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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 2020

HIGHLIGHTS

1. Revenue for 2020 was approximately RMB3,119.6 million, representing an increase of 66.1% from approximately RMB1,877.8 million for 2019.
2. The gross profit of the Group for 2020 was approximately RMB979.5 million, representing an increase of 76.4% from approximately RMB555.4 million for 2019. Gross profit margin for 2020 was 31.4%, while that of 2019 was 29.6%, representing a year-on-year increase of 1.8 percentage points.
3. Profit for 2020 was approximately RMB442.6 million, representing an increase of 77.8%, as compared with approximately RMB249.0 million for 2019. Meanwhile, profit attributable to owners of the Company for 2020 was approximately RMB390.4 million, representing an increase of 74.4% as compared with approximately RMB223.8 million for 2019.
4. As at 31 December 2020, the contracted GFA of the property management services of the Group was approximately 181.2 million sq.m, representing an increase of approximately 63.8%, as compared with approximately 110.6 million sq.m as at 31 December 2019.
5. The Board recommended the payment of a final dividend of HK\$0.0838 per ordinary share of the Company for the year ended 31 December 2020 (2019: HK\$0.0479).

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 2020 with comparative figures for the year ended 31 December 2019. These audited consolidated results have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

		For the year ended 31 December	
	Notes	2020 RMB'000	2019 RMB'000
Revenue	5	3,119,563	1,877,822
Cost of services		<u>(2,140,056)</u>	<u>(1,322,424)</u>
Gross profit		979,507	555,398
Other income and other gains and losses		(10,278)	48,045
Administrative expenses		(271,613)	(203,148)
Selling expenses		(61,065)	(43,371)
Administrative and selling expenses		(332,678)	(246,519)
Expected credit loss on financial assets		(32,148)	(24,116)
Share of joint venture's loss		—	(95)
Share of associate's loss		—	(324)
Finance costs		(1,498)	(1,334)
Other expenses		(4,786)	(2,543)
Profit before taxation		598,119	328,512
Income tax expense	8	(155,503)	(79,558)
Profit and total comprehensive income for the year		<u>442,616</u>	<u>248,954</u>
Profit and total comprehensive income for the year			
Attributable to:			
Owners of the Company		390,372	223,845
Non-controlling interests		52,244	25,109
		<u>442,616</u>	<u>248,954</u>
Earnings per share (RMB)			
Basic earnings per share	9	<u>0.2426</u>	<u>0.1458</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		31 December	31 December
	Note	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		86,201	62,432
Investment properties		55,119	50,814
Intangible assets		91,049	100,600
Goodwill		470,952	431,128
Deferred tax assets		20,620	11,831
Prepayments of property, plant and equipment		12,448	13,368
		736,389	670,173
Current assets			
Trade and bills receivables	6	458,628	342,006
Prepayments and other receivables		264,688	139,279
Other financial assets		30,000	—
Restricted cash		6,873	43,000
Bank balances, deposits and cash		3,170,589	1,283,642
		3,930,778	1,807,927

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2020

		31 December	31 December
	Notes	2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Current liabilities			
Trade and bills payables	7	362,848	284,593
Accruals and other payables		693,319	490,187
Contract liabilities	5(c)	387,825	334,317
Lease liabilities		13,828	7,972
Provision for taxation		124,874	70,102
		<u>1,582,694</u>	<u>1,187,171</u>
Net current assets		<u>2,348,084</u>	<u>620,756</u>
Total assets less current liabilities		<u><u>3,084,473</u></u>	<u><u>1,290,929</u></u>
Non-current liabilities			
Lease liabilities		15,508	13,218
Other long-term payables		4,928	1,265
Deferred tax liabilities		46,602	48,516
		<u>67,038</u>	<u>62,999</u>
Net assets		<u><u>3,017,435</u></u>	<u><u>1,227,930</u></u>
EQUITY			
Share capital		14,830	13,607
Reserves		2,878,604	1,134,290
Equity attributable to owners of the Company		<u>2,893,434</u>	<u>1,147,897</u>
Non-controlling interests		<u>124,001</u>	<u>80,033</u>
Total equity		<u><u>3,017,435</u></u>	<u><u>1,227,930</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Ever Sunshine Lifestyle Services Group Limited (the “**Company**”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). Its ultimate controlling parties are Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. Upon completion of sales and purchase of the Company’s share and execution of voting right entrustment agreement between the shareholders of the Company on 30 June 2020, Spectron Enterprises Limited (incorporated in the British Virgin Islands (the “**BVI**”)) became the immediate holding company of the Company and CIFI Holdings (Group) Co. Ltd. (incorporated in the Cayman Islands with its shares listed on the Stock Exchange) became the ultimate holding company of the Company. 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 acts as an investment holding company. 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.

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

2 BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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 (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period.

3 APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

Except as described below, the application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKFRS 3 “Definition of a Business”

The Group has applied the amendments for the first time in the current year. The amendments clarify that while businesses usually have outputs, outputs are not required for an integrated set of activities and assets to qualify as a business. To be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs. The amendments also introduce additional guidance that helps to determine whether a substantive process has been acquired.

In addition, the amendments introduce an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business. Under the optional concentration test, the acquired set of activities and assets is not a business if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. The election on whether to apply the optional concentration test is available on transaction-by-transaction basis.

The application of the amendments had no impact on the consolidated financial statements in the current year as similar conclusion would have been reached without applying the optional concentration test.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendment to HKFRS 16	Covid-19-Related Rent Concessions ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2 ⁵
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2023.

² Effective for annual periods beginning on or after 1 January 2022.

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

⁴ Effective for annual periods beginning on or after 1 June 2020.

