Yincheng Life Service CO., Ltd.
銀城生活服務有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1922)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS

- Revenue in 2019 was approximately RMB695.8 million, representing an increase of approximately 48.8% as compared to approximately RMB467.7 million in 2018.

- Gross profit in 2019 was approximately RMB111.9 million, representing an increase of approximately 64.8% as compared to approximately RMB67.9 million in 2018. Gross profit margin in 2019 was approximately 16.1%, indicating an increase of approximately 1.6 percentage points as compared to 2018.

- Profit in 2019 was approximately RMB33.2 million, indicating an increase of approximately 22.5% as compared to approximately RMB27.1 million in 2018.

- Core net profit of the Company (i.e. before deduction of listing expanses in relation to the listing of the Company on the Stock Exchange on 6 November 2019) in 2019 was approximately RMB45.7 million, representing an increase of approximately 68.6% as compared to 2018. Core net profit margin in 2019 was approximately 6.6%, indicating an increase of approximately 0.8 percentage points in 2018.

- Earnings per share attributable to ordinary equity holders of the Company in 2019 was RMB0.16 per share.

- As at 31 December 2019, the contracted GFA of the Group's property management services was approximately 30.8 million sq.m., representing an increase of approximately 38.1% as compared to approximately 22.3 million sq.m. as at 31 December 2018.

- As at 31 December 2019, the GFA under management of the Group's property management services was approximately 26.1 million sq.m., representing an increase of approximately 68.4% as compared to approximately 15.5 million sq.m. as at 31 December 2018.

- The Board recommended the payment of a final dividend of HK$0.42 per ten ordinary shares of the Company for the year ended 31 December 2019.

The board of directors (the "**Board**") of Yincheng Life Service CO., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 with comparative figures for the year ended 31 December 2018. The annual results have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS(s)**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the prospectus of the Company dated 25 October 2019 (the "**Prospectus**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
REVENUE	*5*	**695,765**	467,666
Cost of sales		**(583,883)**	(399,738)
GROSS PROFIT		**111,882**	67,928
Other income and gains	*5*	**10,406**	9,548
Selling and distribution expenses		**(4,493)**	(3,722)
Administrative expenses		**(55,068)**	(29,774)
Other expenses		**(103)**	(650)
Impairment losses on financial assets, net		**(7,977)**	(3,204)
Finance costs		**(8,007)**	(3,193)
Share of profits and losses of:			
Associates		**(521)**	–
PROFIT BEFORE TAX		**46,119**	36,933
Income tax expense	*6*	**(12,892)**	(9,843)
PROFIT FOR THE YEAR		**33,227**	27,090
Profit/(loss) attributable to:			
Owners of the parent		**33,121**	27,331
Non-controlling interests		**106**	(241)
		33,227	27,090
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (RMB)	*7*	**0.16**	N/A

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME		
Other comprehensive income/(expense) that maybe reclassified to profit or loss in subsequent periods:		
The increase of carrying amounts when owner-occupied properties become investment properties carried at fair value	**6,635**	–
Income tax effect	**(1,659)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**4,976**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**38,203**	27,090
Total comprehensive income/(expense) attributable to:		
Owners of the parent	**38,097**	27,331
Non-controlling interests	**106**	(241)
	38,203	27,090

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**18,626**	26,237
Investment properties		**25,142**	–
Right-of-use assets		**4,337**	22,239
Intangible assets		**130**	151
Investments in associates		**2,879**	750
Financial assets at fair value through profit and loss ("**FVTPL**")		**–**	17,248
Deferred tax assets		**6,545**	2,656
Total non-current assets		**57,659**	69,281
CURRENT ASSETS			
Inventories		**833**	670
Trade receivables	*8*	**70,761**	55,530
Due from related companies		**66,947**	122,976
Prepayments, deposits and other receivables	*10*	**50,692**	17,411
Cash and cash equivalents		**447,819**	121,368
Total current assets		**637,052**	317,955

		As at 31 December	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
CURRENT LIABILITIES			
Trade payables	*9*	**10,443**	13,889
Other payables, deposits received and accruals	*11*	**266,078**	105,786
Contract liabilities		**193,489**	115,869
Due to related companies		**30,159**	3,459
Interest-bearing bank borrowings		**50,000**	30,000
Lease liabilities		**14,568**	24,212
Tax payable		**4,141**	4,562
Total current liabilities		**568,878**	297,777
NET CURRENT ASSETS		**68,174**	20,178
TOTAL ASSETS LESS CURRENT LIABILITIES		**125,833**	89,459
NON-CURRENT LIABILITIES			
Lease liabilities		**1,367**	16,290
Deferred tax liabilities		**2,664**	–
Total non-current liabilities		**4,031**	16,290
NET ASSETS		**121,802**	73,169
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**2,387**	–
Reserves		**119,853**	72,326
		122,240	72,326
Non-controlling interests		**(438)**	843
TOTAL EQUITY		**121,802**	73,169

NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2019, the subsidiaries now comprising the Group were involved in the provision of property management services and community value-added services.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, (which include all standards and interpretations approved by the International Accounting Standards Board ("**IASB**"), International Accounting Standards ("**IASs**") and Standing Interpretations Committee interpretations) approved by the IASB that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	*Definition of a Business*[1]
Amendments to IFRS 9, IAS 39 and IFRS 7	*Interest Rate Benchmark Reform*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
IFRS 17	*Insurance Contracts*[2]
Amendments to IAS 1 and IAS 8	*Definition of Material*[1]

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 No mandatory effective date yet determined but available for adoption

Other than further information about those IFRSs that are expected to be applicable to the Group as described below, the Group expected the adoption of the above new and revised standards will not have any significant financial effect on the Group's financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are disclosed below:

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., consumer price index) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At the end of each of the reporting period, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Estimate of fair value of investment properties

Investment properties under construction carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2019 were RMB25,142,000 (2018: Nil).

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management service income and community value-added service income by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property management services, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the property management services and community value-added services, all locations were aggregated as one reportable operating segment.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the services for property management and services for community value-added services during the reporting period.

An analysis of revenue and other income and gains is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue		
Property management services	**553,091**	367,641
Community value-added services	**142,674**	100,025
	695,765	467,666

Represented by:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Revenue from property management services		
Recognised over time	**553,091**	367,641
Revenue from community value-added services		
Recognised over time	**111,251**	79,157
Recognised at a point in time	**31,423**	20,868
	695,765	467,666

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Other income and gains		
Interest income	**414**	169
Investment income	**133**	6,598
Government grants	**2,379**	2,564
Gain on disposal of items of property, plant and equipment	**1**	48
Disposal of financial assets at fair value through profit or loss	**753**	–
Income from lease contract change	**6,352**	–
Others	**374**	169
Total	**10,406**	9,548

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2019.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the year. Some subsidiaries are qualified as small low-profit enterprises and thus subject to a preferential tax rate of 10% for the year.

