general corporate purposes and working capital. For the expected timeline of the intended use of proceeds, please refer to the implementation plan as set out in the prospectus of the Company dated 4 December 2018.

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

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

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

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

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0479 per ordinary share of the Company for the year ended 31 December 2019. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company to be held on 11 June 2020 (the "**AGM**") and, subject to the approval by the Shareholders at the AGM, is expected to be paid on or about 30 June 2020 to the Shareholders whose names appear on the register of members of the Company on 19 June 2020.

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2019 have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2019. The work performed by BDO Limited 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 BDO Limited on the preliminary results announcement.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the financial year ended 31 December 2019.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the code of conduct and procedures governing Directors' securities transactions in stringent compliance with the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the code of conduct and procedures governing Directors' securities transactions during the year ended 31 December 2019.

AUDIT COMMITTEE

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors. During the year ended 31 December 2019, the Audit Committee held two meetings to review annual financial results and report for the year ended 31 December 2018 and interim financial results and report for the half year ended 30 June 2019 and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor. The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

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

Save for the additional 36,400,000 Shares allotted and issued through partial exercise of the over-allotment option on 4 January 2019, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities (whether on the Stock Exchange or otherwise) during the year ended 31 December 2019.

ANNUAL GENERAL MEETING

The AGM will be held on 11 June 2020, the notice of which will be published and dispatched to Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

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

(i) from 8 June 2020 to 11 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 5 June 2020; and

(ii) from 17 June 2020 to 19 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 16 June 2020.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2019 Annual Report of the Company, containing all the information respired under the Listing Rules, will be dispatched to Shareholders and published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.ysservice.com.cn in due course. This announcement can also be accessed on these websites.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and Shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board
Ever Sunshine Lifestyle Services Group Limited
Lin Zhong
Chairman

Hong Kong, 23 March 2020

As at the date of this announcement, the executive Directors are Mr. LIN Zhong and Mr. ZHOU Hongbin, the non-executive Directors are Mr. LIN Feng and Mr. GE Ming; and the independent non-executive Directors are Mr. MA Yongyi, Mr. WANG Peng and Mr. CHEUNG Wai Chung.