⁵ Effective for annual periods beginning on or after 1 January 2021.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 “Business Combinations” so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 “Provisions, Contingent Liabilities and Contingent Assets” or HK(IFRIC)-Int 21 “Levies”, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

4 SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group’s results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Information about major customer

For the year ended 31 December 2020, revenue from CIFI Holdings (Group) Co., Ltd., its subsidiaries, joint ventures and associates (the “CIFI Group”) contributed 17.6% (2019: 14.3%) of the Group’s revenue. 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 year ended 31 December 2020 (2019: None).

Information about geographical areas

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC for the year ended 31 December 2020 (2019: All).

As at 31 December 2020, all of the non-current assets were located in the PRC (2019: All).

5 REVENUE

Revenue mainly comprises of 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 was as follows:

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customer	3,118,873	1,876,896
Others	690	926
Total	<u>3,119,563</u>	<u>1,877,822</u>

Revenue from contract with customer

(a) Disaggregated revenue information

For the year ended 31 December 2020

	Property management services <i>RMB'000</i>	Community value- added services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
Property management services				
Lump sum basis	1,754,248	—	—	1,754,248
Commission basis	3,050	—	—	3,050
	<u>1,757,298</u>	<u>—</u>	<u>—</u>	<u>1,757,298</u>
Community value-added services				
Home-living services	—	454,534	—	454,534
Parking unit management and leasing services	—	104,266	—	104,266
Property agency services	—	191,632	—	191,632
Common area value-added services	—	39,463	—	39,463
	<u>—</u>	<u>789,895</u>	<u>—</u>	<u>789,895</u>
Value-added services to non-property owners				
Sales assistance services	—	—	330,480	330,480
Additional tailored services	—	—	103,171	103,171
Preliminary planning and design consultancy services	—	—	79,593	79,593
Housing repair services	—	—	33,474	33,474
Pre-delivery inspection services	—	—	24,962	24,962
	<u>—</u>	<u>—</u>	<u>571,680</u>	<u>571,680</u>
	<u>1,757,298</u>	<u>789,895</u>	<u>571,680</u>	<u>3,118,873</u>
Timing of revenue recognition				
A point in time	—	245,638	—	245,638
Over time	1,757,298	544,257	571,680	2,873,235
	<u>1,757,298</u>	<u>789,895</u>	<u>571,680</u>	<u>3,118,873</u>

For the year ended 31 December 2019

	Property management services <i>RMB'000</i>	Community value- added services <i>RMB'000</i>	Value-added services to non-property owners <i>RMB'000</i>	Total <i>RMB'000</i>
Types of goods and services				
Property management services				
Lump sum basis	1,063,494	—	—	1,063,494
Commission basis	6,493	—	—	6,493
	<u>1,069,987</u>	<u>—</u>	<u>—</u>	<u>1,069,987</u>
Community value-added services				
Home-living services	—	263,052	—	263,052
Parking unit management and leasing services	—	68,754	—	68,754
Property agency services	—	101,912	—	101,912
Common area value-added services	—	48,550	—	48,550
	<u>—</u>	<u>482,268</u>	<u>—</u>	<u>482,268</u>
Value-added services to non-property owners				
Sales assistance services	—	—	208,839	208,839
Additional tailored services	—	—	40,764	40,764
Preliminary planning and design consultancy services	—	—	39,816	39,816
Housing repair services	—	—	19,449	19,449
Pre-delivery inspection services	—	—	15,445	15,445
Others	—	—	328	328
	<u>—</u>	<u>—</u>	<u>324,641</u>	<u>324,641</u>
	<u>1,069,987</u>	<u>482,268</u>	<u>324,641</u>	<u>1,876,896</u>
Timing of revenue recognition				
A point in time	—	116,294	—	116,294
Over time	1,069,987	365,974	324,641	1,760,602
	<u>1,069,987</u>	<u>482,268</u>	<u>324,641</u>	<u>1,876,896</u>

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts for property management service are usually long term and the Group bills a fixed amount for service provided every month or every year. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Community value-added services and value-added services to non-property owners are for periods usually less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Details of contract liabilities

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

	31 December	31 December
	2020	2019
	RMB'000	RMB'000
Contract liabilities	<u>387,825</u>	<u>334,317</u>

(i) Significant changes in contract liabilities

Contract liabilities of the Group 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 and acquisition of subsidiaries.

(ii) Revenue recognised in relation to contract liabilities

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

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	<u>313,095</u>	<u>137,577</u>

6 TRADE AND BILLS RECEIVABLES

	31 December	31 December
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables		
– Related parties	80,507	62,140
– Third parties	<u>428,697</u>	<u>304,852</u>
	509,204	366,992
Bills receivables	<u>5,618</u>	<u>775</u>
Total	514,822	367,767
Less: allowance for credit losses	<u>(56,194)</u>	<u>(25,761)</u>
	<u>458,628</u>	<u>342,006</u>

As at 1 January 2019, trade and bills receivables from contracts with customers amounted to RMB162,032,000.

All bills received by the Group are with a maturity period of less than one year.

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

The maturity of the bills receivable of the Group as at 31 December 2020 and 2019 is within 6 months. As at 31 December 2020 and 2019, no bills receivable is due from related parties.