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**15,776**	11,188
Deferred tax	**(2,884)**	(1,345)
Total tax charge for the year	**12,892**	9,843

A reconciliation of income tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate for the reporting period is as follows:

	Year ended 31 December	
	2019	2018
	RMB'000	*RMB'000*
Profit before tax	**46,119**	36,933
At the statutory income tax rate	**11,530**	9,234
Effect of different tax levy enacted by local authorities	**(745)**	(115)
Expenses not deductible for tax	**907**	280
Tax losses utilised from previous periods	**–**	(379)
Income not subject to tax	**(1,588)**	–
Deductible temporary differences not recognised	**11**	109
Withholding taxes on undistributed profits of the subsidiaries in the PRC	**1,005**	–
Tax losses not recognised	**1,772**	714
Tax charge at the Group's effective rate	**12,892**	9,843

7. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 210,262,537 in issue during the year, as adjusted to reflect the rights issue during the year.

	2019
Shares	
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**210,262,537**

The company was incorporated on 3 April 2019. Therefore, directors are of the opinion that the earnings per share for the year ended 31 December 2018 is not applicable.

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

8. TRADE RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**82,592**	60,287
Impairment	**(11,831)**	(4,757)
	70,761	55,530

Trade receivables mainly arise from property management services. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the date of revenue recognition and net of loss allowance, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**65,027**	53,025
Over 1 year and within 2 years	**4,952**	1,945
Over 2 years and within 3 years	**562**	323
Over 3 years	**220**	237
	70,761	55,530

The movements in the loss allowance for impairment of trade receivables are as follows:

	2019	2018
	RMB'000	*RMB'000*
At the beginning of the year	**4,757**	1,900
Impairment losses recognised	**7,074**	2,862
Write-off	**–**	(5)
At the end of the year	**11,831**	4,757

An impairment analysis was performed at each reporting date, using a provision matrix to measure expected credit losses. The provision rates were based on ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if their ageing were more than two years and were not subject to enforcement activity.

9. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of each of the reporting period, based on the invoice date, is as follows:

	2019	2018
	RMB'000	*RMB'000*
Within 1 year	**9,382**	12,393
Over 1 year	**1,061**	1,496
	10,443	13,889

The trade payables are interest-free and normally settled on terms of 10 to 15 days.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Prepayments on behalf of customers to utility suppliers	**4,064**	1,012
Other prepayments	**1,974**	928
Other deposits	**19,548**	9,545
Other tax recoverable	**292**	17
Advance to staff	**21,486**	3,001
Due from third parties	**–**	830
Other receivables	**5,128**	2,975
Impairment allowance	**(1,800)**	(897)
	50,692	17,411

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

Deposits and other receivables mainly represent deposits with employee and suppliers, as well as temporary payments on behalf of customers. Where applicable, an impairment analysis is performed at the end of the reporting period by considering the probability of default of comparable companies with published credit ratings.

11. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2019	2018
	RMB'000	*RMB'000*
Income on behalf of community residents for common areas	**12,724**	9,505
Receipts on behalf of community residents for utilities	**55,259**	34,076
Deposits received	**17,526**	11,906
Advanced from employees	**3,287**	2,623
Business tax and surcharges	**10,870**	6,631
Payroll and welfare payable	**40,996**	40,288
Due to third party	**115,000**	–
Interest payable	**4,750**	–
Unpaid listing fee	**5,032**	–
Others	**634**	757
	266,078	105,786

Other payables are unsecured and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

12. SHARE CAPITAL

	2019	2018
Authorised:		
2,000,000,000 (2018:Nil) ordinary shares of HK$0.01 each	**20,000,000**	–

	2019	2018
	RMB'000	*RMB'000*
Issued and fully paid:		
267,152,000(2018:Nil) ordinary shares at HK$0.01 each	**2,387**	–

The Company was incorporated in the Cayman Islands on 3 April 2019 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 par value each. 10,000 ordinary shares of HK$0.01 par value were allotted to shareholders for a total consideration of HK$100 upon its incorporation and on 28 May 2019.

On 15 October 2019, the authorised share capital of the Company increased from HK$380,000 divided into 38,000,000 shares of a nominal or par value of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of a nominal or par value of HK$0.01 each by the creation of an additional 1,962,000,000 shares of a nominal or par value of HK$0.01 each.

On 6 November 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 66,680,000 new ordinary shares with a par value HK$0.01 each at HK$2.18 per share for a total cash consideration of HK$145,362,400. The respective share capital amount was approximately RMB596,000.

On 6 November 2019, 199,990,000 shares were issued by way of capitalisation with a par value HK$0.01 each, the respective share capital amount was approximately RMB1,787,000.

On 4 December 2019, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 472,000 additional shares at HK$2.18 per share for a total cash consideration of HK$1,028,960. The respective share capital amount was approximately RMB4,000.

13. DIVIDENDS

	2019	2018
	RMB'000	*RMB'000*
Proposed final – HK42 cents (2018: Nil) per 10 ordinary shares	**10,051**	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Company's subsidiaries declared interim dividends of RMB33,564,000 (2018: 42,900,000) to the then shareholders. Dividend amounting to RMB6,713,000 was unpaid as at 31 December 2019 (2018: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

This is the first results announcement of Yincheng Life Service CO., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**" or "**Yincheng Life Service**") after its successful listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). On behalf of the Group, I would like to take this opportunity to pay tribute to all the staff of Yincheng Life Service who have worked in the frontline for the outbreak prevention and control of the coronavirus disease. They have made an early response and entered into a state of battle, with a rapid response mechanism established and timely prevention and control measures taken. With the Group's stringent community management, considerate service and sincerity, the owners were once again made aware of the important functions and values of the property management services industry, and have placed more trust in the quality management services provided by the Group.

During the Chinese New Year of 2020 when people should have shared their happiness and reunited with their families, the outbreak of the coronavirus disease alarmed all provinces and cities in the PRC to initiate the first-level response where residential communities in many provinces and cities in the PRC have been carrying out closed-off community management. With the residential communities being treated as the first line of defense against the outbreak of the coronavirus disease and for the sake of the health and life safety of owners of the residential communities, Yincheng Life Service's timely obtaining of authoritative information, scientific preparation, joint defense and control, and rapid implementation of a series of protective measures have been highly rated by the owners which further earned their trust and understanding. The positive feedback from the owners coupled with the Group being highly recognised by the Government are conducive in increasing the collection rate and prepayment rate of property management fees in the long run, as well as providing development opportunities to the Group and enhancing the Group's brand influence. Besides, the outbreak of the coronavirus disease has a positive impact in many aspects to the Group. Firstly, the outbreak of the coronavirus disease has made the Government fully understand the importance of the property management services industry, which may lead the Government to include the property management services industry in the joint defense and control system of the Government, hence the Group may benefit from having more favourable and practical support from the policies of the Government. Since the outbreak of the coronavirus disease, the Government has invested a lot of resources to residential communities which are not under any property management. Such residential communities may be encouraged to engage property management companies in the future, which will be conducive to the expansion of the property management services industry. Secondly, property management companies that provides high quality services with competitive price can help preserve and enhance the value of a residential community, thus will be widely recognised in society. This will help the Group to gain more advantages in securing projects in the future. Thirdly, the outbreak of the coronavirus disease has changed and developed new spending habits of owners of the residential communities, such as home services provided to owners at their residence and around the residential communities where the owners live. This would result in the Group diversifying the scope and improving the substance of the community value-added services it provides, which may then increase its sources of revenue. Finally, as the property management services industry has been further recognised in society, this would help to attract more outstanding and talented people to work in this industry. The Group is confident in the future of the industry in this favourable environment.

