永升生活服務集團有限公司
EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED

(Incorporated in the Cayman Islands with limited liability)

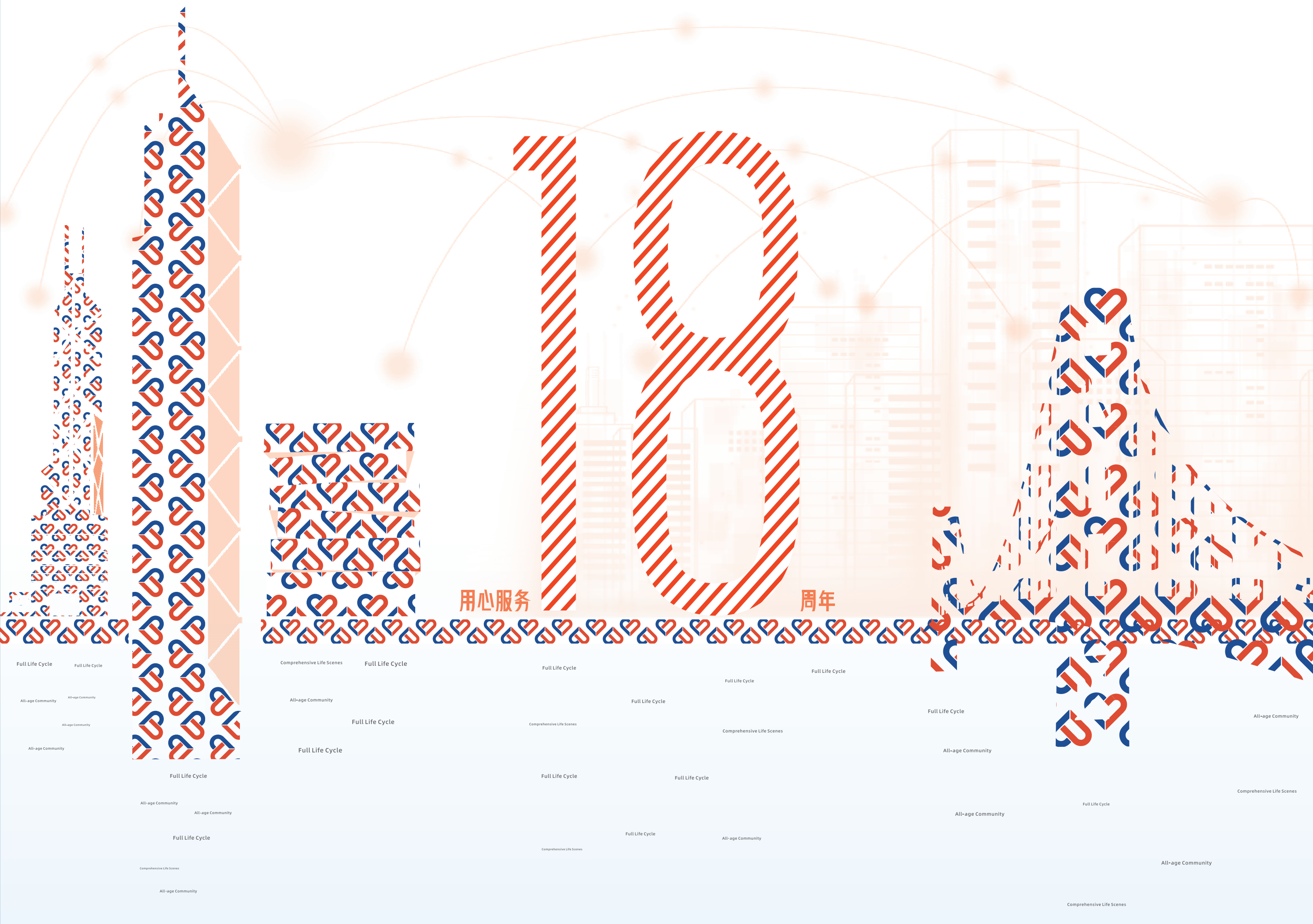
Stock code: 01995

2020 ANNUAL REPORT

用心構築美好生活

Build a Better Life with Heart

Grow into a customer —
preferred smart city service brand



CONTENTS

Corporate Information	2
Awards and Honors	4
Definitions	6
Chairman's Statement	10
Management Discussion and Analysis	13
Profile of Directors and Senior Management	34
Corporate Governance Report	40
Directors' Report	54
Independent Auditors' Report	74
Consolidated Statements of Profit or Loss and Other Comprehensive Income	79
Consolidated Statements of Financial Position	80
Consolidated Statements of Changes in Equity	82
Consolidated Statements of Cash Flows	83
Notes to the Consolidated Financial Statements	85
Financial Summary	170

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIN Zhong *(Chairman)*
Mr. ZHOU Hongbin
Mr. ZHOU Di (Appointed on 30 March 2020)

Non-executive Director

Mr. LIN Feng
Mr. GE Ming (Resigned on 30 March 2020)

Independent Non-executive Directors

Mr. MA Yongyi
Mr. WANG Peng
Mr. CHEUNG Wai Chung

COMPANY SECRETARY

Ms. Lee Shuk Man (Appointed on 21 January 2021)
Ms. YEUNG Ching Man (Resigned on 21 January 2021)

AUTHORISED REPRESENTATIVES

Mr. LIN Zhong
Mr. LIN Feng

STRATEGY COMMITTEE

Mr. LIN Zhong *(Chairman)*
Mr. LIN Feng
Mr. ZHOU Hongbin

AUDIT COMMITTEE

Mr. CHEUNG Wai Chung *(Chairman)*
Mr. LIN Feng
Mr. MA Yongyi

REMUNERATION COMMITTEE

Mr. WANG Peng *(Chairman)*
Mr. LIN Zhong
Mr. MA Yongyi

NOMINATION COMMITTEE

Mr. LIN Zhong *(Chairman)*
Mr. WANG Peng
Mr. MA Yongyi

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

6F, Henderson CIFI Center
No. 20 Lane, 1188 Shenhong Road
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

China Construction Bank Shanghai Putuo Branch
8th Floor
95 Changshou Road
Putuo District, Shanghai, PRC

China Construction Bank Shanghai Nujiang Road Branch
Room 101
1006 Jinshajiang Road
Putuo District, Shanghai, PRC

Ningbo Bank Shanghai Huangpu Branch
37 Huanghe Road
Huangpu District
Shanghai, PRC

China Construction Bank Suzhou New District Branch
95 Shishan Road
Gaoxin District
Suzhou, Jiangsu Province, PRC

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors
35/F One Pacific Place
88 Queensway
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman KY1-1111
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISOR

Sidley Austin LLP

STOCK CODE

01995

WEBSITE

www.ysservice.com.cn

AWARDS AND HONORS

AWARDS AND HONORS

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

5.375% Perpetual Securities	the senior perpetual capital securities (securities stock code: 05261) issued by CIFI Holdings in August 2017 with the aggregate principal amount of US$300 million at a distribution rate of 5.375% per annum, which are listed on the Stock Exchange in August 2017
6% Senior Notes	the 6% senior notes (securities stock code: 40120) due 2025 issued by CIFI Holdings with the aggregate amount of US$567 million, which are listed on the Stock Exchange in January 2020
AGM	the annual general meeting of the Company to be convened and held on 2 June 2021
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Company
associate(s)	has the meaning ascribed thereto under the Listing Rules
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share award scheme adopted by Best Legend
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the "Board Committee" means any of them
BU	Business unit
BVI	the British Virgin Islands
CG Code	the Corporate Governance Code set out in Appendix 14 to the Listing Rules
China or PRC	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
CIFI Group	CIFI Holdings and its subsidiaries

CIFI Holdings	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (stock code: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board
CIFI (PRC)	CIFI Group Co., Ltd. (旭輝集團股份有限公司) (formerly known as Shanghai Yongsheng Real Estate Co., Ltd. (上海永升置業有限公司) and CIFI Group Company Limited (旭輝集團有限公司)), a joint stock company with limited liability established in the PRC and an indirect wholly-owned subsidiary of CIFI Holdings
Company, Ever Sunshine, we or us	Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and the Shares of which are listed on the Main Board
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, Elite Force Development, CIFI Holdings, Xu Sheng, Spectron and Best Legend
COVID-19	Coronavirus Disease 2019
Deed of Non-Competition	the deed of non-competition dated 26 November 2018 given by our Ultimate Controlling Shareholders in favor of the Company (for itself and as trustee for each of the subsidiaries)
Ding Chang	Ding Chang Limited
Director(s)	director(s) of the Company
Elite Force Development	Elite Force Development Limited, a limited liability company incorporated in the BVI on 4 April 2018, one of our Controlling Shareholders and is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
Independent Third Party(ies)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates

DEFINITIONS

IPO	the initial public offering of the Company
Jiangsu Xiangjiang	Jiangsu Xiangjiang Property Development Company Limited (江蘇香江物業發展有限公司)
Listing	the listing of the Shares on the Main Board
Listing Date	the date on which dealings in the Shares on the Main Board first commence, being 17 December 2018
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
M&A	Merger and acquisition
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Memorandum or Memorandum of Association	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee of the Company
Over-allotment Option	the option granted by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 57,000,000 additional new Shares to, among other things, cover the over-allocations (if any) in the placing of Shares to professional, institutional and other investors (the portion of which has not been exercised has lapsed on 6 January 2019)
Placing Agents	Credit Suisse (Hong Kong) Limited, Haitong International Securities Company Limited and Morgan Stanley & Co. International plc.
Placing and Subscription Agreement	the placing and subscription agreement entered into between the Company, Elite Force Development and the Placing Agents dated 4 June 2020
Prospectus	the prospectus of the Company dated 4 December 2018
Qingdao Yayuan	Qingdao Yayuan Property Management Company Limited (青島雅園物業管理有限公司)
Qingdao Yinshengtai	Qingdao Yinshengtai Property Management Services Company Limited (青島銀盛泰物業服務有限公司)

Rain-Mountain	Rain-Mountain Limited
Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	the lawful currency of the PRC
Reporting Period	the period from 1 January 2020 to 31 December 2020
Rosy Fortune	Rosy Fortune Investments Limited
SCTS Capital	SCTS Capital Pte. Ltd.
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board
Spectron	Spectron Enterprises Limited, a limited liability company incorporated in the BVI on 18 September 2014 and one of our Controlling Shareholders
Standard Chartered Trust	Standard Chartered Trust (Singapore) Limited
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Company
Substantial shareholder	has the meaning as ascribed thereto under the Listing Rules
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd. (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company
Zhangtai Service	Zhangtai Service Group Company Limited (彰泰服務集團有限公司)

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous support for the evolution and development of Ever Sunshine.

On behalf of the Board, I am pleased to present this annual report of the Group for the year ended 31 December 2020, which summarizes the Group's achievements and shortcomings throughout this year, and to share our future plans and developments.

The Group's revenue increased by 66.1% to RMB3,119.6 million in 2020. Moreover, with continuous improvement in our cost control and management efficiency, gross profit margin and net profit margin increased by 1.8 and 0.9 percentage points respectively, resulting in a profit attributable to owners of the Company of RMB390.4 million, a year-on-year growth of 74.4%. Net cash flow generated from operating activities reached RMB709.1 million. At the same time of rapid growth, it is still our unwavering pursuit to maintain high-quality profit structure and profitable growth with an aim to put equal emphasis on high speed and high quality.

In 2020, our three major busines lines continued the momentum of balanced and coordinated development. Driving the performance growth with diversified income, Ever Sunshine has taken a solid step in developing into a conglomerate. In 2020, the total amount of our two kinds of value-added services income increased rapidly by 68.7% year-on-year to RMB1,361.6 million, of which revenue from value-added services to non-property owners increased by 76.1% to RMB571.7 million and revenue from community value-added services increased by 63.8% to RMB789.9 million. This maintains the overall income structure of our three business lines at a good state of approximately "60%, 20%, 20%".

It is currently our core focus to expand the GFA in the market for us. In the context of increasingly intense market competition, the Group has been firmly committed to its strategy. On one hand, we proceeded with our established "four-wheel driven" strategy to expand our GFA, and on the other hand, we continued to cultivate our strength in terms of sound and premium servicing capability, integrated service solution, good reputation and cooperation relationship and capable team, so as to make us better positioned to have access to market opportunities and resources. The increase in contracted GFA means for us not only an short-term achievement, but also an effective test and review on our strategy and tactics implemented in the past.

During the year, the contracted GFA of the Group increased from 110.6 million sq.m. as at 31 December 2019 to 181.2 million sq.m. as at 31 December 2020, representing a growth of approximately 63.9%. In addition, the GFA under management grew by 56.0 % to 101.6 million sq.m. as at 31 December 2020, compared with 65.2 million sq.m. as at 31 December 2019.

The increase in our contracted GFA amounted to 70.6 million sq.m. in 2020, which was more than the total contracted GFA as at 31 December 2018, and which also means it only took us 2 years to recreate another Ever Sunshine as at the end of 2018 (the contracted GFA of the Group was 65.6 million sq.m. as at the end of 2018).

The increase in contracted GFA has greatly exceeded the increase in the GFA under management, which has further increased our reserve GFA which can be converted to GFA under management in the future, and in turn secured our future growth. Benefiting from the rapid increase in GFA under management, the number of property owners we served has also been increasing. As at 31 December 2020, we served more than 380,000 households.

The results represent what we have achieved in the past year, whereas we shall always look into the future.

Recently, the property management service industry witnessed the circular jointly promulgated by 12 government ministries, which presents two historic opportunities as well as a brand-new mission and definition for property management service industry. One is to serve the demand of government for an optimized grassroots governance and the other is to participate in construction of a good community life. In this context, the property management industry, as a traditional industry, is revitalized and will see a forthcoming shift. How to embrace these changes and opportunities and precisely steer us toward the correct direction in this great era where numerous peers forge valiantly ahead?

Long-term view, as a hot expression in 2020, also bring much reflections and enlightenment for us. I often share and discuss with our team on how to do a good job in property management service and we believe a long-term view is especially required for our practice in providing services to property owners. As to how to keep the satisfaction level rising constantly, we need to rely on a deeply-rooted positive corporate culture and value, a set of effective modern servicing system and a team committed to providing service for community for a long term. We have been greatly devoted ourselves to the Group with a belief that it is able to continue to evolve and maintain long-term progress along with the development of the industry and in line with the times.

At the outset of 2021, I, together with our team, have set a number of management goals as to how to grasp the opportunities in this era, steer the Company to address the new competition environment and continue to progress and evolve.

In respect of scale, we will continue with our pursuit. In the great context of market consolidation, we will continue to adopt the "four-wheel driven" strategy to further expand our GFA scale. With the support from our substantial shareholders, we will also participate actively in tender, M&A and strategic cooperation, we could address the changes in market in a more sophisticated manner and state through tendering arrangement under the "city-specific policy"(一城一策) and "project-specific proposal"(一項目一方案) and with the assistance of digital-based online management.

The unending quest in operation management not only serves the needs of customers for our services at the present stage, but also serves as the fundamental for us to evolve into the future. Further progresses made in each of productization and standardization of services, a responsive satisfaction assessment mechanism, budget management, cash management and strategic procurement, will lead to an upgrade in the servicing capability of the Company and bring about upgrade in customer experience and enhancement in competitiveness.