As at 31 December 2020 and 2019, the ageing analysis of the trade and bills receivables net of allowance of credit losses presented based on invoice date were as follows:

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Within 1 year	373,521	289,213
1 to 2 years	66,424	43,639
2 to 3 years	15,730	8,865
3 to 4 years	2,874	191
4 to 5 years	79	98
	<u>458,628</u>	<u>342,006</u>

7 TRADE AND BILLS PAYABLES

	31 December 2020 <i>RMB'000</i>	31 December 2019 <i>RMB'000</i>
Trade payables		
– Related parties	5,900	6,728
– Third parties	356,948	234,865
	<u>362,848</u>	241,593
Bills payables	—	43,000
	<u>362,848</u>	<u>284,593</u>

Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group's trade and bills payables as at 31 December 2020 and 2019 as follows:

	31 December 2020	31 December 2019
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	342,139	274,897
1 to 2 years	20,025	9,422
2 to 3 years	684	274
	<u>362,848</u>	<u>284,593</u>

8 INCOME TAX EXPENSE

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
PRC Enterprise Income Tax:		
Current tax	175,254	85,982
Over-provision in respect of prior year	(2,735)	(4,953)
	172,519	81,029
Deferred tax		
Credited to profit or loss for the year	(17,016)	(1,471)
	<u>155,503</u>	<u>79,558</u>

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the PRC subsidiaries are i) 25%, ii) 15% if registered or engaged in the encouraged industries and registered in the western region of the PRC or iii) 15% if regarded as advanced technology enterprise by local tax bureau.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

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

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

9 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity owners of the Company is based on the following data:

	For the year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Earnings		
Profit attributable to the equity owners of the Company	<u>390,372</u>	<u>223,845</u>
	For the year ended 31 December	
	2020	2019
	<i>Number'000</i>	<i>Number'000</i>
Number of shares		
Weighted average number of ordinary shares	<u>1,609,258</u>	<u>1,535,501</u>

The computation of diluted earnings per share for 2019 does not assume the exercise of the Company's over allotment options before lapsed on 6 January 2019 as the impact is minimal.

No diluted earnings per share for 2020 was presented as there were no potential ordinary shares in issue for 2020.

10 DIVIDENDS

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2019 Final - HK\$0.0479 (2018 Final – HK\$0.0231) per ordinary share	<u>73,083</u>	<u>31,221</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HK\$0.0838 (2019: final dividend in respect of the year ended 31 December 2019 of HK\$0.0479) per ordinary share, in an aggregate amount of HK\$139,980,000 (2019: HK80,012,000), has been proposed by the Board of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

11 SUBSEQUENT EVENTS

On 7 January 2021, Shanghai Yongsheng Property Management Company Limited entered into the framework agreement with Taixing Holdings Limited, Mr. Huang Haitao (“**Mr. Huang**”), Ms. Wang Chunlin (“**Ms. Wang**”) and Guilin Zhangtai Industrial Group Company Limited regarding the acquisition of the 65% equity interest in Zhangtai Service Group Company Limited (“**Zhangtai Service**”) at the consideration of RMB 433,875,000, subject to adjustment with reference to a profit guarantee granted by Taixing Holdings Limited, Mr. Huang and Ms. Wang. As at the date of this announcement, the acquisition of Zhangtai Service has not been completed and the management of the Company was still in the midst of determining the financial effect of the aforesaid transactions. Details of the acquisition were set out in the Company’s announcement dated 7 January 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a respected and fast-growing property management service provider in China. In May 2020, we were honourably elected as one of the “2020 Top 100 Property Management Companies in China (2020中國物業服務百強企業)” by the China Index Academy. Our ranking in terms of overall strength is 12th, promoted by 2 places compared with that of 2019. As at 31 December 2020, we had provided property management services and value-added services in 107 cities in China with contracted gross floor area (“GFA”) amounting to approximately 181.2 million sq.m., among which, total GFA under management amounted to approximately 101.6 million sq.m., serving more than 380,000 households.

Our business covers a board spectrum of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, school campus, government-owned buildings, expressway stations, rail transit, and ferry terminals) and other quality tailor-made 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” (鉞悅管家) 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 to our clients a 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 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 sub-contract for certain 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 it has achieved speedy growth in contracted GFA and GFA under management through its multi-wheel driven roadmap during the year. As at 31 December 2020, our contracted GFA amounted to approximately 181.2 million sq.m., and the number of contracted projects totaled 985, representing an increase of approximately 63.9% and 61.7%, respectively, compared with those as at 31 December 2019. As at 31 December 2020, the GFA under our management reached approximately 101.6 million sq.m., and the number of projects under management totaled 638, representing an increase of approximately 56.0% and 58.3%, respectively, compared with those as at 31 December 2019.

The table below indicates the movement of changes for our contracted GFA and GFA under management for the year ended 31 December 2020 and 31 December 2019 respectively:

	For the year ended 31 December			
	2020		2019	
	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)
As at the beginning of the year	110,558	65,151	65,551	40,239
New engagements ⁽¹⁾	74,604	40,952	47,499	26,616
Acquisition ⁽²⁾	3,389	2,417	2,317	2,148
Terminations ⁽³⁾	(7,359)	(6,895)	(4,809)	(3,852)
As at the end of the year	181,192	101,625	110,558	65,151

Notes:

- (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) The acquisitions during the year include acquisitions of Qingdao Yinshengtai Property Management Services Company Limited (青島銀盛泰物業服務有限公司) (“**Qingdao Yinshengtai**”) and Jiangsu Xiangjiang Property Development Company Limited (江蘇香江物業發展有限公司) (“**Jiangsu Xiangjiang**”).
- (3) 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 2020, we have expanded our geographic footprint from Shanghai to 107 cities in China.