I would like to thank all staff of the Group for working overtime, adhering to their posts and paying full effort to effectively prevent and control the occurrence and spread of the outbreak of the coronavirus disease in each and every residential community. They have demonstrated the spirit of selflessness, fearlessness and perseverance. The Spring season in 2020 is special. I believe the sun will shine when the haze clears. We look forward to the day when we take off our masks and see the beautiful smile of the owners again.

2019 is a milestone for us. After Yincheng International Holding Co., Ltd. ((stock code: 1902) together with its subsidiaries, "**Yincheng International**"), a sister company of the Group, was listed on the Main Board of the Stock Exchange in March 2019, the Group was successfully listed on the Main Board of the Stock Exchange on 6 November 2019 with 1922 being its stock code, and had an outstanding performance by having an over-subscription of approximately 382.88 times of the total number of 66,680,000 Hong Kong Public Offer Shares initially available for subscription under the Hong Kong Public Offering. This is the first time that two companies, which are sister companies to each other, were listed on the Stock Exchange in the same year. "19" in the Company's stock code represents 2019, being the year that the Company was listed on the Stock Exchange, and "22" denotes that Yincheng Life Service has been established for 22 years. Yincheng Life Service has been deeply engaged in the industry for more than 20 years and committed to provide the highest quality property management services and community value-added services. It has developed from a local property management service provider in Nanjing to one of the leading property management service providers in Nanjing and the Jiangsu Province. According to the report prepared by an independent third party industry expert, the Group ranked the 1st and the 5th in terms of revenue among the property management service providers in Nanjing and the Jiangsu Province in 2018, respectively, and ranked the 34th among China's Top 100 Property Companies in 2019. The successful entry into the capital market of Hong Kong is an important step for the Group to develop and grow with the power of capital, as well as a leap from being industrial based to industrial and capital based.

The property management services industry is developing on a steady upward trend according to both industry and capital data. Property management enterprises are an emerging force that has attracted much attention in the capital market. In 2019, there were over ten property management enterprises listed on the Stock Exchange. At present, there are more than 20 property management enterprises listed in Hong Kong, with an overall market value of approximately HK$300 billion which forms a sector effect. According to the Research Report on 2019 China Top 100 Property Services Enterprises published by China Index Academy, it is expected that the gross floor area under property management in China may reach 24.3 billion sq.m. in 2020 and the revenue from basic property management services is expected to exceed RMB1 trillion in the next five years. The average gross floor area under management of the 2018 China Top 100 property services enterprises reached 37.18 million sq.m., representing a year-on-year increase of 17.5%, which is higher than the growth rate of the completed gross floor area (-7.8%) and the growth rate of the gross floor area sold (1.33%) of commodity houses in China for the same period. However, the total gross floor area under management of the top 100 property management enterprises only accounted for 38.9% of the market, indicating that the industry is still relatively fragmented and cutthroat. Although the Group ranks the 1st as a property management service provider in Nanjing, it only has a market share of less than 10% in Nanjing, thus it still has a significant room for development. As a "small but beautiful" listed property management company, the Group will gain a toehold in Nanjing, exert its advantages and achieve its potential, continue to increase its management scale in the market of Nanjing, and make further efforts to implement its business plans in the Yangtze River Delta Megalopolis so as to generate sustainable and considerable returns to its shareholders.

In the short run, the Group will continue to make full use of its good reputation, brand value, operational management strength to obtain more new projects, increase its revenue, and enhance its profitability by improving the cost-effectiveness. In the long run, the Group will actively seek acquisition and merger projects which are conducive to its business expansion to further expand the size of its business. Meanwhile, the Group will carefully study and consider new orientation and new business forms, as long as they are in the interest of its shareholders as a whole. As driven by two drivers, namely the property management services and community value-added services, the Group is confident in maintaining steady development and shall ride a wave at the right time.

Looking back at the history of Yincheng Life Service which lasts for more than 20 years, the Group has faced difficulties but has always developed towards the right direction. The listing on the Stock Exchange provides more diversified financing channels for the Group's further development. However, it is only the beginning of a new journey for the Group. If the Group's goal is to become an enterprise with a history of over 100 years, it has only finished the coming-of-age ceremony, where the road ahead is still challenging yet full of hope. The management should remain true to their original aspiration and conscientiously make efforts for achievements in its business, service and performance which is the foundation for embodying the value of the Company. At the same time, the Group and its shareholders will promptly report its business progress to and share its results with all of its shareholders. I hope that the Group and its shareholders will grow together and witness every progress of the Group.

Finally, I would like to express my heartfelt thanks to the owners, suppliers, partners and staff who have trusted and supported the Group over the years, as well as its shareholders, investors and intermediaries who have recognised the Group during the period when the Company had submitted its application for the listing of its shares on the Stock Exchange. The listing on the Stock Exchange has opened a new chapter for the Group's development. Facing unprecedented development opportunities, we will continue to optimise our service quality and enhance our brand influence and market competitiveness, and reward the shareholders, customers and society with more brilliant results.

Yincheng Life Service CO., Ltd.
XIE Chenguang
Chairman

Nanjing, China
31 March 2020

PRESIDENT'S STATEMENT

Dear Board of Directors and Shareholders,

I am pleased to present the first results of Yincheng Life Service CO., Ltd. (the "**Company**", together with its subsidiaries, the "**Group**" or "**Yincheng Life Service**") after its successful listing on The Stock Exchange of Hong Kong Limited and would like to share the outlook of the Company in the coming year with you.

Deeply engaged in developed cities in the Yangtze River Delta Megalopolis with Nanjing being the regional focus

The Group is a property management service provider which ranks the 1st in Nanjing and among the top five in the Jiangsu Province. As at 31 December 2019, the Group's business covered 15 cities in China, including ten cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis, with a gross floor area ("**GFA**") under management reaching approximately 26.1 million sq.m. The Company managed 239 properties, including 116 residential properties and 123 non-residential properties, and served over 140,000 households as at 31 December 2019. The Group has been deeply engaged in the Yangtze River Delta Megalopolis for more than 20 years. According to the data of the National Bureau of Statistics of China, the growth rates of per capita GDP and per capita disposable annual income in major cities in the Jiangsu Province and the Yangtze River Delta Megalopolis are higher than those in the other parts of China. The per capita disposable annual income in the cities where the Group operates which include Nanjing, Wuxi, Suzhou, Hangzhou and Zhenjiang is RMB10,000 or more higher than the national level. This, together with the greater urbanisation in the Yangtze River Delta Megalopolis, promotes the increase in the size of the property management service market. Although the Group is a leading enterprise in the property management services industry in Nanjing, due to the highly segmented market, the Group only has a market share of less than 10% in Nanjing and therefore there is still significant room for growth. During the year, the Group achieved excellent results by paying active efforts in securing new projects to expand its size, and improving in its overall profitability by an increase in the profits generated from the projects secured from third-party real estate developers (the "**Second-hand Property Management Projects**").