Branding ability will continue to serve as the soft power in the core competitiveness of the Company, which could make our services to be more valuable and more distinctive among the customers, property owners and partners, and accordingly brings more recognition and repurchase of our services. As such, Ever Sunshine is to come on the stage as a designer of better life and become a proud image of us.

We are presented with limitless opportunities as our GFA and client base keep expanding. As to how to better extend our service capability on the basis of traditional property management service, we will research in the direction towards BU. In 2020, we set up the JieJieGao Institute (節節高研究院) to enhance our research on providing property owners with home-living services intended for the life of property owner, as well as property management intended for asset management of property owners, and it is our goal and direction to speed up the pace of commercialization of such services.

The all-round progress of the Company depends on an organization which embraces a broad vision, makes forward-looking deployment and is able to realize the fighting force, while the first step is to build a management team which has a shared vision and is committed to self-transcendence and long-term struggle. The key direction for organizational upgrade in 2021 lies in an agile organization with positive values and capable of rapidly responding to customer's needs, a comprehensive training and fostering system and a struggler-oriented enthusiastic atmosphere.

Embracing technology, driving growth by digital and intelligence and the all-round smart property operation not only represent the general trend in the industry, but also serve as a powerful tool for the Group's revolution. To facilitate the operations of frontline staff through digital and intelligence-driven transformation, to provide property owners with stronger home life experience through integrating various service fronts, the business-finance integration, the internet of things platform for facilities and equipment in the context of new infrastructure and the modularization of additional tools, each of these represents an important part in the smart construction work of the Group in 2021.

The way ahead is arduous and long. External competition makes us to seek for internal changes. Year 2021 is bound to be full of challenges. To cope with these, the only way is to race with a positive attitude.

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 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 tailormade services.

We embrace the philosophy of "Build a Better Life with Heart" and are committed to providing our wide range of clients with comprehensive, attentive and professional property management services, researching and developing our services to build up our high-end service brand, namely, "Bowyer Steward" (鉑悦管家) for top-tier residential properties and "Yueze Commercial" (悦澤商辦) 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 and 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 sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
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 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 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 sq.m '000	%	GFA sq.m '000	%
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	101,625	100.0	65,151	100.0

(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 sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
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 sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue 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	101,625	1,757,298	100.0	65,151	1,069,987	100.0

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 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 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	
	RMB'000	%	RMB'000	%
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	789,895	100.0	482,268	100.0

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	
	RMB'000	%	RMB'000	%
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	571,680	100.0	324,641	100.0

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.

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	
	RMB'000	%	RMB'000	%
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	3,119,563	100.0	1,877,822	100.0

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	
	RMB'000	%	RMB'000	%
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	1,757,298	100.0	1,069,987	100.0

(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 contributable 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 bills 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 biding 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 expenditures

During the year 2020, capital expenditures of the Group amounted to approximately RMB31.3 million(2019: RMB31.2 million). The capital expenditures 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 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. 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, 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	Net proceeds from IPO Available to utilise (HK$ million)	Utilised during 2020 (HK$ million)	Utilised (up to 31 December 2020) (HK$ million)	Unutilised (as at 31 December 2020) (HK$ million)	Expected timeline for the unutilised net proceeds
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
	100%	683.0	134.7	306.1	376.9	

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 the Placing Agents entered into 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 Date.

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. The net price of the Shares issued in connection with the Subscription is approximately HK$11.68 per Share. Details of the planned use and actual use of net proceeds from the Subscription was as follows:

	Net proceeds from the Subscription				
	Percentage of net proceeds	Available to utilise (HK$ million)	Utilised (up to 31 December 2020) (HK$ million)	Unutilised (as at 31December 2020) (HK$ million)	Expected timeline for the unutilised net proceeds
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	

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LIN Zhong (林中), aged 52, was appointed as our Director on 16 April 2018 and re-designated as our executive Director and appointed as the chairman of our Board on 25 July 2018. Mr. Lin Zhong is the chairman of the Strategy Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Lin Zhong is primarily responsible for overall strategic decisions, business planning and major operational decisions.

Prior to joining our Group, Mr. Lin Zhong has been serving as the chairman and director of the board at CIFI (PRC) since August 2000, where he is responsible for overall business planning and significant decisions in business operations. Since May 2011, he has been serving as an executive director and the chairman of the board at CIFI Holdings, where he is responsible for formulating corporate strategies, business development and overall management.

Mr. Lin Zhong was appointed as the vice chairman of Shanghai Population Welfare Foundation (上海市人口福利基金會) in 2013, the deputy chief council member of the Eighth Term of Council of Shanghai Real Estate Association (上海市房地產行業協會) and the rotating chairman of Shanghai Entrepreneur Association (新滬商聯合會) in 2014, the honorary chairman of Fujian Chamber of Commerce in Shanghai (上海市福建商會) and the chairman of Xiamen Chamber of Commerce in Shanghai (上海市廈門商會) in 2016, the vice chairman of the China Real Estate Association (中國房地產業協會) in 2018, an adjunct professor at School of Business Administration of East China Normal University and the chairman of the fourth council of Oriental Real Estate Research Institute (東方房地產研究院) in 2019, and the rotating chairman of CURA (中城聯盟) and the rotating chairman of Fukien Chamber of Commerce (福建商會) in 2021.

Mr. Lin Zhong graduated from Xiamen University (廈門大學) in the PRC in July 1990, where he obtained a bachelor degree in economics. He graduated from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2009, where he obtained an executive master of business administration degree.

Mr. Lin Zhong is the brother of Mr. Lin Feng, one of our non-executive Directors.

Mr. ZHOU Hongbin (周洪斌), aged 51, was appointed as our executive Director on 25 July 2018 and has been the president of our Group since he joined in December 2017. Mr. Zhou is a member of the Strategy Committee of the Company. He is currently a director of several subsidiaries of the Group. Mr. Zhou is primarily responsible for overall business operations and management, major decision making and executing the decisions of our Board.

Prior to joining our Group, from July 1992 to July 1997, Mr. Zhou Hongbin served as a deputy director of finance department at CCTEG Chongqing Engineering Co., Ltd. (中煤科工集團重慶設計研究院有限公司), an institute mainly engaged in mining engineering, construction engineering and municipal construction, where he was responsible for daily financial accounting. From July 1997 to January 2003, Mr. Zhou Hongbin served as an accounting supervisor at Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (formerly known as Chongqing Zhongjianke Real Estate Co., Ltd. (重慶中建科置業有限公司)), a company mainly engaged in property development and indirectly wholly owned by Longfor Group Holdings Co., Ltd. (龍湖集團控股有限公司) (formerly known as Longfor Properties Co., Ltd. (龍湖地產有限公司)) which is listed on the Stock Exchange (stock code: 0960), where he was primarily responsible for financial accounting, financial analysis and fund management. From January 2003 to August 2007, he served as a deputy general manager at Chongqing Longhu Real Estate Development Co., Ltd. Commercial Management Branch Office (重慶龍湖地產發展有限公司商業經營管理分公司), where he was responsible for daily management, investment promotion, business development and shopping mall management. From August 2007 to December 2014, he served as the chairman of the board, general manager of the company and general manager of the property management department at Longhu Property Service Co., Ltd. (龍湖物業服務集團有限公司) and was responsible for overall management and development and property management. From January 2015 to December 2017, he served as a senior vice president at Beijing Qianding Internet Company Limited (北京千丁互聯科技有限公司), a company offering value added services to residential communities, where he was responsible for platform operations and market development.

Mr. Zhou Hongbin has served as a vice president at China Property Management Institute (中國物業管理協會) from October 2014 to May 2019, and became the honorary vice president from May 2019. He has been serving as a deputy director at China Property Management Institute Industry Development Research Center (中國物業管理協會行業發展研究中心) since March 2014.

Mr. Zhou Hongbin graduated from China University of Mining and Technology (中國礦業大學) in the PRC in July 1992, where he obtained a bachelor degree in accounting.

Mr. ZHOU Di (周迪), aged 44, was appointed as our executive Director on 30 March 2020 and has been the chief financial officer of the Company since he joined the Group on 10 May 2019. He is currently a director of several subsidiaries of the Group. Mr. Zhou is primarily responsible for the overall financial management of the Group.

Prior to joining the Group, from July 1999 to June 2001, Mr. Zhou Di worked as financial supervisor at 上海星特浩企業有限公司 (Shanghai Xingtehao Enterprise Company Limited*). From July 2001 to February 2008, Mr. Zhou Di joined S. B. Submarine Systems Co., Ltd., where he held the position of senior financial manager. From February 2008 to November 2016, he served as the chief financial officer for the Shanghai region at Longfor Group Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 960). From December 2016 to July 2017, he was the deputy general manager at the financial management center of 正榮集團有限公司 (Zhenro Group Co., Ltd.*) (formerly known as 福建正榮集團有限公司 (Fujian Zhenro Group Co., Ltd.*) where he was in charge of the group's financial management. From August 2017 to May 2019, he served as the director of the management accounting department at the financial center of CIFI Holdings, the shares of which are listed on the Stock Exchange (Stock code: 884) and is one of the controlling shareholders (as defined under the Listing Rules) of the Company.

Mr. Zhou Di graduated from Hefei University of Technology (合肥工業大學) in the PRC in June 1999, where he obtained a bachelor's degree in accounting. He graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2012, where he obtained a master's degree in management. Mr. Zhou Di became a PRC certified tax agent in June 2001, a certified public accountant of the PRC in December 2005, and an associate member of the Association of International Accountants in March 2006.

NON-EXECUTIVE DIRECTOR

Mr. LIN Feng (林峰), aged 45, was appointed as our non-executive Director and the deputy chairman of our Board on 25 July 2018. Mr. Lin Feng is a member of the Strategy Committee and Audit Committee of the Company. Mr. Lin Feng is primarily responsible for provision of guidance for the overall development of our Group.

Since November 2001, Mr. Lin Feng served in various positions at CIFI (PRC) including sales director from November 2001 to June 2003, where he was responsible for market development, financial director from July 2003 to November 2008, where he was responsible for financial management and president since November 2008, where he is responsible for overall management in operation decisions. He has been serving as an executive director and the chief executive officer at CIFI Holdings since May 2011, where he is responsible for overseeing business operations and overall management.

Mr. Lin Feng is currently the vice chairman of China Real Estate Chamber of Commerce (全國工商聯房地產商會), a council member of All-China Youth Federation (中華全國青年聯合會), executive council member of Shanghai Youth Federation (上海市青年聯合會), executive council member of Shanghai Federation of Industry and Commerce (上海市工商聯合會)(Commerce Chamber), council member of Shanghai Changning District Association of Industry and Commerce (上海市長寧區工商業聯合會) (Commerce Chamber), executive council member of Shanghai Putuo District Youth Federation (上海市普陀區青年聯合會), rotating chairman of the executive council of China Urban Realty Association (中國城市房地產開發商業策略聯盟總裁聯席會) and director of CIFI Charity Foundation.

Mr. Lin Feng graduated from Xiamen University (廈門大學) in the PRC in July 1998, where he obtained a bachelor degree in economics. He graduated from University of Dundee in the United Kingdom in July 2001, where he obtained a master degree in business administration.

Mr. Lin Feng is the brother of Mr. Lin Zhong, one of the executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MA Yongyi (馬永義), aged 56, was appointed as our independent non-executive Director on 26 November 2018. Mr. Ma is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

In February 2004, Mr. Ma joined Beijing National Accounting Institute (北京國家會計學院) and successively served as the director of the distance education center from February 2004 to September 2008 and the director of the administrative office from September 2008 to December 2015 and has been serving as the director of teacher management committee since January 2016.

Since April 2014, Mr. Ma has been serving as an independent supervisor at Chanjet Information Technology Company Limited (暢捷通資訊技術股份有限公司), a company listed on the Stock Exchange (stock code: 1588). From April 2016 to April 2020, he served as an independent director at Zhejiang Dun'an Artificial Environmental Company Limited (浙江盾安人工環境股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002011). Since February 2018, he has been serving as an external supervisor at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Stock Exchange (stock code: 1606). Since March 2019, he has been serving as an independent director at Piesat Information Technology Co.,Ltd. (航天宏圖信息技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688066). Since April 2020, he has been serving as an independent director at Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002410).

Mr. Ma graduated from the Central University of Finance and Economics (中央財經大學) (formerly known as Central College of Finance and Economics (中央財政金融學院)) in the PRC and obtained a bachelor degree of accounting in June 1989 and a doctorate degree in management in June 2003.

Mr. WANG Peng (王鵬), aged 45, was appointed as our independent non-executive Director on 26 November 2018. Mr. Wang is the chairman of the Remuneration Committee and a member of the Nomination Committee.

Since July 2003, Mr. Wang successively served as a director of publicity department, deputy secretary general, secretary general and vice president at China Property Management Institute, an industry association of property management enterprises, where he is responsible for administration, human resources, financial budgeting and internal management. Since August 2017, he has been serving as an independent non-executive director at A-Living Services Co., Ltd. (雅居樂雅生活服務股份有限公司), a company listed on the Stock Exchange (stock code: 3319). Since May 2019, he has been serving as an independent non-executive director at Poly Property Development Co., Ltd. (保利物業發展股份有限公司), a company listed on the Stock Exchange (stock code: 6049). Since September 2019, he has been serving as an independent non-executive director at Xinyuan Property Management Service (Cayman) Ltd. (鑫苑物業服務集團有限公司), a company listed on the Stock Exchange (stock code: 1895).

Mr. Wang graduated from Hebei University of Technology (河北工業大學) in the PRC in January 2015, where he obtained an executive master of business administration degree.

Mr. CHEUNG Wai Chung (張偉聰), aged 50, was appointed as our independent non-executive Director on 26 November 2018. Mr. Cheung is the chairman of the Audit Committee of the Company.

From September 1995 to January 1998, he initially served as an investment officer and then was promoted to an assistant manager II at Sun Hung Kai Real Estate Agency Ltd. (新鴻基地產代理有限公司), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (新鴻基地產發展有限公司) which is listed on the Stock Exchange (stock code: 0016). From January 1998 to March 2000, he served as an assistant investment manager and then was promoted to a deputy investment manager at China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on the Stock Exchange (stock code: 0308). From March 2000 to April 2001, he served as a project manager at CDC Corporation (formerly known as Chinadotcom Corporation), a company mainly engaged in the provision of online information. From May 2001 to January 2009, he successively served as a research director and portfolio manager at HSZ (Hong Kong) Limited and portfolio manager at Nomura Asset Management Hong Kong Limited (野村投資管理香港有限公司), both companies are engaged in investment management. In November 2012, he joined Culturecom Enterprises Limited (文化傳信企業有限公司), a subsidiary of Culturecom Holdings Limited (文化傳信集團有限公司) which is listed on the Stock Exchange (stock code: 0343), and served as the president and chief financial officer until December 2016. Since January 2017, he has been serving as a senior consultant at RHL International Limited (永利行國際有限公司), a company mainly engaged in corporate valuation and advisory.

Mr. Cheung graduated from The Chinese University of Hong Kong in December 1992, where he obtained a bachelor (honors) degree in business administration. He has been a member and a fellow of The Association of Chartered Certified Accountants since March 1996 and March 2001, respectively, and a charter holder of Chartered Financial Analyst awarded by the Association for Investment Management and Research since November 1999. In October 2019, Mr. Cheung was awarded by the United Nation's PRI Academy Responsible Investment Essentials, an internationally recognized standard on responsible investing and Environmental, Social and Governance (ESG) qualification.