The table below sets forth a breakdown of our total GFA under management as at the dates and revenue generated from property management services by geographic location for the year ended 31 December 2020 and 2019 respectively:

	As at 31 December or for the year ended 31 December					
	2020			2019		
	GFA	Revenue		GFA	Revenue	
<i>sq.m. '000</i>	<i>RMB'000</i>	<i>%</i>	<i>sq.m. '000</i>	<i>RMB'000</i>	<i>%</i>	
Eastern region ⁽¹⁾	65,949	1,176,427	66.9	41,763	724,736	67.7
Northern region ⁽²⁾	8,222	152,967	8.7	7,385	122,231	11.4
Central Southern region ⁽³⁾	12,875	194,690	11.1	9,280	102,626	9.6
Western region ⁽⁴⁾	11,364	147,638	8.4	4,032	83,438	7.8
Northeastern region ⁽⁵⁾	3,215	85,576	4.9	2,691	36,956	3.5
Total	101,625	1,757,298	100.0	65,151	1,069,987	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, Quanzhou, Fuyang, Shaoxing, Yangzhou, Bengbu, Chizhou, Linyi, Taizhou, Weihai, Suqian, Xuancheng, Zibo.
- (2) Cities in which we have property management projects in the northern region include Beijing, Tianjin, Langfang, Shijiazhuang, Taiyuan, Hohhot, Tangshan, Qinhuangdao, Ulanqab.
- (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, Zhuzhou, Xuchang, Xinxiang, Xiangtan, Xianning, Pingdingshan, Luohe.
- (4) Cities in which we have property management projects in the western region include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu, Guiyang, Liupanshui, Anshun, Baiyin, Bijie, Qiannan Buyi and Miao Autonomous Prefecture, Tongren, Xianyang.
- (5) Cities in which we have property management projects in the northeastern region include Shenyang, Dalian, Dandong, Yingkou.

Multi-wheel Driven Strategy Promotes the Continuous Expansion of Service Scale

Growing together with CIFI Group

As a long-term service partner of CIFI Holdings (Group) Co. Ltd and its subsidiaries (“**CIFI Group**”), our services are overwhelmingly recognized by them. As such, a consolidated collaborative partnership between us and CIFI Group was established and we have been benefited by CIFI Group’s rapid growth in the property development business.

As disclosed in the announcements of the Company dated 29 May 2020 and 28 June 2020, respectively, the Company has become a subsidiary of CIFI Group since 30 June 2020. The connection between the Company and CIFI Group is further strengthened, which is beneficial to deepen our cooperation and achieve greater degree of strategy synergetic development.

Seize Market Opportunities in Independent Third-Party Markets

Apart from the substantial support from CIFI Group, we also explore into third-party markets via diversified channels actively. Therefore, we expand resources into various independent markets to increase our market share. Our principal targets regarding market expansion include independent regional property developers, property owners' committees, local governments, etc. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In 2020, we secured premium projects such as Yinchuan Huifeng Building (銀川滙豐大廈), Hefei Huaxi LIVE Eastern Chaohu (合肥華熙LIVE·巢湖東) and Wuhan Ziquejie Kangyang Town (武漢紫鵲界康養小鎮). To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In 2020, we acquired premium projects including Wuhan Boya Technology Building (武漢博雅科技大廈) and Wuxi Guohui E-commerce Building (無錫國惠電子商務大廈) through open tender bidding. We also participated in government procurements, for example, the tendering and bidding of public facility projects such as sports ground, rail transit, transportation hub points and office buildings. In 2020, we acquired premium service projects including the Communication University of China (中國傳媒大學), Chongqing Rail Transit Loop Line Station (重慶軌道交通環線車站), Huzhou North Zhejiang Central Hospital (湖州浙北中心醫院) and Phase III of Suzhou Entrepreneurship Park (蘇州創業園三期) and the office building of Suzhou Municipal Bureau of Commerce (蘇州市商務局辦公大樓) and Swimming and Diving Sports Administration Centre of Fujian Province (福建省游泳跳水運動管理中心).

Meanwhile, we actively seek for opportunities to enter into strategic partnership with various property developers and set up joint ventures to provide property management services. Until now, we have 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), Guangxi Zhucheng Times Property Development Co., Ltd. (廣西築成時代地產開發有限公司), SND Group (蘇高新集團), Dezhou Jiaotou Development Group (德州市交通運輸投資發展集團), Bijie Chuangmei Property Development Limited(畢節創美房地產開發有限公司) and on account of such, we can enjoy priorities to acquire the property management rights of properties developed by these strategic partners.

Attributable 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.

With the encouragement from governmental policies and the evolution of the property management industry's own capabilities, the property management industry acquired more opportunities on expansion of new businesses. During the year, taking city service positioning as one of our strategic development directions, we have marked our first step towards urbanization service. We successfully established strategic cooperation relationship with Jiangsu Suqian Siyang Economic and Technological Development Zone (江蘇宿遷泗陽經濟技術開發區), Shanghai Lingang New City Investment & Construction Co., Ltd. (上海臨港新城投資建設有限公司), and Wuxi Huishan State-owned Investment Holding Group Co., Ltd. (無錫市惠山國有投資控股集團有限公司), striving to jointly create a smart city.

Strategic Mergers and Acquisitions

Strategic mergers and acquisitions have become a crucial part of our development process. In terms of merger and acquisition, the Company adheres to the principle of “Selects the target carefully before investment; conducts effective management after investment (投前精選標的, 投後完善管理)”. Through appropriate mergers and acquisitions, we increase our concentration in existing markets, expand our regional business scales, and make up the weaknesses among sectors quickly to enhance our multi-sector services capabilities.