Under the operational philosophy of "exceeding customer expectations and creating value through service", the service philosophy of "Living+", and the business model of "service alignment, business modularisation, modules specialisation and management digitalisation", the Group has been deeply engaged in regional markets, with the satisfaction of customers exceeding 80% for the past years and reaching 84% in 2019, being 11% higher than the average level in the industry according to Beijing Saiwei Consulting CO., Ltd. (北京賽惟諮詢有限公司), an authority research agency. While actively acquiring new customers, the Group strives to maintain long-term service relationships with its existing customers. In 2019, the renewal rate of the Group's customers was over 90%. Due to the owners' recognition of the Group's work and the efforts of its collection team, the collection rate of the Group's property management fees was high and reached 91.1% in 2019.

The increase in revenue, GFA under management and contracted GFA by approximately 48.8%, 68.4% and 38.1%, respectively

For the year ended 31 December 2019, the Group recorded a total revenue of approximately RMB695.8 million, representing a significant increase of approximately 48.8% as compared to approximately RMB467.7 million for the year ended 31 December 2018. Profit for the year was approximately RMB33.2 million, up approximately 22.5% from approximately RMB27.1 million in 2018. If listing expenses were not deducted, actual profit for the year is approximately RMB45.7 million, representing a year-on-year increase of approximately 68.6%. The increases in revenue and profit are mainly due to the growth in the property management services income arising out of an increase in the GFA under management during the year, an increase in revenue from the provision of community value-added services, and a decrease in the investment in the projects of third-party real estate developers undertaken by the Group as a result of such projects having gradually entered into the maturity period. Gross profit margin and core net profit margin for the year were approximately 16.1% and 6.6%, respectively.

With its good reputation, trustworthy brand image and excellent operation strength in the Yangtze River Delta Megalopolis, the Group's business has seen rapid development in recent years, with the GFA under management growing at a CAGR exceeding 58.0% since 2016. As at 31 December 2019, the Group's GFA under management was approximately 26.1 million sq.m., representing an increase of approximately 68.4% as compared to that as at 31 December 2018. At the same time, the contracted GFA reached 30.8 million sq.m., which ensures the Group's continuous expansion and generation of stable income in the future.

Having benefitted from the rapid growth in the contract sales of Yincheng International Holding Co., Ltd. ("**Yincheng International**") since 2016, the Group's new GFA under management has also grown steadily. At the same time, due to the market reputation established by the Group with its outstanding service quality, the GFA under management in the Second-hand Property Management Projects during the year was approximately 20.7 million sq.m., accounting for approximately 79.3% of the Group's total GFA under management. In 2019, the Group submitted 232 tenders for Second-hand Property Management Projects, with the tender success rate at approximately 57.3%, indicating that the Group has the comprehensive competitiveness to secure new projects in the market. All the Second-hand Property Management Projects are projects with large GFA under management or high service fees. With regard to the Second-hand Property Management Projects, the investment of more resources are required in the first two to three years after the project has been undertaken, which would affect the Group's gross profit margin. Nevertheless, after the project reaches its maturity period, it will have a positive influence on the increase in the Group's business size and long-term revenue. As an expert in the Second-hand Property Management Projects, the Group successfully turned 18 Second-hand Property Management Projects undertaken from loss-making to profit-making in 2019, which may help the Group in increasing its profit in the future.

Property management services remain the focus with rapid development in non-residential properties

The Group mainly provides property management services and community value-added services to its customers where the provision of property management services are the Group's main source of revenue generation. Revenue generated from the provision of property management services for the year was approximately RMB553.1 million, accounting for approximately 79.5% of the total revenue. Revenue generated from the provision of property management services in relation to residential and non-residential projects accounted for approximately 62.2% and 37.8%, respectively.

The Group's ability to provide a wide range of property management services for various types of properties is a major advantage that distinguishes the Group from its competitors in the industry. In addition to residential properties, the Group's non-residential projects cover a total of nine different types of properties, such as government facilities, financial institutions, property sales offices and schools. A higher standard for property management service providers in terms of their experience and various other indicators are required for the management of non-residential properties, thus the service fees and gross profit margin for the provision of such services are also higher. During the year, the Group secured 39 non-residential property projects, while the average gross profit margin of property management service income generated from non-residential properties was approximately 14.3%. In March 2020, the Group successfully ventured into the provision of property management services to hospitals which has a higher gross profit margin by acquiring 51% equity interest in a hospital property management service provider, and laid a foundation for the Group to secure more contracts of this type in the future.

To diversify the community value-added services to increase the adherence of users under the "Living +" model

The provision of the community value-added services as an extensional service to the property management services has a positive relationship with the provision of property management services in terms of growth in such business. The management believes that with the increase in the number of projects under the Group's management, there is still room for the development of the provision of community value-added services. The closed-off management of residential communities has caused a change in the spending habits of the people and effectively facilitated the increase in the owners' acceptance of the "last mile" service of in-home property management under the special circumstance due to the outbreak of the coronavirus disease. This has created a very favourable environment for the Group to develop more diversified community value-added services in the future.

Revenue generated from the provision of community value-added services for the year was approximately RMB142.7 million, accounting for approximately 20.5% of the total revenue. As at 31 December 2019, the community value-added services provided by the Group included common area value-added services, fitness services and community convenience services. The Group connects the owners and residents to service providers for the provision of services such as express delivery, battery charging, laundry and car washing and agricultural products through their registered "Living+" social media accounts, which not only provides convenience to the daily lives of its owners and residents and enhances their adherence to such services, but also effectively increases the Group's revenue as a channel provider. As at 31 December 2019, there were more than 70,665 registered users of the Group's "Living+" social media account. The Group established a joint venture company in January 2020 for the provision of professional home renovation services, which shows a continuous expansion of the scope of community value-added services.

Two drivers – Expansion in project engagements and the merger and acquisition of companies in the industry

The Group relies on its advantages of having good reputation and brand value in securing new projects, which is utmost important to the Group's development. In 2019, the Group had 38 and 39 new residential projects and non-residential projects, respectively, representing a year-on-year increase of approximately 48.7% and 46.4% as compared to those in 2018, respectively. Meanwhile, the Group actively seeks subjects of acquisitions that are complementary and conducive to its business expansion. During the year, the Group had one merger and acquisition project which was worth approximately RMB3.38 million. With the increase in capital, the Group will accelerate the merger and acquisition of excellent projects to generate greater returns for its shareholders.

A new beginning and a new journey

2020 should be a year of hope for the Group and the property management services industry.

In the macro-environment, despite the uncertain economic situation in the PRC and overseas, the Sino-US trade frictions, the increasingly tight financing environment and the sudden outbreak of coronavirus disease which affected many industries including the real estate industry, the property management services industry still remains relatively stable as its industry characteristics are not affected by the macroeconomic situation. In the capital market, the property management services industry begins to be favoured by investors in view of its risk resistance, income predictability and cash flow stability.