SENIOR MANAGEMENT

Mr. LIANG Bin (梁斌), aged 37, has been appointed as the Group's vice president since he joined the Group on 1 September 2018. Mr. Liang is primarily responsible for the Group's organizational strategy and overall management of human resources.

Prior to joining the Group, from July 2005 to May 2009, Mr. Liang joined P&G (China) Co., Ltd. as a management trainee and was promoted to the post of human resources manager. From June 2009 to September 2012, he worked as a senior human resources manager in Tencent Technology (Shenzhen) Co., Ltd. (a company listed on the Stock Exchange, stock code: 700), mainly responsible for talent recruitment and organization development. From October 2012 to September 2013, he served as assistant director of human resources at Standard Chartered Bank (China) Limited. From October 2013 to May 2016, he was the director of human resources at Shimao Real Estate Holdings Limited (a company listed on the Stock Exchange, stock code: 813). From June 2016 to June 2017, he served as the vice president of human resources of YOOZOO Interactive Co. Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002174), responsible for human resources management. From July 2017 to August 2018, he worked for CIFI Group (a company listed on the Stock Exchange, stock code: 884) as human resources director. Mr. Liang has extensive management experience in the areas of top-level organizational strategy design, organizational change and transformation, cultivation of corporate culture system, senior talent headhunt and building talent echelon.

Mr. Liang graduated from Sun Yat-sen University in June 2005 with a bachelor of science degree.

Mr. CHEN Chuanchao (陳傳超), aged 44, was appointed as the general manager of Huadong business department of Yongsheng Property since he joined our Group on 3 March 2014 and was promoted to the Group's vice president in January 2020. Mr. Chen is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Shanghai and Shandong Province.

Prior to joining our Group, from March 1999 to March 2014, Mr. Chen worked as a manager at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司), where he was responsible for overall project management and safety management.

Mr. Chen graduated from Central Radio and Television University (中央廣播電視大學) in the PRC in July 2011, where he obtained a diploma in law.

Mr. LUO Xinguo (駱信國), aged 39, was appointed as the Group's assistant president in January 2020 and has been the general manager of Jiangsu business department of Yongsheng Property since he joined our Group on 19 March 2013, and was promoted to the Group's vice president in January 2021. Mr. Luo is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Jiangsu Province.

Prior to joining our Group, from January 2006 to March 2009, Mr. Luo served as a project manager at Shanghai Vanke Property Services Company Limited (上海萬科物業服務有限公司). From May 2009 to October 2010, Mr. Luo served as the responsible person of Tianjin branch office at Shanghai Jingrui Property Management Company Limited Tianjin Branch Office (上海景瑞物業管理有限公司天津分公司). In June 2011, he joined Jiangsu Sunan Vanke Property Services Co., Ltd. (江蘇蘇南萬科物業服務有限公司) as a deputy manager of the quality management department until April 2012 and then served as a project manager from May 2012 to March 2013.

Mr. Luo graduated from Zhengzhou University (鄭州大學) in February 2014, where he obtained a diploma in business administration through long distance learning.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2020.

CORPORATE GOVERNANCE PRACTICES

The Shares have been listed on the Stock Exchange since the Listing Date. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has complied with the code provisions as set out in the CG Code during the Reporting Period. The Company will continue to review and enhance its corporate governance practices, and identify and formalize appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiries to all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee or a director or employee of a subsidiary or holding company, who, because of his office or employment, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board Committees including the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

Composition of the Board

The Board currently comprises seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Members of the Board are listed below:

Member of the Board	Position	Date of appointment
Executive Directors		
Mr. Lin Zhong	Chairman of the Board and executive Director	16 April 2018
Mr. Zhou Hongbin	Executive Director and president	25 July 2018
Mr. Zhou Di	Executive Director and CFO	30 March 2020
Non-executive Director		
Mr. Lin Feng	Non-executive Director and deputy chairman of the Board	25 July 2018
Independent Non-executive Directors		
Mr. Ma Yongyi	Independent non-executive Director	26 November 2018
Mr. Wang Peng	Independent non-executive Director	26 November 2018
Mr. Cheung Wai Chung	Independent non-executive Director	26 November 2018

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Biography of each Director is set out in the section headed "Profile of Directors and Senior Management" of this annual report. Save as disclosed in the section headed "Profile of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

Chairman and President

Mr. Lin Zhong is the chairman of the Board. According to the code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Lin Zhong currently assumes the role of chairman of the Board while Mr. Zhou Hongbin, our executive Director and president, assumes the role of chief executive. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors exceeds one third of the number of the Board members.

According to Rule 3.13 of the Listing Rules, the independent non-executive Directors have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Appointment and Re-election of Directors

The code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Memorandum and the Articles of Association.

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from the date of appointment, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Article 84 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with the Memorandum and the Articles of Association, any new director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Training and Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

According to information provided by the Directors, records of training received by each director during the year ended 31 December 2020 are summarized below:

Directors	Types of Training
Mr. Lin Zhong	A
Mr. Zhou Hongbin	A,B
Mr. Zhou Di	A
Mr. Lin Feng	A
Mr. Ma Yongyi	A
Mr. Wang Peng	B
Mr. Cheung Wai Chung	A

A *Attending briefing(s) and/or seminar(s) and/or conference(s)*
B *Reading materials relating to directors' duties and responsibilities*

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2020.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

As at 31 December 2020, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The statements by external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in this annual report.

Board Meetings and General Meeting

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged when required. Notices for all regular Board meetings will be given to all Directors at least 14 days before the meetings and the agenda and accompanying Board paper will be given to all Directors at least 3 days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

The attendance record of each director at the Board and the general meeting of the Company held during the year ended 31 December 2020 is set out in the table below:

	Attendance/no of meetings held		
Name of Directors	Board Meetings	Annual General Meeting	Extraordinary General Meeting
Mr. Lin Zhong	6/6	1/1	1/2
Mr. Zhou Hongbin	6/6	1/1	2/2
Mr. Zhou Di (appointed on 30 March 2020)	4/4	1/1	2/2
Mr. Lin Feng	5/6	1/1	1/2
Mr. Ge Ming (resigned on 30 March 2020)	2/2	0/0	0/0
Mr. Ma Yongyi	6/6	1/1	2/2
Mr. Wang Peng	6/6	1/1	2/2
Mr. Cheung Wai Chung	6/6	1/1	2/2

BOARD COMMITTEES

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 (Chairman). 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 attendance record of the Audit Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Feng	3/3
Mr. Ma Yongyi	3/3
Mr. Cheung Wai Chung	3/3

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.

Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Wang Peng (chairman), Mr. Lin Zhong and Mr. Ma Yongyi, the majority of them are independent non-executive Directors. The primary duties of the Remuneration Committee are, among other things, to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to make recommendations to the Board on the remuneration packages of the executive Directors and senior management.

During the year ended 31 December 2020, two meetings of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Wang Peng	2/2
Mr. Lin Zhong	2/2
Mr. Ma Yongyi	2/2

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, made recommendations to the Board on the remuneration packages of individual executive Directors and senior management and fulfilled duties as required aforesaid.

Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Lin Zhong (chairman), Mr. Ma Yongyi and Mr. Wang Peng, the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are, among other things, to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the management, to assess the independence of the independent non-executive Directors, and to review the policy on Board diversity (the "**Board Diversity Policy**") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

During the year ended 31 December 2020, two meetings of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	2/2
Mr. Ma Yongyi	2/2
Mr. Wang Peng	2/2

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

Strategy Committee

The Strategy Committee comprises three members, namely Mr. Lin Zhong (chairman), Mr. Zhou Hongbin and Mr. Lin Feng.

The primary duties of the Strategy Committee are, among other things, to assist the Board in formulating and evaluating the development strategies and implementation plans of the company's medium- and long-term strategic objectives; and make recommendations to the Board on material matters, material investment and financing plans.

During the year ended 31 December 2020, one meeting of the Strategy Committee was held and the attendance record of the Strategy Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Zhou Hongbin	1/1
Mr. Lin Feng	1/1

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in accordance with the requirements of the Listing Rules with effect from 26 November 2018 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is intended to set out the basic principles to ensure that members of the Board achieve an appropriate balance of skills, experience and perspectives to enhance the effective function of the Board and maintain a high standard of corporate governance.

Nominations and Appointments

All Board nominations and appointments shall be based on the principle of meritocracy, daily business needs and the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is primarily responsible for identifying persons with suitable qualifications and selecting nominees to serve as director or to advise the Board on this.

Measureable Objectives

Selection of candidates will be based on a range of diversity and refer to the business model and specific needs of the Company, including but not limited to gender, age, ethnicity, language, cultural background, educational background, industry experience and professional experience.

Policy Statement

In order to achieve sustainable and balanced development, the Company regards the increment of diversification in board level as the key element to support its strategic goals and sustainable development. All appointments of the Board are based on the principle of meritocracy and considering the benefits of diversity of the Board.

Monitoring and Reporting

The Nomination Committee is responsible for reviewing the Board Diversity Policy, expanding and reviewing measurable objectives to ensure the implementation of the Board Diversity Policy and to monitor progress towards measurable objectives. The Nomination Committee reviews the Board Diversity Policy and measurable objectives at least annually, or at the appropriate time, to ensure the Board continues to be effective. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2020.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

COMPANY SECRETARY

Ms. Yeung Ching Man, the vice president of SWCS Corporate Services Group (Hong Kong) Limited, has been appointed as the company secretary of the Company on 25 July 2018 and has taken no less than 15 hours of relevant professional training during 2020 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. Ms. Yeung Ching Man has resigned as a company secretary of the Company with effect from 21 January 2021. On the same date, the Board appointed Ms. Lee Shuk Man ("**Ms. Lee**"), the assistant manager of SWCS Corporate Services Group (Hong Kong) Limited, as the company secretary of the Company. The primary contact person of Ms. Yeung Ching Man and Ms. Lee at the Company is Mr. Zhou Di, the executive Director and chief financial officer.

AUDITORS

The financial statements contained in this report have been audited by Deloitte Touche Tohmatsu. The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services is set out below:

Services rendered	Amount (RMB)
Annual audit	2,500,000
Non-audit services	900,000
Total	3,400,000

The non-audit services mainly included the review of 2020 interim results. The statement of the external auditors of the Company about its reporting responsibilities for the consolidated financial statements is set out in the independent auditors report of this annual report on pages 74 to 78.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The Group utilizes an integrated risk management system to minimize and protect against a range of strategic, business, financial and legal risks. Through our risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management. This system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Our risk management system is implemented on three levels. Its implementation starts with the manager of each department who is responsible for organizing the daily work in accordance with the relevant policies. The second level involves the active role of the risk management center which centralize our risk management policies and supervise the individual departments through periodic audits. Finally, the highest level involves decision-making by Board regarding certain risk management decisions. The relevant personnel at these three levels are in frequent communication in order to ensure accurate information is shared between all parties.

In order to formulate and implement effective policies, our risk management system emphasizes continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and results of operation, costs of services, changes in intellectual property law, company laws and possible legal disputes.

The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurring are more closely examined in order to ensure accurate results. We then determine what countermeasures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

The Group has set up an internal audit department, which assists the Board and/or the Audit Committee on the ongoing review of the effectiveness of the Group's risk management and internal control systems. The risk management and internal control system have been carried out under the leadership of the Board and the Audit Committee and the Board has conducted a comprehensive review of the risk management and internal control system for the year ended 31 December 2020. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies. The Board, through the review of the Audit Committee, considers that the current risk management and material control systems of the Company are effective and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under code provisions C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

DISCLOSURE OF INSIDE INFORMATION

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIVIDEND

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects, as well as any other factors which our Directors may consider relevant. We have no policy for dividend pay-out ratio. The Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 58 of the Articles of Association, general meetings can be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures and contact details for putting forward proposals at Shareholders' meeting

The annual general meeting and other general meetings provide an important opportunity for Shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer Shareholders' questions.

Shareholders attending the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

The procedures by which enquires may be put to the Board and sufficient contact details to enable these enquires to be properly directed

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at:

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2119 9137
Website: https://www.computershare.com

To contact the Company in relation to your query about the Company, the contact details are as follows:
Fax: (8621) 6120 8281
Email: IR@ysservice.com.cn

INVESTOR RELATIONS AND COMMUNICATIONS

The Company has set up a website at www.ysservice.com.cn as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner.

DEED OF NON-COMPETITION BY ULTIMATE CONTROLLING SHAREHOLDERS

The Ultimate Controlling Shareholders have made an annual declaration to the Company that during the year ended 31 December 2020, he/she/it and his/her/its associates have complied with the terms of the Deed of non-Competition given in favour of the Company. Details of the Deed of Non-Competition are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by the Ultimate Controlling Shareholders with the undertakings in the Deed of Non-Competition and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition.

CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2020, the Company has not made any changes to its Memorandum and Articles of Association. The up-to-date version of the Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

GLOBAL OFFERING

The Company carried out the global offering on 4 December 2018, comprising of 380,000,000 Shares at HK$1.78 per Share. For details of the relevant use of proceeds, please see the section headed "Use of Net Proceeds from the IPO" in this annual report.

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Law of the Cayman Islands. The Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC.

The activities and particulars of the Company's subsidiaries are shown under note 27 to the consolidated financial statements in this annual report. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and notes 6 and 9 to the consolidated financial statements in this annual report.

RESULTS

The consolidated results of the Group for the year ended 31 December 2020 are set out on pages 79 to 84 of this annual report.

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 at the AGM and 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.

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 Hong Kong 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 Hong Kong 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.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group is of the view that employees are the foundation for the Group's business operations and an important asset of the Group. By providing employees with an ideal working environment and opportunities for sustainable development, the Group and our employees improve and grow together. More details of our relationship with employees are set out in the section headed "Human Resources" in this annual report.

The Group maintains a good relationship with its customers and suppliers. The Group's property management services are based on the principle of customer orientation, and we strive to continuously improve and explore innovative ideas to provide customers with "satisfactory + surprising" (滿意 + 驚喜) services. We value customer feedback and has established customer complaint handling procedures to ensure customers' complaints are dealt with in a timely and effective manner. We also value collaboration with our business partners to set up sustainable supply chains and achieve win-win solution. More details could be found in the section headed "Major Suppliers and Customers" in this annual report.

The Board believes effective communication and timely information disclosure builds the Shareholders' and investors' confidence, and also facilities the flow of constructive feedback that are beneficial for investor relations and future corporate development. For more details, please refer to the section headed "Corporate Governance Report" in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 170 of this annual report. This summary does not form part of the audited consolidated financial statements.

USE OF NET PROCEEDS FROM THE IPO

The Company was successfully listed on the Main Board on 17 December 2018. The net proceeds from the IPO and the partial exercise of the Over-allotment Option amounted to approximately HK$683 million after deducting share issuance costs, listing expenses, underwriting commissions and other offering expenses payable by the Company in relation to the exercise of the Over-allotment Option. As at 31 December 2020, approximately HK$306.1 million had been used. The remaining net proceeds raised from IPO which had not been utilized were deposited with a licensed financial institution in Hong Kong and mainland China. In 2021, the Company will use the proceeds raised from the IPO in accordance with its development strategies, market conditions and intended use of such proceeds as disclosed in the Prospectus. Detailed information is set out under "Use of proceed raised from IPO" in the section headed "Management Discussion and Analysis" in this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer, CIFI Group, accounted for 12.8% of the Group's total revenue. The Group's five largest customers accounted for 14.4% of the Group's total revenue.