On 27 February 2020, the Group entered into an acquisition agreement to acquire 50% equity interests in Qingdao Yinshengtai at a consideration of approximately RMB8.6 million. Qingdao Yinshengtai is a local property management company in Qingdao with strong overall strengths, and its business covers several key cities in Shandong Province. Such acquisition was our second acquisition completed in Qingdao after the acquisition of Qingdao Yayuan Property Management Company Limited (青島雅園物業管理有限公司) (“**Qingdao Yayuan**”) in 2019, and it further reinforced the Company’s scale and strengths in Qingdao and even the entire Shandong Province.

On 1 April 2020, we acquired 51% equity interests in Jiangsu Xiangjiang at a consideration of approximately RMB45.7 million. Jiangsu Xiangjiang is a professional property management service company with a major focus on public facility projects and catering for North Jiangsu market. Through the acquisition of Jiangsu Xiangjiang, we were able to improve our layout in Jiangsu Province and further strengthen our multi-sector service capabilities.

The table below sets forth a breakdown of our total GFA under management as at the dates indicated, for the year ended 31 December 2020 and 2019 respectively:

	As at 31 December or for the year ended 31 December			
	2020		2019	
	GFA		GFA	
	<i>sq.m '000</i>	<i>%</i>	<i>sq.m '000</i>	<i>%</i>
CIFI Group ⁽¹⁾	21,718	21.4	17,685	27.1
Third-party property developers ⁽²⁾	79,907	78.6	47,466	72.9
Total	<u>101,625</u>	<u>100.0</u>	<u>65,151</u>	<u>100.0</u>

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

Transformation to comprehensive property management service provider

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. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including highway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We will take the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the expansion of GFA under management as well as increase in the concentration in local market. Despite the fact that revenue from residential property has contributed and will continue to contribute the largest proportion of our revenue, we strive to diversify our service portfolio to cover more types of properties. As at 31 December 2020, non-residential properties accounted for approximately 28.6% in our GFA under management, while that is 19.2% as at 31 December 2019. To-date, we have initially achieved full-industry chained coverage, with an aim to eventually become a comprehensive property management service provider.

The table below sets forth a breakdown of total GFA under management as at the dates indicated, and revenue from property management services generated from properties developed by different types of properties for the year ended 31 December 2020 and 2019 respectively:

	As at 31 December or for the year ended 31 December					
	2020			2019		
	GFA	Revenue		GFA	Revenue	
<i>sq.m. '000</i>	<i>RMB'000</i>	<i>%</i>	<i>sq.m. '000</i>	<i>RMB'000</i>	<i>%</i>	
Residential Properties	72,552	1,028,651	58.5	52,665	672,399	62.8
Non-residential Properties	29,073	728,647	41.5	12,486	397,588	37.2
Total	101,625	1,757,298	100.0	65,151	1,069,987	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 at the dates indicated and revenue from property management services by revenue model for the year ended 31 December 2020 and 2019 respectively:

	As at 31 December or for the year ended 31 December					
	2020			2019		
	GFA	Revenue		GFA	Revenue	
	sq.m. '000	RMB'000	%	sq.m. '000	RMB'000	%
Lump sum basis	100,117	1,754,248	99.8	63,067	1,063,494	99.4
Commission basis	1,508	3,050	0.2	2,084	6,493	0.6
Total	<u>101,625</u>	<u>1,757,298</u>	<u>100.0</u>	<u>65,151</u>	<u>1,069,987</u>	<u>100.0</u>

Community Value-Added Services

In 2020, revenue from community value-added services increased by 63.8% from approximately RMB482.3 million for 2019 to approximately RMB789.9 million, mainly due to the size expansion of our management area, the increase in the number of service households, and the continuous market penetration of our diversified products.

Promoting rapid development of community value-added services and establishing a value-added service development system is one of the Company's key strategic directions. We adhered to the idea of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for property owners, so as to boost the revenue generated from our community value-added services.

Leveraging on our expanded service scope, enriched experience in developing community value-added services and continuous improvement and upgrade of talents, we continued to deepen our research on community conditions and targeted service groups, and proceeded from multiple areas including demand identification, product and service design, channel and supplier selection, as well as marketing plan formulation. In particular, after the outbreak of Coronavirus Disease 2019 ("COVID-19") epidemic in 2020, we set up the "Quality Product Institution (好物研究院)", whereby increased our exploration on the demand in different property sectors, as well as potential demands and service methods that might exist among property owners and tenants after the epidemic. In 2020, we continued with the development trend of community value-added services. Despite the impact of COVID-19 epidemic, certain businesses were affected or encountered delay, the revenue generated from community value-added services accounted for 25.3% of our total revenue and maintained at a high level, and the Company's will adhere to the strategy of promoting the increase in the percentage of revenue from community value-added services continuously.

We adhered to our strategy of "Platform" + "Ecology" by applying the business unit ("BU") approach to our growing business units. Through adopting the expanding community as a platform base and providing specialized support, we enabled our specialized service units to grow up independently on such platform. Shanghai Shengkuang Construction and Engineering Company Limited (上海晟匡建築工程有限公司), which was established at the end of 2018 with a focus on providing large-scale repairing and facility maintenance services for communities, continued to achieve rapid growth in 2020 after the contribution of revenue in 2019. Meanwhile, in 2020, we started to establish independent BU for our decoration business and proactively explored new forms of the decoration business in communities, and the decoration business became an important growth point of community value-added services in 2020.