In terms of the industry environment, eyeing on the significant increase in the demand for a better life and the improvement in the quality living standard, there is an on-going change in property management of the communities which ranges from traditional building management and security of housings to the management of livings and assets of owners. In the era of pan-property management, customers' demand for higher service quality, in particular in the innovation in the form and diversity of service that a property management company provides, has brought unprecedented challenges to the property management services industry. The highly segmented industry with uneven quality of service and management is beneficial to players in the industry which can provide high quality services with competitive price. As a leading enterprise in Nanjing and the Jiangsu Province, the Group will seize the opportunity to expand its size rapidly and secure a larger market share.

In the future, the Group will adhere to a two-track development strategy of expanding the size of property management services and types of community value-added services. In terms of property management services, in addition to securing stable projects from Yincheng International, the Group will continue to secure more new and existing projects from third-party developers in the market to maintain its market vitality and competitiveness and realise its long-term development. After successfully venturing into the provision of property management services to hospitals, the Group is confident in securing more non-residential management projects of the same type. In terms of community value-added services, the Group will pay close attention to the change in the spending habits and concepts of the people, and improve its existing services and increase more convenience services to create its sources of revenue.

As a whole, the Group will strive to speed up its expansion in all aspects including securing more high-quality projects, developing new service types, exploring new community value-added services, and accelerating the pace of the merger and acquisition of companies. At the same time, the Group will continue to value the importance in maintaining high customer satisfaction and renewal rates, high management fee collection rates, and to achieve stable operation while making progress. Meanwhile, the Group will pay attention in motivating and training its employees and control costs strictly to enhance its profitability.

The Group believes that the successful listing on the Stock Exchange not only provides it with the access to international capital markets to expand its financing channels and achieve the goal of consolidating its financial strength but also facilitates the optimisation of internal management structure and organisational structure, attracting high quality and talented people to work in the industry and providing better quality services. The Group will take full advantage of this opportunity to make progress while maintaining its stability, and strive to take its development to a new level.

Yincheng Life Service CO., Ltd.
LI Chunling
President

Nanjing, China
31 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is an established property management service provider in the PRC with over 20 years of industry experience that engages in the provision of diversified property management services and community value-added services. As at 31 December 2019, the Group's property management services covered 15 PRC cities, including ten cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis, with the GFA under management reaching approximately 26.1 million sq.m. The Group managed 239 properties, including 116 residential properties and 123 non-residential properties, serving over 140,000 households as at 31 December 2019.

The Group's business covers a wide spectrum of properties, including residential properties and non-residential properties covering government facilities, financial institutions, property sales offices, parks, highway service area, industrial parks, mixed-use properties, schools and office buildings. The Group operates its business along two main business lines, namely the provision of (i) property management services; and (ii) community value-added services. Leveraging on the Group's business scale, operational efficiency, excellent service quality, development potential and social responsibility, the Group obtained various awards in 2019 including China Top 100 Property Management Companies* (中國物業服務百強企業), China Top 100 Property Management Companies in terms of customer satisfaction* (中國物業服務百度滿意度領先企業), China Top 100 Property Management Companies in terms of marketisation of business* (中國物業服務行業市場化運營領先企業), Blue Chip Enterprises* (藍籌物業企業), Leading Brand of East China Property Service Companies* (中國華東物業服務領先品牌), Featured Brand Enterprise of China for Property Services – Living + Service Model* (中國物業服務特色品牌企業－生活+服務模式)and East China Market-leading Enterprise for Property Services* (華東區域物業服務市場地位領先企業).

The Group adheres to its business motto of "Surpassing Customers' Expectations and Creating Value with Quality Services (超越顧客期待，服務創造價值)" and service concept of "Living+ (生活+)", and has adopted the business model of "Service alignment, Business modularisation, Modules specialisation and Management digitalisation (服務網格化、業務模塊化、模塊專業化、管理數據化)" to serve and create value for its customers with quality property management services.

Property Management Services

The Group provides a wide range of property management services to property owners' association that comprises security services, cleaning services, car park management, repair and maintenance of specialised elevators, escalators and mechanical car park equipment, gardening and landscaping services, daily repair and maintenance of equipment and machinery and ancillary customer services. The Group's portfolio of managed properties includes both residential properties and non-residential properties which cover, among others, government facilities, financial institutions and property sales offices.

The contracted GFA and GFA under management

As at 31 December 2019, the Group's contracted GFA was approximately 30.8 million sq.m., representing an increase of approximately 38.1% as compared to its contracted GFA at approximately 22.3 million sq.m. as at 31 December 2018. The increase was mainly attributable to an increase in the number of projects undertaken by the Group from its new customers and existing customers leveraging on the Group's solid reputation, customers' recognition and market strength.

As at 31 December 2019, the Group's GFA under management was approximately 26.1 million sq. m., representing an increase of approximately 68.4% as compared to its GFA under management at approximately 15.5 million sq.m. as at 31 December 2018. The increase was mainly attributable to the Group's solid and high quality services and market reputation which enables the Group to have a competitive advantage in the industry, leading to it being able to secure the engagement as the property management service provider for both residential property projects during its preliminary stage and completed residential properties and non-residential properties by replacing the then existing property management service providers.

The Group had 239 managed properties as at 31 December 2019, representing an increase of 77 managed properties as compared to its 162 managed properties as at 31 December 2018.

The table below sets out the Group's (i) contracted GFA; (ii) GFA under management; and (iii) number of managed properties, as at the dates indicated:

	As at 31 December	
	2018	**2019**
Contracted GFA*(Note)* *('000 sq.m.)*	22,296	30,761
GFA under management*(Note)* *('000 sq.m.)*	15,463	26,077
Number of managed properties	162	239

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Geographic Coverage

The Group has grown from a local property management service provider in Nanjing to one of the leading property management service providers in both Nanjing and the Jiangsu Province. As at 31 December 2019, our property management services covered 15 PRC cities, including ten cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by geographic region as at the dates indicated:

	As at 31 December			
	2018		2019	
	GFA under management[Note] *('000 sq.m.)*	**Number of managed properties**	**GFA under management**[Note] *('000 sq.m.)*	**Number of managed properties**
Nanjing	12,231	141	18,888	196
Yangtze River Delta Megalopolis (excluding Nanjing)	3,232	21	7,189	43
Total	**15,463**	**162**	**26,077**	**239**

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of the Group's property management services revenue by geographic region for the periods indicated:

	For the year ended 31 December			
	2018		2019	
	RMB'000	*%*	*RMB'000*	*%*
Nanjing	320,070	87.1	466,262	84.3
Yangtze River Delta Megalopolis (excluding Nanjing)	47,571	12.9	86,829	15.7
Total	**367,641**	**100.0**	**553,091**	**100.0**

Types of Property Management Services

The Group provides property management services in respect of both residential and non-residential properties. The non-residential properties are comprised of nine types of properties, namely government facilities, financial institutions, property sales offices, parks, highway service area, industrial parks, mixed-use properties, schools and office buildings.