In the year under review, the Group's largest supplier accounted for 3.3% of the Group's total purchase. The Group's five largest suppliers accounted for 6.9% of the Group's total purchase.

For the year ended 31 December 2020, revenue derived from CIFI Group and its associates amounted to RMB549.3 million, representing approximately 17.6% of our annual revenue. Except for the above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2020 are set out in note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2020 are set out in note 24 to the consolidated financial statements in this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2020 are set out in the consolidated statements of changes in equity and note 26 to the consolidated financial statements in this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's distributable reserves were RMB2,087.7 million.

BORROWINGS

As at 31 December 2020, the Group had no outstanding bank borrowings.

CHARITABLE CONTRIBUTIONS

During the year, the Group did not make charitable contributions.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were as follow:

Executive Directors

Mr. LIN Zhong *(Chairman)*
Mr. ZHOU Hongbin *(President)*
Mr. ZHOU Di (appointed on 30 March 2020)

Non-executive Directors

Mr. LIN Feng *(Deputy Chairman)*
Mr. GE Ming [Note] (resigned on 30 March 2020)

Independent Non-executive Directors

Mr. MA Yongyi
Mr. WANG Peng
Mr. CHEUNG Wai Chung

Note:

Mr. Ge Ming has resigned as a non-executive Director with effect from 30 March 2020 in order to devote more time to his other business commitments.

In accordance with article 84(1) of the Articles of Association, Mr. Ma Yongyi, Mr. Wang Peng and Mr. Cheung Wai Chung shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be sent to Shareholders.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 34 to 39 in the section headed "Profile of Directors and Senior Management" to this annual report.

Saved as disclosed in this report, as at the date of this annual report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2020 and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three year, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

MANAGEMENT CONTRACTS

Other than the Directors' service contract and letters of appointment, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the Directors' emoluments and emoluments of the highest paid individuals in the Group by band are set out in note 13 to the consolidated financial statements in this annual report.

For the year ended 31 December 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by our Group to or on behalf of any of the Directors.

HUMAN RESOURCES

The Group had approximately 11,263 employees as at 31 December 2020, as compared to 7,556 employees as at 31 December 2019. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The Group is concerned about the career development of its employees, and has developed a comprehensive training programme covering different topics such as new employee orientation and professional skills training to meet the needs of employees at different levels.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution under this retirement benefits scheme is available to reduce the contribution payable in future years.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number of ordinary shares interested[1]	Approximate percentage in the Company's issued share capital
Mr. Lin Zhong [2][3][4][5]	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500 (L)	56.43%
Mr. Lin Feng [2][3][4][5]	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500 (L)	56.43%
Mr. Zhou Hongbin	Beneficial owner	35,383,500 (L)	2.12%
Mr. Zhou Di	Beneficial owner	810,000 (L)	0.05%

Note:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.

(3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.

(4) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.

(5) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Rosy Fortune.

Interest in Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. Lin Zhong (1)(2)	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	3,607,055,603	43.88%
Mr. Lin Feng (2)(3)(4)	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust interest in a controlled corporation and beneficial owner	2,617,124,155	31.84%
Mr. Zhou Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. Zhou Di	CIFI Holdings	Beneficial owner	230,000	0.00%
Mr. Lin Zhong (5)	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. Lin Feng (5)	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. Lin Zhong (6)	Spectron	Interested in a controlled corporation	1	100%
Mr. Lin Feng (6)	Spectron	Interested in a controlled corporation	1	100%
Mr. Lin Zhong (7)	Elite Force Development	Beneficial owner	100	100%
Mr. Lin Feng (7)	Elite Force Development	Beneficial owner	100	100%
Mr. Lin Zhong (8)	Best Legend	Beneficial owner	1	100%
Mr. Lin Feng (8)	Best Legend	Beneficial owner	1	100%

Note:

(1) 1,210,244,037 shares of CIFI Holdings are held by Ding Chang. The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,210,244,037 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.

(2) 2,388,937,975 shares are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the 2,388,937,975 Shares held by Rosy Fortune pursuant to Part XV of the SFO.

(3) 215,950,580 shares of CIFI Holdings are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 215,950,580 shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.

(4) 5,335,600 shares of CIFI Holdings are held by Towin Resources Limited. Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the shares of CIFI Holdings held by Towin Resources Limited.

(5) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held by Xu Sheng.

(6) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By revenue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held of Spectron.

(7) The entire issued share capital of Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force Development pursuant to Part XV of the SFO.

(8) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.

Interest in Debentures of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Principal amount of relevant debentures held	Approximate percentage of aggregate principal amount of the relevant debenture issued
Mr. LIN Zhong (1)(2)	CIFI Holdings	Co-founder of a discretionary trust	US$1 million	0.18%
Mr. LIN Feng (1)(2)(3)(4)(5)	CIFI Holdings	Founder of a discretionary trust, and interest in a controlled corporation	US$25 million	8.33%
		Co-founder of a discretionary trust	US$1 million	0.18%

Notes:

(1) The 6% Senior Notes were freely transferable but not convertible in any shares or other securities of CIFI Holdings. For details of the 6% Senior Notes, please refer to the announcements of CIFI Holdings dated 8 January 2020 and 10 January 2020 respectively.

(2) The principal amount of US$1 million of 6% Senior Notes are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the principal amount of of 6% Senior Notes held by Rosy Fortune pursuant to Part XV of the SFO.

(3) The 5.375% Perpetual Securities are listed on the Stock Exchange.

(4) Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the principal amount of US$15 million of 5.375% Perpetual Securities held by Towin Resources Limited.

(5) The principal amount of US$10 million of 5.375% Perpetual Securities are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the principal amount of 5.375% Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2020, none of the Directors or the chief executive of the Company has any interests and/or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 31 December 2020, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested[1]	Approximate percentage in the Company's issued share capital
Mr. LIN Wei [2][3][4][5][6]	Interest in a controlled corporation, and co-founder of a discretionary trust	942,683,500 (L)	56.43%
Elite Force Development [2]	Beneficial owner	363,180,000 (L)	21.74%
Spectron	Beneficial owner	406,820,000 (L)	24.35%
Xu Sheng [3]	Interest in a controlled corporation	406,820,000 (L)	24.35%
CIFI Holdings [4]	Interest in a controlled corporation	406,820,000 (L)	24.35%
Best Legend [5]	Beneficial owner	171,683,500 (L)	10.28%
Cederberg Capital (Cayman) [7]	Interest in a controlled corporation	84,128,000 (L)	5.03%
Cederberg Capital (Cayman) GP [7]	Interest in a controlled corporation	84,128,000 (L)	5.03%
Krige Dawid [7]	Interest in a controlled corporation	84,128,000 (L)	5.03%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.

(3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.

(4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.

(5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.

(6) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Rosy Fortune.

(7) Based on public information available, Cederberg Capital Limited is wholly owned by Cederberg Capital (Cayman). The general partner of Cederberg Capital (Cayman) is Cederberg Capital (Cayman) GP which is owned as to 64% by Krige Dawid. By virtue of the SFO, Krige Dawid is deemed to be interested in Shares held by Cederberg Capital Limited.

Save as disclosed herein, as at 31 December 2020, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the section headed "Related Party Transactions", in note 29 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year under review, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

LOAN AND GUARANTEE

During the year ended 31 December 2020, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Related Party Transactions", in note 29 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2020 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the year ended 31 December 2020 or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the year under review, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its continuing connected transactions. Details of the relevant continuing connected transactions are as follows:

Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements

1. Sales Agency Services Framework Agreement

On 22 March 2019, the Company entered into a sales agency services framework agreement (the "**Sales Agency Services Framework Agreement**") with CIFI Holdings, which sets out the principal terms for the provision of sales agency services by the Group to CIFI Group and its associates in respect of unsold residential car parking spaces in the development projects of CIFI Group and its associates for a term commencing from 22 March 2019 to 31 December 2021 (both dates inclusive).

For the year ended 31 December 2020, the transaction amount in respect of the Sales Agency Services Framework Agreement amounted to approximately RMB11.7 million, which is within the annual cap of RMB29.8 million.

It is estimated that the maximum annual commission payable by CIFI Group and its associates to the Group for the sales agency services under the Sales Agency Services Framework Agreement for the financial years ending 2021 will not exceed RMB29.8 million.

At the relevant time, CIFI Holdings was one of our Controlling Shareholders and was therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the Sales Agency Services Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the Sales Agency Services Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.

2. Qingdao Yayuan Management Services Framework Agreement

On 20 September 2019, Qingdao Yayuan entered into a management services framework agreement (the "**Qingdao Yayuan Management Services Framework Agreement**") with New World (Qingdao) Real Estate Company Limited (新世界 (青島) 置地有限公司) ("**New World (Qingdao)**"), Nanchang Sunny World Real Estate Company Limited (南昌陽光新地置業有限公司) ("**Nanchang Sunny World**"), and Shanghai Sunny World Jiazhao Internet of Things Company Limited (上海新地嘉兆物聯網有限公司) ("**Jiazhao**"), pursuant to which Qingdao Yayuan shall agree to provide to New World (Qingdao), Nanchang Sunny World and Jiazhao and their respective associates (the "**Qingdao Yayuan Connected Group**") property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties owned by the Qingdao Yayuan Connected Group; (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the Qingdao Yayuan Connected Group upon completion of construction and before delivery of the same to homeowners and other value-added services (the "**Qingdao Yayuan Management Services**") for a term commencing from 20 September 2019 to 31 December 2021.

For the year ended 31 December 2020, the transaction amount in respect of the Qingdao Yayuan Management Services Framework Agreement amounted to approximately RMB3.9 million, which is within the annual cap of RMB45.0 million.

It is estimated that the annual cap for the continuing connected transactions under the under the Qingdao Yayuan Management Services Framework Agreement for the financial years ending 2021 will not exceed RMB40.0 million.

As Qingdao Yayuan Connected Group is a substantial shareholder of Qingdao Yayuan, Qingdao Yayuan Connected Group is a connected person of the Company at subsidiary level under the Listing Rules. Therefore, the transactions contemplated under the Qingdao Yayuan Management Services Framework Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Qindao Yayuan Management Services Framework Agreement are exempt from circular, independent financial advice and shareholders' approval requirements.

Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. CIFI Property Management Services Master Agreement

On 11 November 2019 and 5 November 2020, the Company entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "**2019 CIFI Property Management Services Master Agreement**") with CIFI Holdings, pursuant to which the Company and its subsidiaries agreed to provide to CIFI Group property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties owned by CIFI Group; (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; and (iii) cleaning and house inspection services to the property projects developed by CIFI Group upon completion of construction and before delivery of the same to homeowners and other value-added services (the "**CIFI Property Management Services**") and preliminary planning and design consultancy services (the "**CIFI Planning Services**"). The 2019 CIFI Property Management Services Master Agreement has a term commencing from 1 January 2020 until 31 December 2022.

For the year ended 31 December 2020, the transaction amounts for the CIFI Property Management Services and the CIFI Planning Services amounted to approximately RMB359.0 million and RMB28.7 million, respectively, which are within the annual caps of RMB420.0 million and RMB60.0 million.

It was estimated that the maximum amounts of service fee payable by CIFI Group in relation to the CIFI Property Management Services and the CIFI Planning Services for each of the two years ending 31 December 2022 will not exceed RMB420.0 million and RMB60.0 million, respectively.

CIFI Holdings, one of our Controlling Shareholders, is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the 2019 CIFI Property Management Services Master Agreement are expected to be more than 5% on an annual basis, the transactions under the 2019 CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. 2018 Lin Brothers Property Management Services Master Agreement and UCS Property Management Services Master Agreement

On 22 November 2018 and 25 September 2020, the Ultimate Controlling Shareholders entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "**2018 Lin Brothers Property Management Services Master Agreement**") with the Company, pursuant to which the Group agreed to provide property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (ii) on-site securing, cleaning, greening, as well as customer services to property sales offices; and (iii) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, and other value-added services (the "**UCS Property Management Services**"), and preliminary planning and design consultancy services (the "**UCS Planning Services**") for a term commencing from the Listing Date until 31 December 2020.

For the year ended 31 December 2020, the transaction amount in respect of the UCS Property Management Services and the UCS Planning Services amounted to approximately RMB150.0 million, which is within the annual cap of RMB185.0 million.

As the 2018 Lin Brothers Property Management Services Master Agreement has expired on 31 December 2020, the Company and the Ultimate Controlling Shareholders entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "**2021 UCS Property Management Services Master Agreement**") on 25 September 2020 and 5 November 2020, pursuant to which the Company and its subsidiaries agreed to provide UCS Property Management Services and the UCS Planning Services to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for a period commencing from 1 January 2021 and ending on 31 December 2023, and such associates mainly comprise the joint ventures and associated companies of CIFI Group.

It is estimated that the maximum amounts of service fee payable by the companies controlled by the associates of the Ultimate Controlling Shareholders (except for CIFI Group) in relation to the UCS Property Management Services and the UCS Planning Services (ii) for the year ending 31 December 2021 will not exceed RMB164.0 million and RMB26.0 million, respectively; (ii) for the year ending 31 December 2022 will not exceed RMB173.0 million and RMB27.0 million, respectively; and (iii) for the year ending 31 December 2023 will not exceed RMB173.0 million and RMB27.0 million, respectively.

Ultimate Controlling Shareholders, one of the Controlling Shareholders, are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the 2018 Lin Brothers Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual caps contemplated under the 2018 Lin Brothers Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2020, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

The Company adjusts the scope and amount of continuing connected transactions and the annual caps exempted from disclosure (where necessary) in accordance with its internal control procedures. During the year ended 31 December 2020, the Company has followed the pricing policies and guidelines for each of the continuing connected transactions disclosed in this annual report when determining the price and terms of such transactions conducted. The Directors are of the view that the Company's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions carried out during the year and confirm the transactions thereunder had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules:

(i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

(ii) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions.

(iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2020 has been provided by the Company to the Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 29 to the consolidated financial statements in this annual report.

Save as disclosed above, during the year under review, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

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

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2020.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2020, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 27 February 2020, the Group entered into an acquisition agreement, pursuant to which the Group can acquire 50% equity interests in Qingdao Yinshengtai, for a cash consideration of approximately RMB8.6 million. Upon completion of such acquisition, the Group has been interested in 50% equity interests in Qingdao Yinshengtai and Qingdao Yinshengtai became a non-wholly-owned subsidiary of the Company. The financial results of Qingdao Yinshengtai have been consolidated into the Group's financial statements.

Reference is made to the Company's announcement dated 18 June 2019 and the circular dated 14 August 2019 in relation to the acquisition of an aggregate of 55% equity interest in Qingdao Yayuan. According to the audited financial statements of Qingdao Yayuan for the year ended 31 December 2020, the profit guarantee for the year ended 31 December 2020, as set out in the announcement dated 18 June 2019 and the circular dated 14 August 2019, has been fulfilled and no compensation has been made.

The Group did not have any material disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2020, saved as disclosed in this report, the Group did not have any other immediate plans for material investments and capital assets.

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 53 of this annual report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 to be published in due course.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 35 to the financial statements.

AUDITOR

On 19 November 2020, the Board appointed Deloitte Touche Tohmatsu as the auditor of the Company with effect from 19 November 2020 to fill the casual vacancy following the resignation of BDO Limited. The consolidated financial statements for the year ended 31 December 2020 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2020, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

By order of the Board
LIN Zhong
Chairman

Hong Kong, 23 March 2021

Deloitte. 德勤

TO THE SHAREHOLDERS OF EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Ever Sunshine Lifestyle Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 79 to 169, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKASs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified impairment assessment of goodwill as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amounts of the cash-generating units to which goodwill have been allocated. As disclosed in Note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate. The Group engages independent valuers (the "Valuers") to assist the estimation. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. As disclosed in Note 16 to the consolidated financial statements, the carrying amounts of goodwill were RMB470,952,000 as at 31 December 2020 and no impairment loss was recognised during the year ended 31 December 2020.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the management process and the key controls in impairment assessment of goodwill and the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates; • Evaluating the competency, capabilities and objectivity of the Valuers; • Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the historical financial performance; • Evaluating the appropriateness of pre-tax discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies; • Checking the mathematical accuracy of the VIU calculations; and • Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses ("ECL") of trade and bills receivables	
We identified the estimated provision of ECL of trade and bills receivables as a key audit matter due to the significant management judgement and estimates involved in assessing the recoverability of trade and bills receivables. As disclosed in Note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade and bills receivables and the provision rates are based on groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information. As disclosed in Notes 17 and 34 to the consolidated financial statements, the carrying amount of trade and bills receivables is RMB458,628,000 as at 31 December 2020, after net off the allowance for credit losses of RMB56,194,000, and allowance for credit losses of RMB30,433,000 was recognised in profit or loss for the year end 31 December 2020.	Our procedures in relation to the estimated provision of ECL of trade and bills receivables included: • Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment of trade debtors using provision matrix and evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated by the management; • Testing the information used by the management to develop the provision matrix, on a sample basis, to the source documents; • Evaluating the appropriateness of the expected loss rates applied by reference to the historical default rates; • Checking the mathematical accuracy of the ECL calculations; and • Evaluating the reasonableness of forward looking information used by the management by reference to available market information.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2019 were audited by another auditor who expressed an unmodified opinion on those statements on 23 March 2020.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine the matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matter in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor' report is Cheung, Wilfred.

Deloitte Touche Tohmatsu
Certified Public Accountant

HONG KONG
23 March 2021

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	6	3,119,563	1,877,822
Cost of services		(2,140,056)	(1,322,424)
Gross profit		979,507	555,398
Other income and other gains and losses	7	(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	8	(1,498)	(1,334)
Other expenses		(4,786)	(2,543)
Profit before taxation	9	598,119	328,512
Income tax expense	10	(155,503)	(79,558)
Profit and total comprehensive income for the year		442,616	248,954
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		390,372	223,845
Non-controlling interests	28	52,244	25,109
		442,616	248,954
Earnings per share (RMB)			
Basic earnings per share	12	0.2426	0.1458

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	14	86,201	62,432
Investment properties	15	55,119	50,814
Intangible assets	16	91,049	100,600
Goodwill	16	470,952	431,128
Deferred tax assets	23	20,620	11,831
Prepayments of property, plant and equipment	18	12,448	13,368
		736,389	670,173
Current assets			
Trade and bills receivables	17	458,628	342,006
Prepayments and other receivables	18	264,688	139,279
Other financial assets	19	30,000	—
Restricted cash	20	6,873	43,000
Bank balances, deposits and cash	20	3,170,589	1,283,642
		3,930,778	1,807,927
Current liabilities			
Trade and bills payables	21	362,848	284,593
Accruals and other payables	22	693,319	490,187
Contract liabilities	6	387,825	334,317
Lease liabilities	30	13,828	7,972
Provision for taxation		124,874	70,102
		1,582,694	1,187,171
Net current assets		2,348,084	620,756
Total assets less current liabilities		3,084,473	1,290,929

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	30	15,508	13,218
Other long-term payables	22	4,928	1,265
Deferred tax liabilities	23	46,602	48,516
		67,038	62,999
Net assets		3,017,435	1,227,930
Capital and reserves			
Share capital	24	14,830	13,607
Reserves		2,878,604	1,134,290
Equity attributable to owners of the Company		2,893,434	1,147,897
Non-controlling interests	28	124,001	80,033
Total equity		3,017,435	1,227,930

The consolidated financial statements on pages 79 to 84 were approved and authorised for issue by the board of directors on 23 March 2021 and are signed on its behalf by:

Mr. Lin Zhong	Mr. Zhou Hongbin
Director	*Director*

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

		Reserves							
	Share capital RMB'000 Note 24	Share premium RMB'000 Note (a)	Capital reserve RMB'000	Other reserve RMB'000 Note (b)	Statutory reserve RMB'000 Note (c)	Retained earnings RMB'000	Equity attributable to owners of the Company RMB'000	Non-controlling interests RMB'000	Total Equity RMB'000
At 1 January 2019	13,290	794,550	26,799	(117,600)	21,381	160,511	898,931	3,669	902,600
Profit and total comprehensive income for the year	—	—	—	—	—	223,845	223,845	25,109	248,954
Transfer to statutory reserve	—	—	—	—	27,331	(27,331)	—	—	—
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	3,486	3,486
Dividends recognised as distribution (Note 11)	—	(31,221)	—	—	—	—	(31,221)	—	(31,221)
Acquisition of subsidiaries (Note 25)	—	—	—	—	—	—	—	47,769	47,769
Allotment of shares (Note 24)	317	56,025	—	—	—	—	56,342	—	56,342
At 31 December 2019 and 1 January 2020	13,607	819,354	26,799	(117,600)	48,712	357,025	1,147,897	80,033	1,227,930
Profit and total comprehensive income for the year	—	—	—	—	—	390,372	390,372	52,244	442,616
Transfer to statutory reserve	—	—	—	—	52,841	(52,841)	—	—	—
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	6,681	6,681
Dividends recognised as distribution (Note 11)	—	(73,083)	—	—	—	—	(73,083)	—	(73,083)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	(29,010)	(29,010)
Acquisition of subsidiaries (Note 25)	—	—	—	—	—	—	—	14,053	14,053
Placement of shares (Note 24)	1,223	1,439,809	—	—	—	—	1,441,032	—	1,441,032
Transaction cost attributable to the issue of new shares (Note 24)	—	(12,784)	—	—	—	—	(12,784)	—	(12,784)
At 31 December 2020	14,830	2,173,296	26,799	(117,600)	101,553	694,556	2,893,434	124,001	3,017,435

Notes:

(a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.

(b) Other reserve represents the difference between the nominal amount of the share capital of Shanghai Yongsheng Property Management Co. Ltd. ("Yongsheng Property") and nominal amount of the share capital issued by the Company pursuant to a group reorganisation completed on 6 July 2018.

(c) Statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Profit before taxation	598,119	328,512
Adjustments for:		
Depreciation of property, plant and equipment	18,795	7,606
Depreciation of right-of-use assets	13,248	8,354
Amortisation of intangible assets	35,314	4,400
Allowance of credit loss of trade and bills receivables	30,433	16,246
Allowance of credit loss of deposits and other receivables	1,715	7,870
Share of associate's loss	—	324
Share of joint venture's loss	—	95
Bank interest income	(27,516)	(19,332)
Interest on lease liabilities	1,498	1,051
Interest on secured bank loan	—	283
Loss on disposal of property, plant and equipment	196	21
Gain on disposal of investment properties	—	(174)
Gain from fair value changes of investment properties	(1,105)	(2,616)
Gain from fair value changes of financial assets at fair value through profit and loss ("FVTPL")	(6,453)	—
Exchange loss (gain)	81,941	(10,707)
Operating profit before working capital changes	746,185	341,933
Increase in trade and bills receivables	(125,493)	(180,933)
Increase in prepayments and other receivables	(126,229)	(16,253)
Increase in restricted cash	(6,873)	—
Increase in trade payables	118,227	148,630
Increase in accruals and other payables	182,712	141,088
Increase in contract liabilities	41,706	126,430
Cash generated from operations	830,235	560,895
Income tax paid	(121,135)	(52,222)
Net cash generated from operating activities	709,100	508,673

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Cash flows from investing activities		
Withdrawal of pledged bank deposit	—	9,969
Prepayment of property, plant and equipment	(10,351)	(13,368)
Purchase of property, plant and equipment	(20,928)	(17,854)
Withdrawal (placement) of restricted cash	43,000	(43,000)
Acquisition of other financial assets	(30,000)	—
Acquisition of subsidiaries, net of cash acquired	(30,148)	(277,458)
Dividend received from an associate	—	2,735
Proceed from disposal of property, plant and equipment	735	227
Proceed from disposal of investment properties	932	1,255
Bank interest income received	27,516	19,332
Purchase of financial assets at FVTPL	(318,500)	—
Proceed from disposal of financial assets at FVTPL	324,953	—
Net cash used in investing activities	(12,791)	(318,162)
Cash flows from financing activities		
Capital contribution from non-controlling shareholders	6,681	3,486
Repayment of bank borrowing	(3,003)	(9,281)
Proceed from issue of shares	1,441,032	56,342
Payment of transaction cost attributable to issue of shares	(12,784)	—
Payment of bills payables	(43,000)	(60,000)
Interest on secured bank loan paid	—	(283)
Interest on lease liabilities paid	(1,498)	(1,051)
Payment of lease liabilities	(13,024)	(8,604)
Dividend payment to its former shareholder of a subsidiary	—	(32,330)
Dividends paid	(102,093)	(31,221)
Net cash generated from (used in) financing activities	1,272,311	(82,942)
Net increase in cash and cash equivalents	1,968,620	107,569
Effect of exchange rate changes on cash and cash equivalents	(81,673)	15,951
Cash and cash equivalents at beginning of the year	1,283,642	1,160,122
Cash and cash equivalents at end of the year	3,170,589	1,283,642

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 addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in Note 27.

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

2. 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 Hong Kong Institute of Certified Public Accountants ("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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

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.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the 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, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 "Financial Instruments" ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements"(replaced by the "Conceptual Framework for Financial Reporting" issued in October 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred taxation assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Property management services

For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by pre-determined percentage or fixed amount of the property service fees the property owners are obligated to pay. The Group recognises the fee received or receivables from property management offices of residential communities as its revenue and all related property management costs as its cost of services.

Revenue from property management services (both under lump sum basis and commission basis) is recognised over time in the accounting period which services are rendered.

Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Revenue from community value-added services is recognised over time except sales and property agency services, which are recognised at a point of time when performance obligations are satisfied.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Value-added services to non-property owners

Value-added services to non-property owners mainly includes preliminary planning and design consultancy services to property developers or other property management service providers and cleaning, security, greening and repair and maintenance services to property developers at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

Revenue from value-added services to non-property owners is recognised over time in the accounting period which services are rendered.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (multiple community value-added services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for services provided on a monthly basis), the Group recognises revenue in the amount to which the Group has the right to invoice.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Value-added services to non-property owners (continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Allocation of consideration to components of a contract - continued

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters and offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in “property, plant and equipment”, the same line item within which the corresponding underlying assets would be presented if they were owned.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represents fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as "revenue".

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Foreign currencies

In preparing the financial statements of each individual group entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

For the purposes of measuring deferred taxation liabilities and deferred taxation assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority.

Current and deferred taxation are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land is presented as a separate class under "property, plant and equipment" in the consolidated statement of financial position. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as "buildings".

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment and intangible assets other than goodwill (continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers, which are initially measured in accordance with HKFRS 15 "Revenue from Contracts with Customers". Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other income and other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, deposits and other receivables, restricted cash, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of the reporting period. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk (continued)

The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on account receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest date determined at initial recognition.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of accounts receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at amortised cost

Financial liabilities of the Group (including trade and bills payables and other payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of pre-tax discount rates, a material impairment loss or further impairment loss may arise.

As at 31 December 2020, the carrying amount of goodwill is RMB470,952,000 (2019: RMB431,128,000). Details of the recoverable amount calculation are disclosed in Note 16.

(ii) Provision of ECL for trade and bills receivables and other receivables

The Group uses provision matrix to calculate ECL for the trade and bills receivables and other receivables.

The provision rates are based on aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables and deposits other receivables are disclosed in Notes 17, 18 and 34.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(iii) Valuation of investment properties

As at 31 December 2020, investment properties of RMB55,119,000 (2019: RMB50,814,000) are stated at fair value based on the valuations performed by independent qualified professional valuer. In determining the fair values, the valuer have based on certain method of valuation which involves certain estimates of market condition. In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. 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).

6. 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:

	2020 RMB'000	2019 RMB'000
Revenue from contract with customer	3,118,873	1,876,896
Others	690	926
Total	3,119,563	1,877,822

6. REVENUE (CONTINUED)

Revenue from contract with customer

(a) Disaggregated revenue information

For the year ended 31 December 2020

	Property management services	Community value-added services	Value-added services to non-property owners	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods and services				
Property management services				
Lump sum basis	1,754,248	—	—	1,754,248
Commission basis	3,050	—	—	3,050
	1,757,298	—	—	1,757,298
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
	—	789,895	—	789,895
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
	—	—	571,680	571,680
	1,757,298	789,895	571,680	3,118,873
Timing of revenue recognition				
A point in time	—	245,638	—	245,638
Over time	1,757,298	544,257	571,680	2,873,235
	1,757,298	789,895	571,680	3,118,873

6. REVENUE (CONTINUED)

Revenue from contract with customer (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2019

	Property management services	Community value-added services	Value-added services to non-property owners	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods and services				
Property management services				
Lump sum basis	1,063,494	—	—	1,063,494
Commission basis	6,493	—	—	6,493
	1,069,987	—	—	1,069,987
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
	—	482,268	—	482,268
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
	—	—	324,641	324,641
	1,069,987	482,268	324,641	1,876,896
Timing of revenue recognition				
A point in time	—	116,294	—	116,294
Over time	1,069,987	365,974	324,641	1,760,602
	1,069,987	482,268	324,641	1,876,896

6. REVENUE (CONTINUED)

Revenue from contract with customer (continued)

(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:

	2020 RMB'000	2019 RMB'000
Contract liabilities	387,825	334,317

(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.

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	313,095	137,577

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Other income		
– Bank interest income	27,516	19,332
– Government grants (Note)	32,935	14,221
– Others	—	233
	60,451	33,786
Other gains and losses		
– Net foreign exchange (loss) gain	(81,941)	10,707
– Loss on disposal of property, plant and equipment	(196)	(21)
– Gain from fair value changes of investment properties	1,105	2,616
– Gain from fair value changes of financial assets at FVTPL	6,453	—
– Others	3,850	957
	(70,729)	14,259
	(10,278)	48,045

Note: Government grants represented unconditional cash payments granted by government authorities.

8. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	1,498	1,051
Interest on secured bank loan	—	283
	1,498	1,334

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	32,043	15,960
Amortisation of intangible assets	35,314	4,400
Auditor's remuneration	2,358	2,104
Allowance of credit loss of trade receivables	30,433	16,246
Allowance of credit loss of deposits and other receivables	1,715	7,870
Short-term lease expense:		
Rented premises	10,226	9,607
Plant and machinery	12	49
Staff costs (including directors' emoluments – Note 13):		
Salaries, wages and other benefits	805,384	579,529
Bonus	91,296	54,733
Retirement scheme contribution (Note)	72,214	85,895
	968,894	720,157

Note: For the year ended 31 December 2020, COVID -19 related government assistance amounted to RMB62,127,000 have been offset against staff costs.

10. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
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 (Note 23):		
Credited to profit or loss for the year	(17,016)	(1,471)
	155,503	79,558

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.

10. INCOME TAX EXPENSE (CONTINUED)

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

	2020 RMB'000	2019 RMB'000
Profit before taxation	598,119	328,512
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	149,530	82,128
Effect of different tax rates	(12,646)	(5,812)
Tax effect of share of loss of an associate	—	81
Tax effect of share of loss of a joint venture	—	24
Tax effect of expenses not deductible for tax purposes	20,820	4,289
Tax effect of income not taxable for tax purposes	—	(1,597)
Tax effect of tax losses not recognised	627	—
Utilisation of tax losses previously not recognised	(93)	(705)
Over-provision of tax for the prior year	(2,735)	(4,953)
Deferred tax on undistributed earnings of PRC subsidiaries	—	6,103
Income tax expense	155,503	79,558

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
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	73,083	31,221

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.

12. 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:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to the equity owners of the Company	390,372	223,845

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares	1,609,258	1,535,501

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.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020					
Executive director					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	4,062	660	52	4,774
Mr. Zhou Di	—	1,400	660	52	2,112
Non-executive director					
Mr. Lin Feng	—	—	—	—	—
Independent non-executive director					
Mr. Ma Yongyi	200	—	—	—	200
Mr. Wang Peng	—	—	—	—	—
Mr. Cheung Wai Chung	200	—	—	—	200
	400	5,462	1,320	104	7,286

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2019					
Executive director					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	2,579	960	124	3,663
Non-executive director					
Mr. Lin Feng	—	—	—	—	—
Mr. Ge Ming	—	—	—	—	—
Independent non-executive director					
Mr. Ma Yongyi	200	—	—	—	200
Mr. Wang Peng	—	—	—	—	—
Mr. Cheung Wai Chung	200	—	—	—	200
	400	2,579	960	124	4,063

Mr. Zhou Di was appointed as an executive director on 30 March 2020.

Mr. Ge Ming resigned from the non-executive director on 30 March 2020.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive directors' emoluments shown above were paid for their services as directors of the Company.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

There was no arrangement under which a director or the Chief Executive Officer waived or agreed to waive any remuneration during the year.

Discretional bonus is determined by reference to the performance of individuals and the Group.

(b) The five highest paid individuals

The five highest paid individuals of the Group are analysed as follows:

	2020 Number of individuals	2019 Number of individuals
Directors	2	1
Non-directors, the highest paid individual	3	4
	5	5

Details of the emoluments of the above non-directors, the highest paid individual for the year ended 31 December 2020 and 2019 are as follows:

	2020 RMB'000	2019 RMB'000
Salaries and other emoluments	3,302	2,965
Discretionary bonuses	1,971	2,400
Retirement scheme contribution	148	334
	5,421	5,699

The number of the highest paid non-directors fell within the following emolument band:

	2020 Number of individuals	2019 Number of individuals
HKD1,000,001 to HKD1,500,000	—	4
HKD2,000,001 to HKD2,500,000	3	—
	3	4

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment and software	Transportation equipment	Furniture and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2019	37,170	4,457	17,247	1,542	3,584	64,000
Additions	1,662	6,547	9,583	241	1,483	19,516
Acquisition of subsidiaries (Note 25)	235	—	293	40	3,732	4,300
Disposals	—	—	(545)	(289)	(2,307)	(3,141)
At 31 December 2019 and 1 January 2020	39,067	11,004	26,578	1,534	6,492	84,675
Additions	21,170	11,632	17,813	719	2,035	53,369
Acquisition of subsidiaries (Note 25)	—	386	1,552	1,436	—	3,374
Disposals	—	—	(3,723)	(845)	(833)	(5,401)
At 31 December 2020	60,237	23,022	42,220	2,844	7,694	136,017
ACCUMULATED DEPRECIATION						
At 1 January 2019	1,007	643	5,262	548	1,716	9,176
Depreciation	8,870	2,433	3,229	280	1,148	15,960
Disposals	—	—	(485)	(219)	(2,189)	(2,893)
At 31 December 2019 and 1 January 2020	9,877	3,076	8,006	609	675	22,243
Depreciation	13,800	7,321	8,179	551	2,192	32,043
Disposals	—	—	(3,218)	(769)	(483)	(4,470)
At 31 December 2020	23,677	10,397	12,967	391	2,384	49,816
NET BOOK VALUE						
At 31 December 2019	29,190	7,928	18,572	925	5,817	62,432
At 31 December 2020	36,560	12,625	29,253	2,453	5,310	86,201

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Buildings	Shorter of the asset's useful life and the lease term on a straight-line basis
Leasehold improvements	Over the remaining life of lease term
Computer equipment and software	3 years
Transportation equipment	5 years
Furniture and equipment	3 years

Building is held for own use and situated in the PRC.

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leased equipment RMB'000	Leased properties RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amount	—	29,282	29,282
As at 31 December 2019			
Carrying amount	12	21,348	21,360
For the year ended 31 December 2020			
Depreciation charge	12	13,236	13,248
For the year ended 31 December 2019			
Depreciation charge	48	8,306	8,354

	Year ended 31/12/2020 RMB'000	Year ended 31/12/2019 RMB'000
Total cash outflow for leases	24,760	19,311
Additions to right-of-use assets	21,170	1,897

For both years, the Group leases various offices and office equipment for its operations. Lease contracts are entered into for fixed term of one to five years with no extension and termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group owns several office buildings. The Group is the registered owner of these property interests, including the underlying leasehold lands. Lump sum payments were made upfront to acquire these property interests. The leasehold land components of these owned properties are presented separately only if the payments made can be allocated reliably.

15. INVESTMENT PROPERTIES

The Group leases out various storage units and carparks with fixed rentals payable monthly. The leases typically run for an initial period of one to five years.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2020 RMB'000	2019 RMB'000
Fair value		
At 1 January	50,814	49,279
Addition	4,132	—
Disposals	(932)	(1,081)
Change in fair value	1,105	2,616
At 31 December	55,119	50,814
Unrealised gain on property revaluation included in profit or loss	1,243	2,616

The fair value of the Group's investment properties as at 31 December 2020 and 2019, have been arrived at on the basis of valuation carried out on the respective dates by Jiangsu Zhongqihua Zhongtian Asset Evaluation Company Limited (江蘇中企華中天資產評估有限公司), an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

15. INVESTMENT PROPERTIES (CONTINUED)

Details of the valuation of investment properties are as follows:

	Valuation Techniques	Significant unobservable input	Range
Storage units and carparks 2020: RMB 50,889,000 2019: RMB 50,814,000	Income capitalisation approach	Discount rate Rental growth rate Prevailing daily market rent	5.5% (2019:5.5%) 2.3% (2019:2.4%) RMB 0.35-0.90 (2019: RMB 0.33-0.80) per square metre per day
Commercial property 2020: RMB 4,230,000 2019: Nil	Direct comparison approach	Average market unit price	RMB 48,300 per square metre (2019:N/A)

A significant increase in the rental growth rate, prevailing daily market rent or average market unit price used would result in a significant increase in fair value, and vice versa. A significant increase in the discount rate rate used would result in a significant decrease in fair value, and vice versa.

In estimating the fair value of the properties, the highest and best use of the properties is their current use.

The fair values of all investment properties are measured on Level 3 fair value measurement. There were no transfers into or out of Level 3 during the year.

16. GOODWILL AND INTANGIBLE ASSETS

	Intangible assets - property management contracts and customer relationship	Goodwill	Total
	RMB'000	RMB'000	RMB'000
COST			
At 1 January 2019	—	17,230	17,230
Acquisition of subsidiaries (Note 25)	105,000	413,898	518,898
At 31 December 2019 and 1 January 2020	105,000	431,128	536,128
Acquisition of subsidiaries (Note 25)	25,763	39,824	65,587
At 31 December 2020	130,763	470,952	601,715
ACCUMULATED AMORTISATION			
At 1 January 2019	—	—	—
Amortisation	4,400	—	4,400
At 31 December 2019 and 1 January 2020	4,400	—	4,400
Amortisation	35,314	—	35,314
At 31 December 2020	39,714	—	39,714
NET BOOK VALUE			
At 31 December 2020	91,049	470,952	562,001
At 31 December 2019	100,600	431,128	531,728

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

The intangible assets arising from property management contracts and customers' relationship and goodwill were arisen from acquisition of subsidiaries from third parties.

The intangible assets arising from property management contracts and customers' relationship have finite useful lives and are amortised on a straight line basis from one to ten years.

Impairment test on goodwill is performed at least annually.

IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS

For the purposes of impairment testing, goodwill and intangible assets - property management contracts and customer relationship have been allocated to four (2019: two) groups of CGUs. The carrying amounts of goodwill and intangible assets allocated to these units are as follows:

	Goodwill		Intangible assets	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Ningbo Yongda Property Management Company Limited ('Ningbo Yongda')	17,230	17,230	—	—
Qingdao Yayuan Property Management Co., Ltd ("Qingdao Yayuan")	413,898	413,898	73,700	100,600
Qingdao Yinshengtai Property Management Services Company Limited ("Qingdao Yinshengtai")	4,834	—	5,721	—
Jiangsu Xiangjiang Property Development Company Limited ("Jiangsu Xiangjiang")	34,990	—	11,628	—
	470,952	431,128	91,049	100,600

In addition to goodwill and intangible assets above, property, plant and equipment and right-of-use assets that generate cash flows together with the related goodwill and intangible assets are also included in the respective groups of CGUs for the purpose of impairment assessment.

The recoverable amounts of the above groups of CGUs were determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by the management of the Group covering a 5-year (2019: 5-year) period.

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS (continued)

	Ningbo Yongda	Qingdao Yayuan	Qingdao Yinshengtai	Jiangsu Xiangjiang
Pre-tax discount rate				
31 December 2020	15.0%	15.9%	16.8%	14.9%
31 December 2019	15.6%	16.4%	N/A	N/A
Growth rate within 5-year period				
31 December 2020	1.9%	4.3%	5.9%	3.7%
31 December 2019	0.5%	9.5%	N/A	N/A
Long-term growth rate				
31 December 2020	3.0%	3.0%	3.0%	3.0%
31 December 2019	0.5%	3.0%	N/A	N/A

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the groups of CGUs. The growth rate within the 5-year (2019: 5-year) period have been based on past experience. The cash flows beyond the 5-year (2019: 5-year) period are extrapolated using estimated growth rates stated above. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the CGUs to exceed their respective recoverable amount.

17. TRADE AND BILLS RECEIVABLES

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

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

17. TRADE AND BILLS RECEIVABLES (CONTINUED)

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.

Details of impairment assessment of trade and bills receivables are set out in Note 34.

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:

	2020 RMB'000	2019 RMB'000
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
	458,628	342,006

18. PREPAYMENTS AND OTHER RECEIVABLES

	2020 RMB'000	2019 RMB'000
Included in current assets		
Deposits and other receivables		
– Related parties	60,066	635
– Third parties	174,088	127,699
Total	234,154	128,334
Less: allowance for credit losses of deposits and other receivables	(15,140)	(13,425)
	219,014	114,909
Prepayments	56,525	37,334
Interest receivable	1,597	404
	277,136	152,647
Less: Prepayments for property, plant and equipment	(12,448)	(13,368)
Prepayments and other receivables presented as current assets	264,688	139,279

19. OTHER FINANCIAL ASSETS

Amount represents negotiable certificate of deposit carried at fixed interest rate of 4.18% per annum.

20. RESTRICTED CASH AND BANK BALANCES, DEPOSITS AND CASH

	2020 RMB'000	2019 RMB'000
Restricted cash	6,873	43,000
Cash on hand	13	70
Fixed deposits with original maturity less than 3 months	960,512	50,611
Bank balances	2,210,064	1,232,961
	3,170,589	1,283,642

20. RESTRICTED CASH AND BANK BALANCES, DEPOSITS AND CASH (CONTINUED)

Notes:

a) At 31 December 2020, bank balance, deposits and cash in the amount of RMB1,052,670,000 (2019:RMB433,616,000), RMB2,112,047,000 (2019: RMB850,026,000) and RMB5,872,000 (2019: Nil) are denominated in HK$, RMB and USD respectively. The cash and cash equivalent denominated in RMB are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

b) Restricted cash include housing maintenance funds of RMB3,790,000 (2019: RMB1,539,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

21. TRADE AND BILLS PAYABLES

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

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:

	2020 RMB'000	2019 RMB'000
Within 1 year	342,139	274,897
1 to 2 years	20,025	9,422
2 to 3 years	684	274
	362,848	284,593

22. ACCRUALS AND OTHER PAYABLES

	2020 RMB'000	2019 RMB'000
Accruals and other payables		
– Related parties (Note a)	65,196	11,071
– Third parties	391,260	323,730
	456,456	334,801
Amount due to a director (Note a)	84	84
Provision for legal dispute (Note b)	4,893	1,429
Amount due to former shareholders of a subsidiary (Note c)	6,840	6,840
Consideration payables for acquisition of a subsidiary (Note d)	7,274	—
Salaries payables	148,647	116,699
Other tax payables	74,053	31,599
	698,247	491,452
Less: Amount shown under non-current liabilities	(4,928)	(1,265)
Accruals and other payables presented as current liabilities	693,319	490,187

Notes:

(a) The balance is unsecured, interest-free and repayable on demand.

(b) The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.

As at 31 December 2020 and 2019, the provision for legal dispute reconciles to the opening for that provision as follows:

	Total RMB'000
At 1 January 2019	209
Additional provision	1,263
Utilisation of provision	(43)
At 31 December 2019 and 1 January 2020	1,429
Additional provision	4,236
Utilisation of provision	(772)
At 31 December 2020	4,893

(c) The amount represented dividend payable to Qingdao Yayuan's (as defined in Note 25) former shareholders.

(d) The amount represents the consideration payables for acquisition of Jiangsu Xiangjiang (as defined in Note 25). Included amount of RMB4,274,000 are due 12 months after the reporting period and therefore presented as non-current liabilities.

23. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements for the years ended 31 December 2020 and 2019 are as follows:

Deferred tax assets

	Impairment loss on trade and bills receivables	Impairment loss on other receivables	Provision for legal dispute	Accumulated tax losses	Adjustment of HKFRS 16 lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	2,378	1,388	53	—	—	3,819
Acquisition of subsidiaries (Note 25)	730	182	—	—	—	912
Credited to profit or loss for the year	4,063	1,967	305	765	—	7,100
At 31 December 2019 and 1 January 2020	7,171	3,537	358	765	—	11,831
Acquisition of subsidiaries (Note 25)	437	90	—	—	—	527
Credited (charged) to profit or loss for the year	7,608	429	865	(654)	76	8,324
At 31 December 2020	15,216	4,056	1,223	111	76	20,682

23. DEFERRED TAX (CONTINUED)

Deferred tax liabilities

	Withholding tax of undistributed profits	Fair value adjustment of management contract & customer relationship	Fair value adjustment of revalued property, plant and equipment	Fair value adjustment for investment properties	Adjustment of HKFRS 16 lease	Total
	RMB'000 (Note a)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2019	(5,823)	—	(626)	(9,785)	—	(16,234)
Acquisition of subsidiaries (Note 25)	—	(26,250)	(403)	—	—	(26,653)
(Charged) credited to profit or loss for the year	(6,103)	1,100	71	(654)	(43)	(5,629)
At 31 December 2019 and 1 January 2020	(11,926)	(25,150)	(958)	(10,439)	(43)	(48,516)
Acquisition of subsidiaries (Note 25)	—	(6,441)	(399)	—	—	(6,840)
Credited (charged) to profit or loss for the year	—	8,828	231	(348)	(19)	8,692
At 31 December 2020	(11,926)	(22,763)	(1,126)	(10,787)	(62)	(46,664)

Notes:

(a) No deferred tax liability has been provided on certain temporary difference of RMB448,191,000 (2019: RMB142,404,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(b) At 31 December 2020, the Group had unused tax losses of approximately RMB2,953,000 (2019: RMB3,433,000) available to offset against future profits. Deferred taxation assets have been recognised in respect of such losses of approximately RMB444,000 (2019: RMB3,060,000) at 31 December 2020. No deferred taxation asset has been recognised in respect of the remaining losses of approximately RMB2,509,000 (2019: RMB373,000) at 31 December 2020 due to the unpredictability of future profit streams. The unrecognised tax losses will expire by year 2025.

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2020	2019
	RMB'000	RMB'000
Deferred tax assets	20,620	11,831
Deferred tax liabilities	(46,602)	(48,516)
	(25,982)	(36,685)

24. SHARE CAPITAL

	2020 Number '000	2020 Amount RMB'000	2019 Number '000	2019 Amount RMB'000
Authorised:				
As at 1 January and 31 December	4,000,000	35,462	4,000,000	35,462

	Notes	2020 Number '000	2020 Amount RMB'000	2019 Number '000	2019 Amount RMB'000
Issued and fully paid:					
As at 1 January		1,536,400	13,607	1,500,000	13,290
Allotment of shares	(a)	—	—	36,400	317
Placement of shares	(b)	134,000	1,223	—	—
At 31 December		1,670,400	14,830	1,536,400	13,607

Notes:

(a) On 10 January 2019, 36,400,000 ordinary shares of HK$0.01 are issued pursuant to the partial exercise of over-allotment option on 4 January 2019 at HK$1.78 per shares. The portion of over-allotment option which has not been exercised has lapsed on 6 January 2019.

(b) On 16 June 2020, a total of 134,000,000 placing shares have been successfully placed at the placing price of HK$11.78 per share to no less than six independent placees, who and whose respective ultimate beneficial owners are third parties independent of and not connected with the Company, any Director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or any of its respective associates as defined by the Listing Rules, and not acting in concert with the Company and its concert parties.

25. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2020

Acquisitions of business

On 27 February 2020, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 50% of equity interests in Qingdao Yinshengtai, a company whose principal activity is provision of property management and other community services. By execution of the sales and purchase agreement, all of the strategic financial and operating decisions required approval by simple majority of the board of directors, of which three directors and two directors are nominated by the Group and the other shareholders, respectively. Since the Group obtained effective control of voting power to govern the relevant activities of the entity, Qingdao Yinshengtai is regarded as a subsidiary of the Group.

On 1 April 2020, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 51% of equity interests in Jiangsu Xiangjiang, a company whose principal activity is provision of property management and other community services.

These acquisitions were made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and have been accounted for as acquisition of business using the acquisition method.

Consideration transferred

	Qingdao Yinshengtai	Jiangsu Xiangjiang	Total
	RMB'000	RMB'000	RMB'000
Cash consideration paid	8,644	38,378	47,022
Consideration payable (Note 22)	—	7,274	7,274
Total	8,644	45,652	54,296

The consideration of Jiangsu Xiangjiang is subject to adjustment of profit guarantee granted by the seller. The management believes that the fair value of the above profit guarantee is insignificant on the acquisition date and as at 31 December 2020.

Acquisition-related costs amounting to RMB277,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative and selling expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2020 (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Qingdao Yinshengtai Fair value	Jiangsu Xiangjiang Fair value	Total
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,724	1,650	3,374
Intangible assets - property management contracts and customers relationship	7,163	18,600	25,763
Deferred tax assets	177	350	527
Trade receivables	9,398	16,297	25,695
Prepayments and other receivables	14,412	2,976	17,388
Bank balances, deposits and cash	12,842	4,032	16,874
Trade payables	(3,028)	—	(3,028)
Accruals and other payables	(20,571)	(12,464)	(33,035)
Contract liabilities	(11,657)	(145)	(11,802)
Provision for taxation	(910)	(2,478)	(3,388)
Bank borrowing	—	(3,003)	(3,003)
Deferred tax liabilities	(1,930)	(4,910)	(6,840)
Net identifiable assets	7,620	20,905	28,525

The trade receivables and other receivables acquired with a fair value of RMB32,881,000 as at the date of acquisitions had gross contractual amounts of RMB34,947,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB2,066,000.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees.

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2020 (continued)

Goodwill arising on acquisition

	Qingdao Yinshengtai RMB'000	Jiangsu Xiangjiang RMB'000	Total RMB'000
Consideration transferred	8,644	45,652	54,296
Add: Non-controlling interests	3,810	10,243	14,053
Less: Fair value of net identifiable assets acquired	(7,620)	(20,905)	(28,525)
Goodwill arising on acquisition	4,834	34,990	39,824

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Goodwill arose on the acquisition of subsidiaries because the expected future development of acquirees' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflows arising on acquisitions

	Qingdao Yinshengtai RMB'000	Jiangsu Xiangjiang RMB'000	Total RMB'000
Cash consideration paid	8,644	38,378	47,022
Less:Bank balances, deposits and cash	(12,842)	(4,032)	(16,874)
	(4,198)	34,346	30,148

Impact of acquisitions on the results of the Group

Since the acquisitions dates, Qingdao Yinshengtai and Jiangsu Xiangjiang in aggregate have contributed RMB162,652,000 and RMB22,109,000 to the Group's revenue and profit for the period, if the acquisitions had occurred on 1 January 2020, the Group's revenue and profit would have been RMB3,154,865,000 and RMB450,923,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2019

(a) Acquisitions of business through deemed acquisitions of subsidiaries

(i) Shanghai Yongsheng Yizhi Property Management Company Limited (上海永升怡置物業管理有限公司) ("Yongsheng Yizhi") was accounted for as a 50%-interest joint venture of the Group as all of the strategic financial and operating decisions required approval by unanimous consent of all of their shareholders and directors of Yongsheng Yizhi. During year ended 31 December 2019, all shareholders of Yongsheng Yizhi entered into a supplementary agreement. By execution of the supplementary agreement, all of the strategic financial and operating decisions required approval by simple majority of the board of directors, of which four directors and three directors are nominated by the Group and the other shareholders, respectively. Since the Group obtained effective control of voting power to govern the relevant activities of Yongsheng Yizhi, Yongsheng Yizhi became a subsidiary of the Group in April 2019 upon effective of the supplementary agreement.

(ii) Chongqing Xuyuan Tiancheng Property Management Company Limited (重慶旭原天澄物業管理有限公司) ("Chongqing Xuyuan") was accounted for as a 51%-interest associate of the Group as all of the strategic financial and operating decisions required approval by simple majority of the board of directors, of which one director and two directors were nominated by the Group and the other shareholders, respectively. The Group had significant influence on Chongqing Xuyuan. During the year ended 31 December 2019, all shareholders of Chongqing Xuyuan entered into a supplementary agreement. By execution of the supplementary agreement, all of the strategic financial and operating decisions required approval by simple majority of the shareholders, for which the Group has 51% voting right through the Group's non-wholly owned subsidiary. Since the Group obtained effective control of voting power to govern the relevant activities of Chongqing Xuyuan, Chongqing Xuyuan became a subsidiary of the Group in April 2019 upon effective of the supplementary agreement.

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2019 (continued)

(a) Acquisitions of business through deemed acquisitions of subsidiaries (continued)

(ii) (continued)

The directors of the Company are of the view that the above transactions (i) and (ii) constituted business combinations. The transactions have been accounted for using acquisition method accordingly. The principal activities of the acquired subsidiaries are engaged in the property management services. Details of the assets acquired and liabilities assumed are as below:

	RMB'000
Property, plant and equipment	753
Deferred tax assets	12
Trade receivables	—
Prepayments and other receivables	7,340
Bank balances and cash	54,113
Trade payables	(36,728)
Contract liabilities	(8,603)
	16,887
Consideration transferred, satisfied by:	
Interests in a joint venture	6,891
Interests in an associate	1,584
Non-controlling interests	8,412
Net assets acquired by the Group	16,887
Net cash inflow:	
Bank balances and cash acquired	54,113

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Since the acquisitions date, Yongsheng Yizhi and Chongqing Xuyuan have contributed RMB96,325,000 and RMB10,257,000 to the Group's revenue and profit for the year ended 31 December 2019 in total, if the acquisitions had occurred on 1 January 2019, the Group's revenue and profit would have been RMB1,898,427,000 and RMB248,130,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2019 (continued)

(b) Acquisition of business

On 18 June 2019, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 55% of equity interests in Qingdao Yayuan, a company whose principal activity is provision of property management and other community services. The total consideration for the acquisition was RMB462,000,000 in cash.

The consideration is subject to adjustment of profit guarantee granted by the seller. The management believes that the fair value of the above profit guarantee is insignificant as at 31 December 2020 (2019: insignificant).

The acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence.

Acquisition-related costs amounting to RMB2,369,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative and selling expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment	3,547
Deferred tax assets	900
Intangible assets - property management contracts and customers relationship	105,000
Inventories	671
Trade receivables	10,067
Prepayments and other receivables	8,449
Amounts due from related companies	68,335
Restricted cash	43,000
Bank balances, deposits and cash	87,429
Trade payables	(6,188)
Accruals and other payables	(69,165)
Contract liabilities	(27,943)
Bills payables	(103,000)
Provision for taxation	(6,675)
Lease liabilities	(315)
Deferred tax liabilities	(26,653)
Net identifiable assets	87,459

25. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2019 (continued)

(b) Acquisition of business (continued)

The trade receivables and other receivables acquired with a fair value of RMB11,388,000 as at the date of acquisition had gross contractual amounts of RMB14,748,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB3,360,000.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees.

Goodwill arising on the acquisition

	RMB'000
Consideration transferred	462,000
Add: Non-controlling interests	39,357
Less: Fair value of net identifiable assets acquired	(87,459)
Goodwill arising on the acquisition	413,898

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Goodwill of RMB413,898,000 primarily arose from the expected future development of Qingdao Yayuan's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. Goodwill recognised is not expected to be deductible for income tax purposes.

Net cash outflows arising on the acquisition

	RMB'000
Cash consideration paid	462,000
Less: Restricted cash	(43,000)
Bank balances, deposits and cash	(87,429)
	331,571

Impact of acquisition on the results of the Group

Since the acquisition date, Qingdao Yayuan has contributed RMB100,350,000 and RMB38,465,000 to the Group's revenue and profit for the year ended 31 December 2019. If the acquisition had occurred on 1 January 2019, the Group's revenue and profit would have been RMB2,035,099,000 and RMB284,354,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2019, nor is it intended to be a projection of future performance.

26. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Interests in subsidiaries		153,511	153,511
Amounts due from subsidiaries (Note i)		949,425	262,082
Total non-current assets		1,102,936	415,593
Current assets			
Other receivable		—	404
Bank balances, deposits and cash		1,010,248	433,465
Total current assets		1,010,248	433,869
Total assets		2,113,184	849,462
Current liabilities			
Amount due to a subsidiary		10,680	10,255
Total current liabilities		10,680	10,255
NET ASSETS		2,102,504	839,207
Capital and reserves			
Share capital	24	14,830	13,607
Reserves (Note ii)		2,087,674	825,600
TOTAL EQUITY		2,102,504	839,207

26. COMPANY'S STATEMENT OF FINANCIAL POSITION (CONTINUED)

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity of this report.

Notes:

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The amounts are not expected to be repaid within 12 months after reporting period and therefore classified as non-current assets.

(ii) Movements in reserves

	Share premium	Retained earnings (Accumulated losses)	Total equity
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2019	794,550	(18,787)	775,763
Profit and total comprehensive income for the year	—	25,033	25,033
Dividend paid	(31,221)	—	(31,221)
Allotment of shares	56,025	—	56,025
Balance at 31 December 2019 and 1 January 2020	819,354	6,246	825,600
Loss and total comprehensive loss for the year	—	(91,868)	(91,868)
Dividend paid	(73,083)	—	(73,083)
Placement of shares	1,439,809	—	1,439,809
Transaction cost attributable to the issue of new shares	(12,784)	—	(12,784)
Balance at 31 December 2020	2,173,296	(85,622)	2,087,674

27. INTERESTS IN SUBSIDIARIES

Details of the major subsidiaries are as follows:

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2020	2019	
Elite Force Investment Limited	Corporation registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Elite Force International Limited	Corporation registered under Hong Kong Companies Ordinance	HKD100	100%	100%	Investment Holding in Hong Kong
City Lights Assets Limited	Corporation registered under Hong Kong Companies Ordinance	HKD100	100%	100%	Investment Holding in Hong Kong
Prominent Intellectuals Limited	Corporation registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Shanghai Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB112,000,000	100%	100%	Property Management in the PRC
Xiamen Yongsheng Property Service Company Limited	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Beijing Yongsheng Property Service Company Limited	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Shanghai Heding Enterprises Development Co., Ltd	Corporation registered under the PRC law	RMB2,000,000	100%	100%	Property Management in the PRC
Ningbo Yongda Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Bengbu Yongsheng Property Management Co., Ltd.	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Shandong Luban Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	70%	70%	Property Management in the PRC
Hubei Yufu Meijia Property Agency Company Limited	Corporation registered under the PRC law	RMB2,010,000	100%	100%	Property Management in the PRC

27. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2020	2019	
Hubei Xu Mei Yongsheng Property Company Limited	Corporation registered under the PRC law	RMB2,010,000	100%	100%	Property Management in the PRC
Shanghai Shengkuang Construction and Engineering Co.,Ltd.	Corporation registered under the PRC law	RMB9,000,000	100%	100%	Construction and Maintenance in the PRC
Suzhou Xinyong Property Management Co., Ltd.	Corporation registered under the PRC law	RMB5,000,000	51%	51%	Property Management in the PRC
Qingdao Yayuan Property Management Co., Ltd.	Corporation registered under the PRC law	RMB5,000,000	55%	55%	Property Management in the PRC
Shandong Huizhong Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Runhe Property Management Company Limited	Corporation registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Yinshengtai Property Management Company Limited (iii)	Corporation registered under the PRC law	RMB3,000,000	50%	50%	Property Management in the PRC
Tangshan Yongsheng yujing Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	65%	65%	Property Management in the PRC
Jiangsu Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB10,000,000	100%	100%	Property Management in the PRC
Chongqing Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	100%	100%	Property Management in the PRC
Chongqing Xuyuan Tiancheng Property Management Company Limited	Corporation registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC

27. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2020	2019	
Liaoning Guangna Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Shanghai Yongsheng Yizhi Property Management Company Limited (iii)	Corporation registered under the PRC law	RMB1,000,000	50%	50%	Property Management in the PRC
Yongsheng Jiuwu Shuzi Technology (Wuhan) Company Limited	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Software and Technology Services
Linjiu zhihui Technology (Guangdong) Company Limited	Corporation registered under the PRC law	HK150,000,000.00	100%	100%	Software and Technology Services
Guangxi Yongsheng Qingxin Property Management Company Limited	Corporation registered under the PRC law	RMB2,000,000	70%	70%	Property Management in the PRC
Jiangsu Xiangjiang (i)	Corporation registered under the PRC law	RMB10,180,000	51%	—	Property Management in the PRC
Qingdao Yinshengtai (i) and (ii)	Corporation registered under the PRC law	RMB1,000,000	50%	—	Property Management in the PRC
Ningbo Shenghui Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	100%	—	Property Management in the PRC
Dezhou Jiaotou Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB2,000,000	51%	—	Property Management in the PRC
Shanghai Xinhui Enterprise Development Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	100%	—	Construction and Maintenance in the PRC
Yunnan Yongsheng Yaoxing Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Shanghai Zhenku Technology Company Limited (ii)	Corporation registered under the PRC law	RMB10,000,000	100%	—	Software and Technology Services

27. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2020	2019	
Bijie Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	60%	—	Property Management in the PRC
Weihai Yongsheng Xinghai Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,120,000	55%	—	Property Management in the PRC
Chengdu Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	100%	—	Property Management in the PRC
Tianjin Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	51%	—	Property Management in the PRC
Liupanshui Tongluowan Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Heilongjiang Baoyujiahui Property Management Company Limited (ii) and (iii)	Corporation registered under the PRC law	RMB1,000,000	50%	—	Property Management in the PRC
Siyang Xuhui Yongsheng Life Service Company Limited (ii)	Corporation registered under the PRC law	USD1,000,000	90%	—	Property Management in the PRC
Xuhui Yongsheng (Hainan) Investment Company Limited (ii)	Corporation registered under the PRC law	HKD200,000,000	100%	—	Investment in the PRC
Beijing Dayitianxia Technology Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	100%	—	Software and Technology Services

Notes:

(i) The subsidiaries were acquired by the Group during the year ended 31 December 2020 (Note 25).

(ii) The subsidiaries were established by the Group during the year ended 31 December 2020.

(iii) The Group has the right to appoint a majority of directors to the board of directors. Hence the Group has the control over these entities to affect its returns. Therefore, these entities are accounted for as subsidiaries of the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

28. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiary	Place of incorporation and principal place of business	Ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Qingdao Yayuan	PRC	45%	45%	22,847	15,788	53,483	55,145
Individually immaterial subsidiaries with non-controlling interests				29,397	9,321	70,518	24,888
				52,244	25,109	124,001	80,033

Summarised financial information in relation to the NCI of Qingdao Yayuan, before intra-group eliminations, is presented below:

	2020 RMB'000	2019 RMB'000
Revenue	253,065	100,350
Profit and total comprehensive income	50,771	35,084
Profit attributable to non-controlling interests	22,847	15,788
For the year ended 31 December		
Dividends paid to non-controlling interests	17,309	—
Cash flows from operating activities	69,058	82,084
Cash flows from (used in) investing activities	43,702	(2,158)
Cash flows used in financing activities	(85,415)	(61,307)
Net cash inflows	27,345	18,619

	2020 RMB'000	2019 RMB'000
Current assets	161,165	179,923
Non-current assets	64,250	80,461
Current liabilities	(96,908)	(136,254)
Non-current liabilities	(9,656)	(1,586)
Net assets	118,851	122,544
Accumulated non-controlling interests	53,483	55,145

29. MATERIAL RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(a) Related parties transactions

	2020 RMB'000	2019 RMB'000
Property management services		
Fellow subsidiaries (Note i)	61,572	39,268
Associates and joint ventures of the ultimate holding company (Note ii)	12,769	13,403
Directors/management of the Company	—	68
Total	74,341	52,739
Community value-added services		
Fellow subsidiaries (Note i)	53,558	4,704
Associates and joint ventures of the ultimate holding company (Note ii)	12,495	—
Total	66,053	4,704
Value-added services to non-property owners		
Fellow subsidiaries (Note i)	284,189	148,923
Associates and joint ventures of the ultimate holding company (Note ii)	124,718	62,232
Total	408,907	211,155

Notes:

(i) Represented the subsidiaries of CIFI Holdings (Group) Co. Ltd..

(ii) The amount include associates and joint ventures of CIFI Holdings (Group) Co. Ltd., which became the ultimate holding company of the Company since 30 June 2020.

The remuneration paid and payable to the key management personnel of the Group who are also the directors of the Company for the year is set out in Note 13.

29. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Related parties balances

	2020 RMB'000	2019 RMB'000
Trade and bills receivables		
Fellow subsidiaries	16,412	42,845
Associates and joint ventures of the ultimate holding company	64,095	19,295
Total	80,507	62,140
Deposits and other receivables		
Fellow subsidiaries	55,433	—
Associates and joint ventures of the ultimate holding company	4,633	635
Total	60,066	635
Prepayments		
Fellow subsidiaries	122	—
Trade and bills payables		
Fellow subsidiaries	5,900	6,388
Associates and joint ventures of the ultimate holding company	—	340
Total	5,900	6,728
Other payables		
Fellow subsidiaries	64,952	10,858
Associates and joint ventures of the ultimate holding company	244	213
Total	65,196	11,071
Contract liabilities		
Fellow subsidiaries	21,946	69,293
Associates and joint ventures of the ultimate holding company	3,057	5,599
Total	25,003	74,892

30. LEASE LIABILITIES

Lease liabilities payable:

	2020 RMB'000	2019 RMB'000
Not later than one year	13,828	7,972
Later than one year and not later than two years	8,616	8,385
Later than two years and not later than five years	6,892	4,833
	29,336	21,190
Less: Amount due for settlement within 12 months shown under current liabilities	(13,828)	(7,972)
Amount due for settlement after 12 months shown under non-current liabilities	15,508	13,218

The weighted average incremental borrowing rates applied to lease liabilities range from 3.85% to 6.00% (2019: from 4.33 % to 6.00%).

31. COMMITMENTS

	2020 RMB'000	2019 RMB'000
Commitments for the acquisition of property, plant and equipment	4,785	4,171

32. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to former shareholder RMB'000	Bills payables RMB'000	Dividend payables RMB'000	Bank borrowings RMB'000	Lease liabilities RMB'000
As at 1 January 2019	—	—	—	9,281	27,817
Change from financing cash flow					
– Repayments	(32,330)	(60,000)	(31,221)	(9,281)	(8,604)
– Interest paid	—	—	—	(283)	(1,051)
	(32,330)	(60,000)	(31,221)	(9,564)	(9,655)
Non-cash changes					
– New leases	—	—	—	—	1,662
– Accrued dividends	—	—	31,221	—	—
– Acquisition of subsidiaries	39,170	103,000	—	—	315
– Finance costs	—	—	—	283	1,051
	39,170	103,000	31,221	283	3,028
As at 31 December 2019	6,840	43,000	—	—	21,190
Change from financing cash flow					
– Repayments	—	(43,000)	(102,093)	(3,003)	(13,024)
– Interest paid	—	—	—	—	(1,498)
	—	(43,000)	(102,093)	(3,003)	(14,522)
Non-cash changes					
– New leases	—	—	—	—	21,170
– Accrued dividends	—	—	102,093	—	—
– Acquisition of subsidiaries (Note 25)	—	—	—	3,003	—
– Finance costs	—	—	—	—	1,498
	—	—	102,093	3,003	22,668
As at 31 December 2020	6,840	—	—	—	29,336

33. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes lease, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves, respectively.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

The management regards total equity as capital. The amount of capital as at 31 December 2020 and 2019 amounted to RMB3,017,435,000 and RMB1,227,930,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

34. FINANCIAL RISK MANAGEMENT

a. Categories of financial instruments

	2020 RMB'000	2019 RMB'000
Financial assets		
Financial assets at amortised cost	3,856,688	1,783,891
Financial liabilities		
Amortised cost	833,502	626,318
Lease liabilities	29,336	21,190

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, restricted cash, bank balances and deposits, trade and bills payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

(a) Market risk

Currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB.

The Group's foreign currency denominated monetary assets are mainly bank balances at the end of each reporting period and the carrying amounts are as follows:

	2020 RMB'000	2019 RMB'000
Assets		
Hong Kong dollars	1,052,670	433,616
USD	5,872	—
	1,058,542	433,616

The following table details the Group's sensitivity to a 5% (2019: 5%) increase and decrease in RMB against the relevant foreign currency. The sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit after taxation for the year where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after taxation and the amounts below would be negative.

	2020 RMB'000	2019 RMB'000
Profit after taxation	50,736	21,681

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to bank balances and deposits (see Note 20) and lease liabilities (see Note 30 for details). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (see Note 20 for details). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

The Group has no significant interest - bearing assets and liabilities other than bank deposits. Bank balances at floating rates expose the Group to cash flow interest rate risk. The Group's exposure to market risk for changes in interest rates relates primarily to bank balances which bear floating interest rates. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

Interest rate sensitivity

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (bank balances and deposits). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease for bank balances and deposits are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of bank balances and deposits respectively.

At the end of the reporting period, if interest rates had been increased/decreased by 50 basis points in respect of restricted cash and bank balances, deposits and cash, the Group's profit after taxation would increase/decrease by approximately RMB 11,915,000 (2019: RMB4,975,000) for the year ended 31 December 2020.

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, deposits and other receivables, restricted cash and bank balances and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with bills receivables is mitigated because settlement of bills receivables are backed by bills issued by reputable financial institutions.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

The Group performed impairment assessment for financial assets and other items under ECL model. The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating		12m or lifetime ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Financial assets at amortised cost						
Trade and bills receivables	17	N/A	(ii)	Life-time ECL (provision matrix)	383,357	270,297
		N/A	(ii)	Life-time ECL (credit-impaired and provision matrix)	115,053	54,625
		Ba2 (2019:Ba3)		Life-time ECL	16,412	42,845
					514,822	367,767
Other receivables and deposits	18	N/A	(iii)	Life-time ECL (credit-impaired)	25,130	24,227
		N/A	(iii)	12m ECL	153,591	104,107
		Ba2 (2019:Ba3)		12m ECL	55,433	—
					234,154	128,334
Interest receivables	18	N/A	(iii)	12m ECL	1,597	404
Restricted cash and bank balances and deposits	20	N/A	(i)	12m ECL	3,177,449	1,326,572

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

(i) Restricted cash and bank balances and deposits

The Group expects that there is no significant credit risk associated with deposits and bank balances since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade and bills receivables

The Group has large number of customers and there was no concentration of credit risk. In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As part of the Group's credit risk management, the Group applies internal credit rating for trade and bills receivables based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade and bills receivables which are assessed collectively based on provision matrix as at 31 December 2020 and 2019.

	Third parties and associates and joint ventures of the holding company							
Trade and bills receivables	Up to 1 year	1 to 2 year	2 to 3 year	3 to 4 year	4 to 5 year	Over 5 years	Fellow subsidiaries	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2019								
Expected loss rate	5.7%	11.2%	27.8%	47.2%	67.8%	100.0%	2.8%	
Gross carrying amount	270,297	40,983	12,028	354	307	953	42,845	367,767
Loss allowance provision	15,287	4,602	3,344	167	208	953	1,200	25,761
At 31 December 2020								
Expected loss rate	6.8%	19.6%	34.5%	60.3%	75.4%	100.0%	1.8%	
Gross carrying amount	383,357	82,621	24,000	7,247	321	864	16,412	514,822
Loss allowance provision	25,953	16,197	8,270	4,373	242	864	295	56,194

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

(iii) Other receivables

Other receivables mainly included or comprised other receivables from related parties, payments on behalf of property owners, deposits, interest receivables and others. For payments on behalf of property owners, the Group applies internal credit rating based on debtors' aging. For other receivables from related parties, deposits, interest receivables and others the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Other receivables and deposits	Other parties RMB'000	Fellow subsidiaries RMB'000	Total RMB'000
At 31 December, 2019			
Expected loss rate	10.4%	—	
Gross carrying amount	128,738	—	128,738
Loss allowance provision	13,425	—	13,425
At 31 December, 2020			
Expected loss rate	7.8%	1.8%	
Gross carrying amount	180,318	55,433	235,751
Loss allowance provision	14,140	1,000	15,140

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

(iii) Other receivables (continued)

As at 31 December 2020 and 2019, the loss allowance provision for trade and bills receivables and other receivables reconciles to the opening loss allowance for that provision as follows:

	Trade and bills receivables	Other receivables	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2019	9,515	5,555	15,070
Provision for loss allowance recognised in profit or loss	16,246	7,870	24,116
At 31 December 2019 and 1 January 2020	25,761	13,425	39,186
Provision for loss allowance recognised in profit or loss	30,433	1,715	32,148
At 31 December 2020	56,194	15,140	71,334

The increase (2019: increase) in the loss allowance of RMB32,148,000 (2019: RMB24,116,000) was due to net increase (2019: increase) in the gross carrying amount after the settlement of trade and bills receivables and other receivables and origination of new trade and bills receivables and other receivables.

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

34. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

The table includes both interest and principal cash flows.

	Weighted average Interest rate	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2019						
Trade and bills payables	—	284,593	284,593	284,593	—	—
Other payables	—	341,725	341,725	340,460	1,265	—
Lease liabilities	4.33%-6.00%	21,190	22,457	8,700	8,793	4,964
		647,508	648,775	633,753	10,058	4,964
As at 31 December 2020						
Trade payables	—	362,848	362,848	362,848	—	—
Other payables	—	470,654	470,654	463,805	4,849	2,000
Lease liabilities	3.85%-6.00%	29,336	31,337	14,892	9,153	7,292
		862,838	864,839	841,545	14,002	9,292

35. EVENTS AFTER THE REPORTING DATE

On 7 January 2021, Yongsheng Property 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 (the "Zhangtai Service") at the consideration of RMB433,875,000, subject to adjustment with reference to a profit guarantee granted by Taixing Holdings Limited, Mr. Huang and Ms. Wang. As at the date of these consolidated financial statements, 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.

FINANCIAL SUMMARY

	For the year ended 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	3,119,563	1,877,822	1,075,830	725,317	479,963
Profit for the year	442,616	248,954	100,240	76,442	33,600
Attributable to:					
Owners of the Company	390,372	223,845	100,521	76,442	33,600
Non-controlling interests	52,244	25,109	(281)	—	—

	As at 31 December				
	2020	2019	2018	2017	2016
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	4,667,167	2,478,100	1,492,860	702,356	495,787
Total liabilities	1,649,732	1,250,170	590,260	457,686	328,007
Net assets	3,017,435	1,227,930	902,600	244,670	167,780
Equity attributable to owners of the Company	2,893,434	1,147,897	898,931	244,670	167,780
Non-controlling interests in equity	124,001	80,033	3,669	—	—