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 2020 and 2019 respectively:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Home-living services ⁽¹⁾	454,534	57.5	263,052	54.5
Parking unit management and leasing services ⁽²⁾	104,266	13.2	68,754	14.3
Property agency services ⁽³⁾	191,632	24.3	101,912	21.1
Common area value-added services ⁽⁴⁾	39,463	5.0	48,550	10.1
Total	<u>789,895</u>	<u>100.0</u>	<u>482,268</u>	<u>100.0</u>

Note:

- (1) This primarily includes house delivery-stage decoration services such as house decoration, partial house renovation, turnkey furnishing etc.; mature community services such as on-site maintenance, housekeeping and cleaning, home management, secondary renovation, community group purchasing etc.; specialized services such as repair, maintenance and renovation of facilities and equipment for communities.
- (2) This primarily includes fees received from leasing and management of parking units.
- (3) This primarily includes agency sales services related to apartments and 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, 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 property development. Most of these non-property owners are property developers.

In 2020, revenue from value-added services to non-property owners increased significantly by 76.1% to approximately RMB571.7 million as compared to RMB324.6 million in 2019, 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 service and additional tailored service. During the year, the revenue from value-added services to non-property owners accounted for 18.3% 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 at 31 December 2020, we have provided on-site services to a total of 213 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			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Sales assistance services	330,480	57.8	208,839	64.3
Additional tailored services	103,171	18.0	40,764	12.5
Preliminary planning and design consultancy services	79,593	13.9	39,816	12.3
Housing repair services	33,474	5.9	19,449	6.0
Pre-delivery inspection services	24,962	4.4	15,445	4.8
Others	—	—	328	0.1
Total	<u>571,680</u>	<u>100.0</u>	<u>324,641</u>	<u>100.0</u>

OUTLOOK

The outbreak of COVID-19 in 2020 has brought great challenges to society and disrupted economic activities. As a responsible property management company, we are 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. The Group 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 and opportunities in 2021, the management of the Company will lead our staff to overcome obstacles and march forward according to our schedule.

Step-up increase in 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 continue solidifying 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 the evolution of the Company's capabilities and opportunities arising in the industry, we will also gradually expand the Company's footprint and seize opportunities in city service as well as other segments.

On 7 January 2021, the Group entered into a framework agreement to acquire 65% equity interests in Zhangtai Service Group Company Limited (彰泰服務集團有限公司)(“**Zhangtai Service**”). Zhangtai Service is a reputable property management service provider in Guangxi Zhuang Autonomous Region, the PRC. It is expected that upon completion of this acquisition, the full integration of our management advantage and local resources advantage of Zhangtai Service will greatly improve our competitiveness strength in Guangxi area.

Continuous endeavour to diversify our services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing 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 have established Linjiu Zhihui Technology Company Limited, which further enhances the Company's technological strengths.

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 2020, due to our continuous multi-wheel driven business development, the Group's revenue was approximately RMB3,119.6 million, representing an increase of 66.1% from approximately RMB1,877.8 million in 2019.

Revenue of the Group by business line is as follows:

	For the year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	1,757,298	56.4	1,069,987	57.0
Community value-added services	789,895	25.3	482,268	25.7
Value-added services to non-property owners	571,680	18.3	324,641	17.3
Others	690	—	926	—
Total revenue	<u>3,119,563</u>	<u>100.0</u>	<u>1,877,822</u>	<u>100.0</u>

The property management services were still our largest source of income. During 2020, the revenue from property management services was approximately RMB1,757.3 million, accounting for 56.4% 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 65.2 million sq.m. as at 31 December 2019 to approximately 101.6 million sq.m. as at 31 December 2020, 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 other property management service providers. 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			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
CIFI Group ⁽¹⁾	650,181	37.0	535,789	50.1
Third-party property developers ⁽²⁾	1,107,117	63.0	534,198	49.9
Total revenue	<u>1,757,298</u>	<u>100.0</u>	<u>1,069,987</u>	<u>100.0</u>

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

During the year, the Group further optimized the business structure. Both the amount and the percentage of the revenue from value-added services maintained a constant upward trend.

The revenue from community value-added services increased by approximately 63.8% from approximately RMB482.3 million for 2019 to approximately RMB789.9 million for 2020, which was mainly due to the increase of our management area which brought about a growing customer base, as well as our expansion in the scope of value-added services provided such as decoration services and community repairing and facility maintenance services to meet diversified customer needs.

The revenue from value-added services to non-property owners increased by approximately 76.1% from approximately RMB324.6 million for 2019 to approximately RMB571.7 million for 2020. The increase in revenue from value-added services to non-property owners was mainly driven by the increase in the revenue generated from sales assistance services, additional tailored services, as well as preliminary planning and design consultancy services. During the year, we further strengthen our cooperation relationship with partner property developers, and provided with professional and quality services.

Cost of Services

Cost of services increased by approximately 61.8% from approximately RMB1,322.4 million for 2019 to approximately RMB2,140.1 million for 2020, 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 services was lower than that of our revenue, principally because of the economies of scale and the national social security reduction policy. 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 76.4% from approximately RMB555.4 million for 2019 to approximately RMB979.5 million for 2020.

In 2020, the gross profit margin of the Group was 31.4%, increased by 1.8 percentage points as compared with that of 29.6% for 2019, which was primarily attributable to the increase in gross profit margin of our property management services and value-added services to non-property owners.

Gross profit margin of the Group for major business lines was as follows:

	For the year ended	
	31 December	
	2020	2019
Property management services	25.4%	22.1%
Community value-added services	49.6%	51.2%
Value-added services to non-property owners	24.6%	21.9%

The gross profit margin of property management services was 25.4%, increased from 22.1% for 2019, primarily due to the increase in the proportion of revenue from non-residential property projects, which has a relatively higher gross profit margin. The Group further optimized its property management portfolio to increase the overall profitability. During the year, the State Council of the People's Republic of China carried out a national social security reduction policy to mitigate the impact of COVID-19 on enterprises, which was also helpful to relieve our burden. 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 49.6%, decreased from 51.2% for 2019, which was mainly due to the development of the new community construction and maintenance business as well as decoration business, which have a relatively lower gross profit margin and suffered relatively higher expenditures at the growth stage.

The gross profit margin of value-added services to non-property owners was 24.6%, representing an increase from 21.9% for 2019, which was mainly due to our improved price level, the increase in the proportion of revenue from preliminary planning and design consultancy services which has a relatively higher gross profit margin, as well as the positive effect brought by the economy of scale.

Other income and other gains and losses

In 2020, the Group's other income and other gains and losses recorded a net losses of approximately RMB10.3 million, while that was a net gain of RMB48.0 million for 2019. This was primarily due to an foreign exchange loss due to the impact of the depreciation of the Hong Kong dollar against the Renminbi during the year.

Administrative and selling expenses

In 2020, the Group's total administrative and selling expenses amounted to approximately RMB332.7 million, representing an increase of approximately 35.0% from approximately RMB246.5 million for 2019, which was mainly due to the increase of personnel investment caused by the increase in the headcount of administrative and selling staff and the increase of other expenses caused by the growth of our business volume. The Group attached great importance to improving management efficiency. During the year, the growth rate of the Group's administrative and selling expenses was much lower than that of the Group's revenue.

Other expenses

During the year 2020, the Group recorded other expenses of approximately RMB4.8 million, representing an increase from approximately RMB2.5 million for 2019.

Profit before taxation

During the year 2020, the profit before income tax was approximately RMB598.1 million, representing an increase of approximately 82.1%, as compared with approximately RMB328.5 million for 2019.

Income tax expense

During the year 2020, the Group's income tax was approximately RMB155.5 million, representing 26.0% of the profit before income tax expense, compared with approximately RMB79.6 million, representing 24.2% of the profit before income tax expense in 2019. The higher income tax rate during the year was mainly due to the higher non-deductible expenses for tax purposes, such as foreign exchange losses suffered in 2020.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for 2020 was approximately RMB390.4 million, representing an increase of approximately 74.4%, as compared with approximately RMB223.8 million for 2019.

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 2020, the Group's property, plant and equipment amounted to approximately RMB86.2 million, representing an increase from approximately RMB62.4 million as at the end of 2019, which was mainly due to the increase of right-of-use assets and our additional investment in 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 2020, the Group's investment properties amounted to approximately RMB55.1 million, representing a slight increase from approximately RMB50.8 million as at 31 December 2019.

Intangible assets

The Group's intangible assets mainly comprise property management contracts and customer relationship attributable to acquired companies. As at 31 December 2020, the Group's intangible assets amounted to approximately RMB91.0 million, representing a decrease from approximately RMB100.6 million as at 31 December 2019. The change in intangible assets was mainly caused by the property management contracts and customer relationship arising from the acquisitions completed by the Group during the year and the amortization on a straight line basis.

Goodwill

As at 31 December 2020, the Group's goodwill amounted to approximately RMB471.0 million, representing an increase from approximately RMB431.1 million as at 31 December 2019. This increase in goodwill was mainly resulted from the acquisition of Qingdao Yinshengtai and Jiangsu Xiangjiang.

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 2020, trade and bills receivables of the Group amounted to approximately RMB458.6 million, representing an increase from approximately RMB342.0 million as at 31 December 2019, which was in consistency with the increase in our revenue.

Prepayments and other receivables

Our 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 bidding deposits in relation to the public biddings. As at 31 December 2020, our prepayments and other receivables amounted to approximately RMB264.7 million, representing an increase from approximately RMB139.3 million as at 31 December 2019, which was mainly due to the growth of our business.

Bank balance, deposits and cash

As at 31 December 2020, the Group's bank balances, deposits and cash were approximately RMB3,170.6 million, representing an increase of 147.0% from approximately RMB1,283.6 million as at 31 December 2019. This increase was mainly attributable to the net proceeds from the subscription of 134,000,000 new shares of the Company (the “**Subscription**”) on 16 June 2020, details of which were disclosed in the Company's announcements dated 4 and 16 June 2020.

Trade and bills payables

As at 31 December 2020, trade and bills payables of the Group amounted to approximately RMB362.8 million, representing an increase from approximately RMB284.6 million as at 31 December 2019, 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 2020, our accruals and other payables was approximately RMB693.3 million, representing an increase from approximately RMB490.2 million as at 31 December 2019, which is mainly due to the increase of other payables, salaries payables as well as other tax payables, 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 2020, our contract liabilities amounted to approximately RMB387.8 million, representing an increase of 16.0% from approximately RMB334.3 million as at 31 December 2019, primarily due to the increase in our GFA under management and our customer base during the year.

Cash flows

During the year 2020, net cash inflow from operating activities of the Group amounted to approximately RMB709.1 million, representing an increase from approximately RMB508.7 million in 2019, which was mainly which was mainly attributable to the increase of our operating profit.

During the year 2020, net cash outflow from investing activities amounted to RMB12.8 million, representing a decrease from approximately RMB318.2 million for 2019, which was mainly due to the decrease in consideration payment for acquisitions.

Net cash inflow from financing activities amounted to approximately RMB1,272.3 million for for 2020, while there was net cash outflow from financing activities amounted to approximately RMB82.9 million for 2019. The net cash inflow for 2020 was mainly caused by the net proceeds from the Subscription.

Gearing ratio and the basis of calculation

As at 31 December 2020 and 31 December 2019, the gearing ratio of the Group was both nil. 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 2020, capital expenditure of the Group amounted to approximately RMB31.3 million(2019: RMB31.2 million). The capital expenditure was mainly used to purchase information technology systems as well as leasehold improvements and reconstruction projects.

Capital structure

As at 31 December 2020, 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 2020, equity attributable to owners of the company amounted to approximately RMB2,893.4 million, compared to approximately RMB1,147.9 million as at 31 December 2019.

Financial position of the Group remained stable. As at 31 December 2020, the Group's net current assets was approximately RMB2,348.1 million, compared to approximately RMB620.8 million as at 31 December 2019.

Liquidity and financial resources

During the year, 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 initial public offering of the Company ("IPO"). 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 and Subscription to finance some of our capital expenditures.

As at 31 December 2020 and 31 December 2019, the Group's borrowings were both nil. 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 2020.

Pledging of assets

As at 31 December 2020 and 31 December 2019, the Group had no pledging of assets.

Contingent liabilities

As at 31 December 2020, the Group had no material 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. 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 2020, the Group had 11,263 employees (as at 31 December 2019: 7,556 employees).

Use of proceed raised from IPO

On 17 December 2018, our issued shares were successfully listed on The Stock Exchange of Hong Kong Limited (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 of (i) approximately HK\$619.8 million from the IPO, and (ii) approximately HK\$63.2 million from partial exercise of an over-allotment option on 4 January 2019 (collectively, the “**Net Proceeds**”).

As stated in the prospectus of the Company dated 4 December 2018 (the “**Prospectus**”), 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.

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 of the Company dated 18 June 2019.

As at 31 December 2020, our planned use and actual use of net proceeds raised from IPO was as follows:

	Percentage of net proceeds	Available to utilise (HK\$ million)	Net proceeds from IPO			Expected timeline for the unutilised net proceeds
			Utilised during 2020 (HK\$ million)	Utilised (up to 31 December 2020) (HK\$ million)	Unutilised (as at 31 December 2020) (HK\$ million)	
To pursue strategic acquisition and investment opportunities	55%	375.6	44.0	215.4	160.2	By 31 December 2021
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	18.4	18.4	159.2	By 31 December 2023
To develop a one-stop service community platform and our “Joy Life” (悦生活) online service platform	9%	61.5	4.0	4.0	57.5	By 31 December 2022
For general corporate purposes and working capital	10%	68.3	68.3	68.3	—	N/A
	<u>100%</u>	<u>683.0</u>	<u>134.7</u>	<u>306.1</u>	<u>376.9</u>	

The remaining net proceeds raised from IPO which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for the unutilised net proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

Placing and Subscription

On 4 June 2020, the Company, Elite Force Development Limited and three placing agents (the "**Placing Agents**") entered into a placing and subscription agreement (the "**Placing and Subscription Agreement**"), pursuant to which, (a) Elite Force Development Limited has agreed to appoint the Placing Agents, and the Placing Agents have agreed to act as agents of Elite Force Development Limited on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the HK\$11.78 per share (the "**Placing Price**") (the "**Placing**"); and (b) Elite Force Development Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development Limited, a total of 134,000,000 new Shares at the HK\$11.78 per share (being the same as the Placing Price) (the "**Subscription**").

The Placing Price is HK\$11.78 per share and represents (i) a discount of approximately 6.95% to the closing price of HK\$12.66 per share as quoted on the Stock Exchange on 3 June 2020, being the last trading day prior to the signing of the Placing and Subscription Agreement (the "**Last Trading Date**"); (ii) a discount of approximately 3.63% to the average closing price of HK\$12.22 per share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day; and (iii) a discount of approximately 0.61% to the average closing price of HK\$11.85 per share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day.

Completion of the Placing and the Subscription took place on 8 June 2020 and 16 June 2020, respectively. A total of 134,000,000 existing Shares have been successfully placed at the Placing Price of HK\$11.78 per share to no less than six (6) independent placees, and a total of 134,000,000 new Shares (equal to the number of the existing Shares successfully placed under the Placing) were subscribed by Elite Force Development Limited at the subscription price of HK\$11.78 per share.

The Company received net proceeds from the Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,564,476,000 and intends to use the net proceeds from the Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the Subscription was as follows:

	Net proceeds from the Subscription				Expected timeline for the unutilised net proceeds
	Percentage of net proceeds	Available to utilise (HK\$ million)	Utilised (up to 31 December 2020) (HK\$ million)	Unutilised (as at 31 December 2020) (HK\$ million)	
Strategic acquisition and investment opportunities	80%	1,251.6	—	1,251.6	By 31 December 2023
Information technology related development	5%	78.2	—	78.2	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	234.7	—	N/A
	100%	1,564.5	234.7	1,329.8	

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.0838 per ordinary share of the Company for the year ended 31 December 2020. 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 convened and held on 2 June 2021 (the “**AGM**”) and, subject to the approval by the Shareholders at the AGM, is expected to be paid on or about 18 June 2021 to the Shareholders whose names appear on the register of members of the Company on 10 June 2021.

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 of Hong Kong Limited (the “**Listing Rules**”) during the financial year ended 31 December 2020.

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 2020.

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 2020, the Audit Committee held three meetings to review annual financial results and report for the year ended 31 December 2019 and interim financial results and report for the half year ended 30 June 2020 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.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

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 2020 as set out in this announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by Messrs. Deloitte Touche Tohmatsu 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 Messrs. Deloitte Touche Tohmatsu on this announcement.

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

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 2020.

ANNUAL GENERAL MEETING

The AGM will be convened and held on 2 June 2021, 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 28 May 2021 to 2 June 2021, 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 27 May 2021; and
- (ii) from 8 June 2021 to 10 June 2021, 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 7 June 2021.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The 2020 Annual Report of the Company, containing all the information required 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 2021

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