While the provision of property management services in respect of residential properties is still the foundation of the Group's revenue generation and scale expansion, the Group is seeking to improve its brand awareness in the non-residential sector by diversifying its services offerings to include other types of non-residential properties, optimising its project portfolio and adjusting its business structure.

The table below sets out the breakdown of the Group's revenue from property management services by property types for the periods indicated:

	For the year ended 31 December					
	2018			2019		
	RMB'000	*%*	*GFA under management sq.m.'000*	*RMB'000*	*%*	*GFA under management sq.m.'000*
Residential properties	229,122	62.3	13,103	343,908	62.2	21,147
Non-residential properties	138,519	37.7	2,360	209,183	37.8	4,930
Total	**367,641**	**100.0**	**15,463**	**553,091**	**100.0**	**26,077**

Revenue Model

For the year ended 31 December 2019, substantially all of the Group's property management fees were charged on a lump sum basis with the remainder charged on a commission basis. The Group's property management revenue generated from property management services charged on a lump sum basis accounted for approximately 99.7% and 99.9% of the Group's revenue from property management services for the years ended 31 December 2018 and 2019, respectively. The Group's property management revenue generated from property management services charged on a commission basis accounted for approximately 0.3% and 0.1% of the Group's revenue from property management services for the same periods, respectively.

The table below sets out a breakdown of the Group's revenue from property management services by revenue model for the periods indicated and the total GFA under management as at the dates indicated:

	As at or for the year ended 31 December					
	2018			2019		
	Revenue		**GFA** *(Note)*	**Revenue**		**GFA** *(Note)*
	RMB'000	*%*	*sq.m.'000*	*RMB'000*	*%*	*sq.m.'000*
Lump sum basis	366,457	99.7	15,293	552,903	99.9	25,938
Commission basis	1,184	0.3	170	188	0.1	139
Total	**367,641**	**100.0**	**15,463**	**553,091**	**100.0**	26,077

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Project Sources

The Group has been providing property management services to Yincheng International Holding Group, which is engaged in, among others, the business of property development in developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages, as well as to Yincheng Real Estate Group. Over the years of the Group's operation, the Group has built up a business model operating independently from the property development of Yincheng International Holding Group and/or Yincheng Real Estate Group, as evidenced by its success in actively securing new engagement opportunities with independent third party property developers.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by the type of property developers as at the dates indicated:

	As at 31 December			
	2018		2019	
	GFA(Note 1) *('000 sq.m.)*	**Number**	**GFA**(Note 1) *('000 sq.m.)*	**Number**
Properties developed by Yincheng International Holding Group/ Yincheng Real Estate Group				
– Preliminary stage(Note 2)	2,181	11	2,852	16
– Property owners' association	1,455	22	2,559	22
Sub-total	**3,636**	**33**	**5,411**	**38**
Properties developed by independent third party property developers				
– Preliminary stage(Note 2)	2,203	11	3,229	17
– Property owners' association	9,624	118	17,437	184
Sub-total	**11,827**	**129**	**20,666**	**201**
Total	**15,463**	**162**	**26,077**	**239**

Notes:

1. The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

2. After being successful in the relevant public tenders and having entered into the relevant preliminary property management agreements with the property developers, it takes time for the newly developed properties to be delivered to the property owners. These newly developed properties will only be under the Group's management once they have been delivered to the property owners.

The table below sets out the breakdown of the Group's property management services revenue by the type of property developers for the periods indicated:

	For the year ended 31 December			
	2018		2019	
	RMB'000	%	*RMB'000*	%
Properties developed by Yincheng International Holding Group/ Yincheng Real Estate Group				
– Preliminary stage*(Note)*	44,643	12.1	54,504	9.9
– Property owners' association	43,115	11.7	68,446	12.3
Sub-total	**87,758**	**23.9**	**122,950**	**22.2**
Properties developed by independent third party property developers				
– Preliminary stage*(Note)*	17,774	4.8	30,174	5.5
– Property owners' association	262,109	71.3	399,967	72.3
Sub-total	**279,883**	**76.1**	**430,141**	**77.8**
Total	**367,641**	**100.0**	**553,091**	**100.0**

Note: Preliminary stage revenue refers to property management fees collected under the Group's preliminary property management agreements.

Property Management Service Fees

For the year ended 31 December 2019, the Group obtained all of its residential property projects during preliminary stage through public tenders, whereas it obtained its engagements for completed residential properties to replace the then existing property management companies through public tenders and acquisition of property management companies.

Among the projects managed by the Group, the average property management fees of the residential properties was approximately RMB1.75 per sq.m. per month for the year ended 31 December 2019, representing an increase of approximately 1.7% as compared to that of approximately RMB1.72 per sq.m. per month for the year ended 31 December 2018. Such increase was mainly due to an increase in property management service fees when some of the Group's project contracts were renewed.

In respect of the non-residential properties, the Group's average property management fees for the year ended 31 December 2019 was approximately RMB4.44 per sq.m. per month, representing a decrease of approximately 22.6% as compared to that of approximately RMB5.74 per sq.m. per month for the year ended 31 December 2018. Such decrease was mainly due to the relatively lower property management services fees which was calculated with reference to the gross floor area charged pursuant to certain large scale non-residential properties projects undertaken by the Group in 2019.

Community Value-Added Services

The Group provides community value-added services to property owners and residents of its managed residential properties with an aim to enhance the level of convenience at its managed communities and customer experience, satisfaction and royalty.

The Group's community value-added services mainly include (i) common area value-added services; (ii) fitness services; and (iii) community convenience services. These services are provided through the Group's daily contact and interaction with its customers during the process of providing property management services, as well as through its "Living+" social media account. As at 31 December 2019, the Group's community value-added services covered 113 residential properties and eight mixed-use non-residential properties.

For the year ended 31 December 2019, the Group's revenue generated from the provision of community value-added services amounted to approximately RMB142.7 million, representing an increase of approximately 42.7% as compared to that of RMB100.0 million for the year ended 31 December 2018. Such increase was mainly attributable to an increase in the number of projects undertaken by the Group and the diversification of the scope of services provided by the Group following its continuous business development.

The table below sets out the breakdown of the Group's revenue and gross profit margin of community value-added services for the periods indicated:

	For the year ended 31 December					
	2018			**2019**		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Community value-added services						
(i) Common area value-added service	65,520	34,553	52.7	101,501	49,991	49.3
(ii) Fitness services	21,830	1,661	7.6	21,755	3,157	14.5
(iii) Community convenience services	12,675	3,254	25.7	19,418	4,559	23.5
Total	**100,025**	**39,468**	**39.5**	**142,674**	**57,707**	**40.5**

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 48.8% from approximately RMB467.7 million for the year ended 31 December 2018 to approximately RMB695.8 million for the year ended 31 December 2019 as a result of (i) an increase in the number of residential and non-residential projects undertaken by the Group which led to an increase in the income from the provision of property management services; and (ii) the diversification of the scope of community value-added services provided by the Group following its continuous business development.

The table below sets out the breakdown of the Group's revenue by business line for the periods indicated:

	For the year ended 31 December			
	2018		**2019**	
	RMB'000	*%*	*RMB'000*	*%*
Property management services	367,641	78.6	553,091	79.5
Community value-added services	100,025	21.4	142,674	20.5
Total	**467,666**	**100.0**	**695,765**	**100.0**

Revenue from the provision of property management services increased by approximately 50.5% from approximately RMB367.6 million for the year ended 31 December 2018 to approximately RMB553.1 million for the year ended 31 December 2019. Such increase was primarily due to the continuous increase in the Group's GFA under management.

Revenue from the provision of community value-added services increased by approximately 42.7% from approximately RMB100.0 million for the year ended 31 December 2018 to approximately RMB142.7 million for the year ended 31 December 2019. Such increase was primarily due to an increase in (i) the Group's GFA under management; and (ii) the diversification of the scope of services provided by the Group.

Cost of Sales

The Group's cost of sales consists of labour costs, subcontracting costs, equipment operation and facility maintenance costs, material costs, depreciation of right-of-use assets, office expenses and others.

The Group's cost of sales increased by approximately 46.1% from approximately RMB399.7 million for the year ended 31 December 2018 to approximately RMB583.9 million for the year ended 31 December 2019, primarily due to an increase in the number of staff and subcontracting costs as a result of the expansion of the Group's business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 64.8% from approximately RMB67.9 million for the year ended 31 December 2018 to approximately RMB111.9 million for the year ended 31 December 2019. The gross profit margin increased from approximately 14.5% for the year ended 31 December 2018 to approximately 16.1% for the year ended 31 December 2019. Such increase was primarily due to (i) an increase in the income from the provision of property management services as a result of an increase in the Group's GFA under management during the year; (ii) an increase in revenue generated from the provision of community value-added services; and (iii) a decrease in the investments in the projects undertaken by the Group from independent third party property developers which had gradually entered into the maturity period.

Other Income and Gains

The Group's other income and gains mainly represents investment income, government grants, gain on disposal of items of property, plant and equipment, interest income, income from lease contract change and others.

The Group's other income and gains increased by approximately 9.5% from approximately RMB9.5 million for the year ended 31 December 2018 to approximately RMB10.4 million for the year ended 31 December 2019, primarily due to the change of three lease agreements during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses consist primarily of staff costs, advertising and promotional expenses, office expenses, business development expenses, travelling expenses and others.

The Group's selling and distribution expenses increased by approximately 21.6% from approximately RMB3.7 million for the year ended 31 December 2018 to approximately RMB4.5 million for the year ended 31 December 2019, primarily due to an increase in staff costs and miscellaneous expenses incurred in relation to the sales activities due to the Group's continuous business expansion.

Administrative Expenses

The Group's administrative expenses primarily include staff costs, professional fees, office expenses, business development expenses, rental expenses, travelling expenses, depreciation and amortisation, bank charges, taxes, listing expenses and others.

The Group's administrative expenses increased by approximately 84.9% from approximately RMB29.8 million for the year ended 31 December 2018 to approximately RMB55.1 million for the year ended 31 December 2019, primarily due to (i) the listing expenses incurred; and (ii) an increase in staff costs and business development costs as a result of the Group's business expansion.

Other Expenses

The Group's other expenses mainly include fair value change of financial assets and others.

The Group's other expenses decreased by approximately 85.7% from approximately RMB0.7 million for the year ended 31 December 2018 to approximately RMB0.1 million for the year ended 31 December 2019, primarily due to the decrease in fair value change of financial assets of RMB0.4 million as a result of such financial assets being disposed of during the year.

Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net increased by approximately 150.0% from approximately RMB3.2 million for the year ended 31 December 2018 to approximately RMB8.0 million for the year ended 31 December 2019, primarily due to an increase in the impairment losses on trade receivables and other receivables provision.

Finance Costs

The Group's finance costs mainly include interest on bank borrowings and interest on lease liabilities in relation to lease liabilities recorded for properties leased by the Group for operation of its offices and fitness centers.

The Group's finance costs increased by approximately 150.0% from approximately RMB3.2 million for the year ended 31 December 2018 to approximately RMB8.0 million for the year ended 31 December 2019, primarily due to an increase in third party borrowings.

Income Tax Expense

The Group's income tax refers to PRC enterprises income tax at a tax rate of 25% on taxable profits of its subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small-low-profit enterprises and thus are subject to a preferential tax rate of 10% for the year ended 31 December 2019.

The Group's income tax expense increased by approximately 31.6% from approximately RMB9.8 million for the year ended 31 December 2018 to approximately RMB12.9 million for the year ended 31 December 2019, primarily due to (i) an increase in the profit before tax; (ii) there being expenses which are tax non-deductible; and (iii) there being withholding taxes incurred by the Group.

Profit for the Year

As a result of the foregoing, the Group's profit increased by approximately 22.5% from approximately RMB27.1 million for the year ended 31 December 2018 to approximately RMB33.2 million for the year ended 31 December 2019. Profits attributable to owners of the Company for the year ended 31 December 2019 amounted to approximately RMB33.1 million, representing an increase of approximately 21.2% as compared to the corresponding period in 2018. The core net profit margin was approximately 6.6% for the year ended 31 December 2019, up 0.8 percentage points from approximately 5.8% in the corresponding period in 2018. The increase in core net profit margin was mainly due to (i) the expansion and development of the Group's business; (ii) the improvement in the operation of second-hand projects; and (ii) the effect of economies of scale leading to a decrease in the margin of management costs.

Liquidity, Reserves and Capital Structure

The Group maintained a healthy financial position during the year ended 31 December 2019. The Group's current assets amounted to approximately RMB637.1 million as at 31 December 2019, representing an increase of approximately 100.3% as compared to that of approximately RMB318.0 million as at 31 December 2018. The Group's cash and cash equivalents amounted to approximately RMB447.8 million as at 31 December 2019, representing an increase of approximately 268.9% as compared to that of RMB121.4 million as at 31 December 2018, primarily due to (i) the net proceeds received by the Group from its initial public offering on the Stock Exchange on 6 November 2019; (ii) an increase in contract liabilities; and (iii) an increase in bank and other borrowings.

The Group's total equity amounted to approximately RMB121.8 million as at 31 December 2019, representing an increase of approximately 66.4% as compared to that of approximately RMB73.2 million as at 31 December 2018. Such increase was mainly due to the Company's successful listing on the Stock Exchange in November 2019 with a fund of approximately HK$131.4 million raised (after deducting the underwriting fees, commissions and other expenses in relation to the Global Offering).

Property, Plant and Equipment

The Group's property, plant and equipment amounted to approximately RMB18.6 million as at 31 December 2019, representing a decrease of approximately 29.0% as compared to that of approximately RMB26.2 million as at 31 December 2018. This was primarily due to there being transfers from properties to investment properties.

Trade Receivables

The Group's trade receivables primarily consist of receivables for its property management services and community value-added services from its customers. The Group's trade receivables amounted to approximately RMB70.8 million as at 31 December 2019, representing an increase of approximately 27.6% as compared to that of approximately RMB55.5 million as at 31 December 2018. Such increase in trade receivables is less than the increase in the Group's revenue growth, which shows that the Group has good control and execution in the collection of its trade receivables.

Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables amounted to approximately RMB50.7 million as at 31 December 2019, representing an increase of approximately 191.4% as compared to that of approximately RMB17.4 million as at 31 December 2018. This was mainly due to (i) the Group having provided advances to its staff for payment of their accommodation fees; and (ii) an increase in prepaid utility expenses and project deposits as a result of there being an increase in the number of property management projects undertaken by the Group.

Trade Payables

The Group's trade payables primarily consist of payables to suppliers and subcontractors. The Group's trade payables amounted to approximately RMB10.4 million as at 31 December 2019, representing a decrease of approximately 25.2% as compared to that of approximately RMB13.9 million as at 31 December 2018. This was mainly due to an increase in the Group's frequency in the settling of payments with its suppliers.

Other Payables, Deposits Received and Accruals

The Group's other payables, deposits received and accruals amounted to approximately RMB266.1 million as at 31 December 2019, representing an increase of approximately 151.5% as compared to that of approximately RMB105.8 million as at 31 December 2018. This was mainly due to an increase in third party borrowings of RMB115 million for the completion of the Group's reorganisation.

Contract Liabilities

The Group receives payments from its customers based on billing schedules as provided in the property management agreements. A portion of the payments are usually received in advance of the performance under the contracts which are mainly from property management services. According to the Group's business model, for revenue recognised from the provision of property management services, all such revenue are carried forward from contract liabilities during the year ended 31 December 2019. All of the Group's contract liabilities are expected to be recognised as revenue within one year as at 31 December 2019.

The Group's contract liabilities amounted to approximately RMB193.5 million as at 31 December 2019, representing an increase of approximately 67.0% as compared to that of approximately RMB115.9 million as at 31 December 2018. This was mainly due to an increase in the number of properties managed by the Group as a result of the Group's business expansion.

Borrowings

As at 31 December 2019, the Group had interest-bearing bank borrowings of RMB50.0 million.

Use of Proceeds from the Listing

The Company successfully listed on the Main Board of the Stock Exchange on 6 November 2019 with the issue of 66,680,000 new shares. The total net proceeds from the Listing (including the exercise of the Over-allotment Option) amounted to approximately HK$131.4 million after deducting the underwriting fees and commissions and other expenses in connection with the Global Offering.

As at the date of this announcement, the Group had not yet utilised the net proceeds and it is expected that the Group will utilise such net proceeds in the manner consistent with the proposed allocations as stated in the Prospectus.

Pledge of Assets

The Group had no pledge of assets as at 31 December 2019.

Contingent Liabilities

The Group had no material contingent liabilities or guarantees as at 31 December 2019.

Exchange Rate Risk

As all of the Group's businesses are conducted in the PRC, revenue and profits for the year ended 31 December 2019 were denominated in Renminbi. The major foreign currency source for the Group is the fundraising following the successful listing on the Stock Exchange during the year, all of which were in Hong Kong dollars. The Group is of the view that there is no significant foreign exchange risk.

Employees and Remuneration Policies

As at 31 December 2019, the Group had a total of 2,901 employees. The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution and social welfare. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Material Acquisition and Disposal

On 16 March 2020, Nanjing Yincheng Property Services Co., Ltd.* (南京銀城物業服務有限公司) (the "**Purchaser**") (an indirect wholly-owned subsidiary of the Company), Zhenjiangshi Puren Commercial Trading Centre (General Partnership)* (鎮江市普仁商業貿易中心（普通合夥）) (the "**Vendor**"), Mr. Shen Chunlei (沈春雷先生) (the "**Guarantor**"), Mr. Kong Jianbin (孔建斌先生) ("**Mr. Kong**"), Ms. Shen Chunlan (沈春蘭女士) ("**Mr. Shen**") and Nanjing Huiren Hengan Property Management Co., Ltd.* (南京匯仁恆安物業管理有限公司) (the "**Target Company**", together with the Purchaser, the Vendor, the Guarantor, Mr. Kong and Ms. Shen, the "**Parties**") entered into an equity interest transfer agreement, pursuant to which the Parties agreed that the Purchaser shall acquire, and the Vendor shall sell 51% of the entire equity interest in the Target Company at the consideration of RMB45,900,000 (subject to adjustments). For further details, please refer to the Company's announcement dated 16 March 2020.

Save as disclosed above and in the Prospectus, during the year ended 31 December 2019 and up to the date of this announcement, the Group did not perform any material acquisition or disposal of subsidiaries and associates.

Subsequent Events

Since the outbreak of the coronavirus disease in early 2020, a series of precautionary and control measures have been and will continue to be implemented across the country. The Group has assessed the overall impact of the situation arisen from the outbreak of the coronavirus disease to its operation and has taken all possible effective measures to limit and keep such impact under control. The Group will keep paying close attention to the development of the coronavirus disease and evaluate its impact on the Group's financial position and operating results in order to make timely response and adjustments as appropriate going forward.

Other than the event as mentioned above and in the paragraph headed "Major Acquisition and Disposal" above, the Directors is not aware of any material events undertaken by the Group subsequent to 31 December 2019.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 29 May 2020, the notice of which will be published and dispatched to the Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$0.42 per ten ordinary shares 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 Friday, 29 May 2020 and, subject to the approval by the Shareholders at the AGM, the final dividend is expected to be paid in or about August 2020 to the Shareholders whose names appear on the register of members of the Company on Monday, 8 June 2020.

CLOSURE OF REGISTER OF MEMBERS

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

(a) from Tuesday, 26 May 2020 to Friday, 29 May 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining the 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, no later than 4:30 p.m. (Hong Kong time) on Monday, 25 May 2020; and

(b) from Thursday, 4 June 2020 to Monday, 8 June 2020, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining the 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, no later than 4:30 p.m. (Hong Kong time) on Wednesday, 3 June 2020.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code on corporate governance. As the shares of the Company were not listed on the Main Board of the Stock Exchange until 6 November 2019 (the "**Listing Date**"), the Corporate Governance Code was not applicable prior to the Listing Date for the year ended 31 December 2019. Since the Listing Date and up to the date of this announcement, the Company has complied with the Corporate Governance Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. As the shares of the Company were not listed on the Main Board of the Stock Exchange until 6 November 2019, the Model Code was not applicable to the Company prior to the Listing Date for the year ended 31 December 2019. All Directors confirmed, after having made specific enquiry with the Company, that they have complied with the Model Code since the Listing Date and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Chow Siu Hang, Mr. Mao Ning and Mr. Xie Chenguang.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2019. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2019 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), to the amounts set out in the Group's audit consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young in this announcement.

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

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.yinchenglife.hk). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Yincheng Life Service CO., Ltd.
XIE Chenguang
Chairman

Nanjing, China
31 March 2020

As at the date of this announcement, the executive Directors are Mr. Li Chunling and Ms. Huang Xuemei; the non-executive Directors are Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li; and the independent non-executive Directors are Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning.