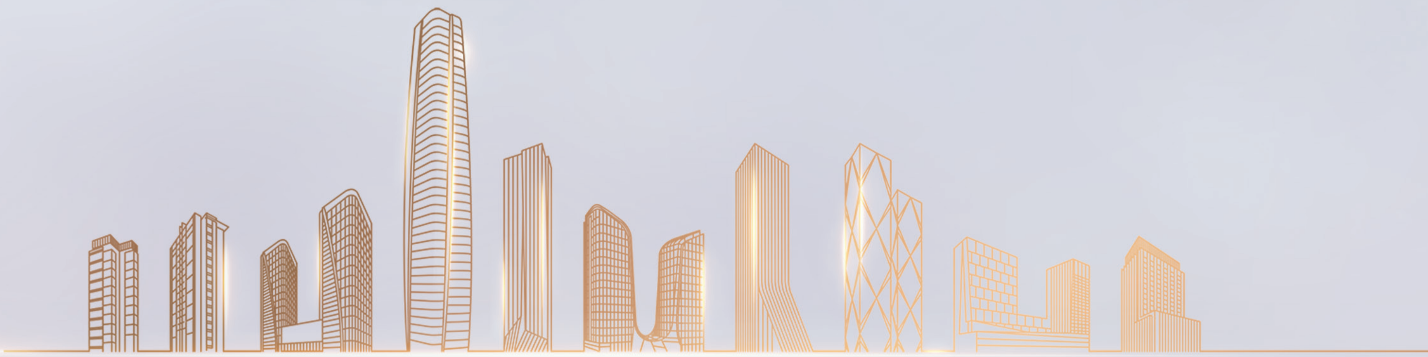
Excellence

卓越商企服務集團有限公司

EXCELLENCE COMMERCIAL PROPERTY & FACILITIES MANAGEMENT GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 6989



ANNUAL REPORT

2020

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CORPORATE INFORMATION

DIRECTORS

Executive Directors

Mr. Li Xiaoping *(Chairman)*
Ms. Guo Ying

Non-executive Directors

Mr. Wang Dou
Mr. Wang Yinhu

Independent non-executive Directors

Mr. Huang Mingxiang
Mr. Kam Chi Sing
Ms. Liu Xiaolan

JOINT COMPANY SECRETARIES

Mr. Lv Li
Ms. Chan Tsz Yu

AUDIT COMMITTEE

Mr. Kam Chi Sing *(Chairman)*
Mr. Wang Dou
Mr. Huang Mingxiang
Ms. Liu Xiaolan

REMUNERATION COMMITTEE

Mr. Huang Mingxiang *(Chairman)*
Mr. Li Xiaoping
Mr. Kam Chi Sing
Ms. Liu Xiaolan

NOMINATION COMMITTEE

Mr. Li Xiaoping *(Chairman)*
Mr. Huang Mingxiang
Mr. Kam Chi Sing
Ms. Liu Xiaolan

AUTHORIZED REPRESENTATIVES

Mr. Li Xiaoping
Ms. Chan Tsz Yu

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CORPORATE INFORMATION

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STOCK CODE

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CHAIRMAN'S STATEMENT

To Shareholders:

The year 2020 is an extremely important year in the development of the Group. With the listing of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 19 October 2020, the capital market will help us capture more market opportunities. We will continue to be deeply rooted in the Greater Bay Area and enhance business expansion in the Yangtze River Delta region. We will pursue development in other first-tier and new first-tier cities, to quickly achieve the geographical deployment and business expansion and consolidate our leading position in the commercial property service market in China. We will continue to innovate our service content and business model, realize the transformation to smart management and upgrade to more proactive community operation, and redefine the value standard of commercial property services.

REVIEW FOR 2020

Starting with "unusuality", the year 2020 was full of challenges, pressure, hope and joy. It was a year of excellence! Our team had the bravery of marching against the odds, the tenacity of perseverance, the commitment of sharing the hardships, and experienced the sacrifice of heroes and the touching moments of helping each other. We experienced the struggle against the COVID-19 since the beginning of the year, and won the recognition of our customers and the respect of the society with our actions. We successfully listed on the Stock Exchange in only 10 months, witnessing the joy of the listing of "the first stock of Excellence Property in the Greater Bay Area". During the year, thanks to the unremitting efforts of all employees, the Company achieved high growth in its business performance, with total revenue of RMB2.53 billion in 2020, up by 38% from the previous year; gross profit of RMB664 million, up by 53% from the previous year; and net profit attributable to equity shareholders of the Company of RMB325 million, up by 82% from the previous year.

In 2020, we made remarkable achievements in third-party market expansion. In addition to existing key customers, we obtained a number of premium key customers such as DJI and Kuaishou as well as a number of corporate headquarters building projects. Moreover, we also cooperated closely with a number of well-known corporate customers, laying a solid foundation for the growth of performance in 2021.

In addition to the growth in operating performance, we also highly value service quality and customer satisfaction. In 2020, the customer satisfaction score of office properties was 99 as measured by a third party, continuously maintaining the national benchmark level.

OUTLOOK FOR 2021

We are always concerned about the basic needs and growing value experience of our customers. We have been thinking about what can we offer better customer experience to our customers in terms of their needs by fully utilizing our strengths. As the hub of information, talent and capital convergence, office complexes and corporate headquarters will see a rapid increase in value in the context of China's economic transformation. Property services and facility management, as an important part of the value chain, play a key role in supporting enterprises. We believe that commercial property management will be very promising and worthy of investors' attention. On the other hand, the rapid expansion of some enterprises in recent years, higher output value and tax revenue of a single business building, and the changing needs of customers have created a range of opportunities in the corporate service market. We are a company that responds quickly to customer needs. The escalating demand for corporate services in commercial buildings will be a key driving force of our future growth. Although we have been at the forefront of the industry, we are pursuing more.

Chairman's Statement

It has been 21 years since the Company was founded in 1999, 14 years since we took over the first business project developed by the Excellence Group and expanded the first third-party property, and 10 years since we took over the first headquarters building of a famous Chinese Internet company. Now we are managing many projects that are landmarks of cities and running a full range of businesses. Our work in the past brought us valuable experience such as streamlined work flow and enabled a team with high executive force.

In 2021, we will continue to strengthen our core technological capabilities and use digital power to drive the overall intelligent development of our property management business. We will continue to consolidate our competitive advantages in the external market of third-party projects, expand our customer portfolio and provide better services to our customers. We will fully enrich our value-added services and enhance our life cycle and all-round service capabilities. We will also uphold the spirit of the Times and actively assume our social responsibility. In 2021, we will go all out to seize market opportunities by capitalizing on the strength of capital and technology, and will make unremitting efforts to bring better returns to investors for their trust and strive for higher goals.

Management Discussion and Analysis

I. BUSINESS OVERVIEW

Overview

The Group is a leading commercial property management service provider in China, which offers full-lifecycle asset maintenance and full-chain service solutions. For 12 consecutive years from 2009 to 2020, the Group has been recognized as one of the Top 100 Property Management Companies in China by China Index Academy. In 2020, the Group ranked 14th among the Top 100 Property Management Companies, maintaining an upward momentum with a rise of 2 places from 2019.

With the vision of being "A leading commercial real estate service operator in China", we focus on the "1+1+X" service for business enterprises. Currently, a comprehensive and full-lifecycle real estate service operation chain has formed. The Company provides comprehensive management services, such as consulting services, property services, integrated facility management and high-end business services, for real estate properties, including office buildings, business complexes, corporate headquarters, integrated offices, R&D data centers, industrial parks, logistics parks, government buildings, colleges and universities, hospitals and public facilities, and residential apartments.

Business Model

For the year ended 31 December 2020 (the "**Reporting Period**"), our revenue was mainly derived from basic property management services and value-added services. A small portion of revenue was derived from financial services and apartment leasing services.

Basic property management services: We provide a variety of property management services to property developers, property owners, tenants, residents and property owners' associations, typically including, environmental services, security services, facility and equipment operation and maintenance services, comprehensive property services, concierge services and carpark management services. Our property portfolio consists of commercial properties, public and industrial properties and residential properties. Our commercial properties consist of office buildings and commercial complexes, corporate buildings and office and R&D parks.

Value-added services: We provide a comprehensive range of value-added services to property developers, property owners, tenants, residents and property owners' associations. These services include asset services, administrative and employee benefit support services, and specific value-added services.

Basic Property Management Services

Continued high-quality growth in scale

Adhering to the goal of rapidly expanding management scale, the Group has achieved rapid growth in contracted GFA and GFA under management by virtue of multiple driving forces. As at 31 December 2020, our contracted GFA was approximately 44.7 million sq.m., representing an increase of approximately 34.9% from 31 December 2019, with 459 contracted projects. As at 31 December 2020, the GFA under management amounted to approximately 32.0 million sq.m., with 406 projects under management, representing an increase of approximately 36.2% and 31.8%, respectively, as compared to those as at 31 December 2019.

Management Discussion and Analysis

The following table sets forth the changes in GFA under management for the years ended 31 December 2020 and 2019, respectively.

	2020 sq.m.'000	2019 sq.m.'000
At the beginning of the year	23,529	14,554
New engagements	8,822	5,970
New acquisitions	–	3,576
Terminations	(333)	(571)
At the end of the year	**32,018**	23,529

Geographical Distribution

Since the establishment of the Group, as at 31 December 2020, our business has expanded from Shenzhen to 42 cities in China.

The following table sets out the total GFA under management as at the dates indicated and a breakdown of the total revenue from Basic Property Management Services by geographical area for the years ended 31 December 2020 and 2019, respectively.

	As at 31 December or for the year ended 31 December							
	2020				2019			
	GFA under management (sq.m.'000)	Proportion of the GFA (%)	Revenue (RMB'000)	Proportion of the revenue (%)	GFA under management (sq.m.'000)	Proportion of the GFA (%)	Revenue (RMB'000)	Proportion of the revenue (%)
Greater Bay Area[1]	13,386	41.8	1,199,233	56.8	11,350	48.3	1,044,459	66.3
Yangtze River Delta Region[2]	8,144	25.4	442,051	20.9	4,903	20.8	218,300	13.8
Other regions[3]	10,488	32.8	469,704	22.3	7,276	30.9	313,508	19.9
Total	32,018	100.0	2,110,988	100.0	23,529	100.0	1,576,267	100.0

Management Discussion and Analysis

Notes :

(1) Cities in which we provided property management services to properties in the Greater Bay Area including Shenzhen, Guangzhou, Zhuhai, Huizhou and Dongguan, etc.

(2) Cities in which we provided property management services to properties in the Yangtze River Delta Region including Shanghai, Nanjing, Hangzhou, Suzhou, Jiaxing, Tonglu, Jinhua, Ningbo, Shaoxing, Wenzhou, Taizhou, Nantong and Huzhou, etc.

(3) Cities in which we provided property management services to (i) properties in the other regions in China, including Beijing, Xi'an, Qingdao, Kunming, Tianjin, Wuhan, Changsha, Chengdu, Chongqing, Fuzhou, Nanchang, Hefei, Jinjiang, Zhangzhou and Zhengzhou, etc.; and (ii) projects in India.

Diversified Management Portfolios and Market Development Strategies

Our management service involves a wide range of properties, including commercial properties, public and industrial properties and residential properties. We have extensive experience in managing commercial properties such as office buildings and business complexes, corporate buildings and office and R&D parks.

Commercial property management is our core business. In 2020, and we have seized market opportunities to solidify our leading position in the commercial property market and continue to expand our management scale in office buildings and business complexes, corporate buildings and office and R&D parks. In 2020, the GFA under management and revenue from commercial properties increased by 35.4% and 30.7% on a year-over-year basis, respectively, as compared to the same period in 2019.

The commercial property projects developed by the Excellence Group act as the anchor of our property management portfolio. The core location layout and high-end product positioning lay a solid foundation for establishing a good brand image and cultivating a talent pipeline. The projects developed by the Excellence Group will become the cornerstone for our stable growth. In 2020, the GFA under management and revenue from commercial properties developed by Excellence Group increased by 3.9% and 20.2% on a year-over-year basis, respectively, as compared to the same period in 2019.

Management Discussion and Analysis

In 2020, the Group continued to consolidate our leading position in the third-party market expansion in terms of commercial property management. We observe the tremendous value of commercial buildings as centers for resource integration and information exchange with the advent of the digital era. Attentive property services are provided to our customers so that they can focus on their main businesses in a good office environment. Sticking to the national policy favoring high-tech enterprises and Internet enterprises, we expanded property projects of these enterprises in a key account management model, including new and existing headquarters and R&D industrial parks, and have achieved excellent results. In 2020, the GFA under management and revenue from commercial property management developed from third-party markets increased by 44.5% and 37.9% on a year-over-year basis, respectively, as compared to the same period in 2019.

As a key part of our diversified businesses, public and industrial properties help increase our regional project density and ability to serve key customers in a full range of businesses. In 2020, the GFA under management and revenue from public and industrial properties increased by 52.3% and 60.9% on a year-over-year basis, respectively, as compared to the same period in 2019.

For the residential property business, we mainly provide services for the projects developed by Excellence Group, which is a stable source of our projects. In 2020, the GFA under management and revenue from residential properties increased by 28.8% and 25.0% on a year-over-year basis, respectively, as compared to the same period in 2019.

	As at/For the year ended 31 December 2020				As at/For the year ended 31 December 2019			
	GFA under management		Revenue		GFA under management		Revenue	
	(sq.m.'000)	(%)	(RMB'000)	(%)	(sq.m.'000)	(%)	(RMB'000)	(%)
Commercial properties	16,671	52.1	1,563,195	74.1	12,313	52.3	1,196,455	75.9
– Excellence Group	2,878	9.0	587,576	27.9	2,770	11.8	488,782	31.0
– Third-party property developers	13,793	43.1	975,619	46.2	9,543	40.6	707,673	44.9
Public and industrial properties	5,825	18.2	327,248	15.5	3,825	16.3	203,437	12.9
Residential properties	9,522	29.7	220,545	10.4	7,391	31.4	176,375	11.2
Total	32,018	100.0	2,110,988	100.0	23,529	100.0	1,576,267	100.0

Management Discussion and Analysis

Continued Improvement in Profitability

In 2020, the gross profit margin of the Group's basic property management services has improved compared to 2019. The Group will continue to seek healthy and stable profitability of the basic property management services by persistently pursuing management efficiency improvement and increasing project density in target cities and other measures.

Gross profit margin

	2020 %	2019 %
Commercial properties	27.9	25.3
– Projects developed by Excellence Group	47.3	44.9
– Projects developed by third parties	16.2	11.8
Public and industrial properties	14.8	14.6
Residential properties	11.2	8.2
Total	24.1	22.0

Value-added Services

We are committed to providing developers, property owners and property users with property management services to cover the full lifecycle of properties and comprehensive asset services along the industry chain. Our services reach out to the entire lifecycle of property buildings, including consulting services and acceptance inspection in the early stage, leasing and sales agency, cleaning and security, and customized corporate services during the operation period, as well as space operation services such as advertising space and vacant property care for urban renewal. To enhance comprehensive competitiveness and strengthen customer stickiness through comprehensive corporate services, we have further strengthened our investment in corporate services and established services in the sub-brand "Zhuopin" for enterprises of different scales and high net worth individuals within the enterprises. We will continue to innovate and improve our value-added service content and business model to promote the Company's upgrade in business operations and redefine the value standards of commercial property services.

Our value-added services include asset services, corporate services and professional value-added services. During the Reporting Period, revenue from value-added services amounted to approximately RMB358.6 million, an increase of approximately 76.0% compared to the same period of last year, and accounting for approximately 14.2% of the Company's overall revenue, an increase of approximately 3.1 percentage points compared to the same period of last year.

Management Discussion and Analysis

Outlook

In 2020, a special year beginning with the COVID-19 outbreak, it took 10 months for us to complete the listing procedure. Shouldering its responsibilities, the Group actively participated in the anti-epidemic actions and cooperated with the government's governance. For shopping malls, office buildings and other areas with high traffic, we quickly worked out epidemic prevention lines, laid out epidemic prevention posts, frequently conducted disinfection, and scientifically managed the fresh air system in buildings to ensure safety of and convenience for the staff in their office work and daily life. The year 2021 will see our great efforts in strategically overcoming difficulties, where the Company's management will continue to focus on achieving our performance targets and building core competencies for the Group's sustainable development, taking into account the external market and internal development conditions. With the goal of obtaining long-term and infinite growth, facing with increasingly fierce competition, we have the strength and ability to focus on essence of our services, create value for customers, and balance short-term gains and long-term sustainable development. Learning from past experience and looking forward to the future, we will move from the eye of the storm to the weather vane of the industry.

Consolidating Our Market Position in the Commercial Property Sector, Rapidly Expanding Market Scale While Boosting Value-Added Services

We plan to continue to leverage our strengths in the high-end commercial property service sector, build deep relationships with our customers through providing excellent services, and enhance the brand influence of and customer satisfaction to Excellence Commercial and its subsidiaries. On the other hand, we will continue to strengthen the digital operation platform to improve our management efficiency and service level. In addition, we will continue to innovate our products and services to seek new opportunities and further establish a differentiated service system.

Adhering to the "1+1+X" regional layout, we will continue to expand the market scale and enrich the business portfolio based on the key customer strategy, market expansion and M&A synergies. The expansion of market scale and enrichment of business portfolio will enable an increase in market share and project density in target cities. At the same time, our ability to provide multi-business types, full-chain and all-round customer services to China's leading new economy companies will be enhanced. We will continue to create value for shareholders based on forward-looking planning on customers, properties and regions.

Value-added services form a business chain with great potential for growth and an important differentiator to distinguish ourselves from competitors during business expansion. We will continue to improve our asset services and corporate services value chain based on customers' needs, enhance the accessibility and growth of value-added services.

Management Discussion and Analysis

Deepening Focus on Target Cities, Improving Asset Services and Corporate Service Chains, and Deploying New Businesses

Our core business strategy for 2021 can be broken into three aspects: concentration, depth and breadth. In terms of concentration, we will promote concentration in target cities by enhancing target market analysis, increasing sales investment, deepening the deployment of the Yangtze River Delta region, promoting integrated development of M&A and investment, and deeply optimizing the key customer development mechanism. In terms of depth, we seek market opportunities to improve the business chain of asset services and corporate services. As for asset services, we will strengthen our cooperation with the Excellence Group in property preliminary consultancy services, quickly establish commercial property investment and leasing capabilities through in-depth cooperation and other means, and comprehensively deploy the second-hand property brokerage and parking space sales agency business. As for corporate services, we will continue to enhance the productization and operation capabilities of the "Zhuopin" customer platform, with the purpose to help enterprises improve administrative service efficiency, reduce administrative costs and improve employee satisfaction. We also place emphasis on the market opportunity and business value of group meals, as there exists clear synergies between the group meal business and commercial properties. The Company plans to further expand the group meal business for properties under management to further optimize the corporate service chain. In addition, the Company will seek investment and M&A opportunities in other vertical value-added services. In terms of breadth, we will seize opportunities in emerging property management markets such as urban services and medical properties, to further diversify service offerings and enhance the market competitiveness.

Completely Improving Operational Capabilities and Strengthening Construction of the Talent Pipeline

The rapid scale expansion has put forward new requirements for our operational support capabilities. We will continue to build an efficient operation platform empowered by technology to accelerate the application of platform data. Technological and smart operation will become one of the core competencies of the Excellence Property. More standardized process, continuous improvement of data quality and diversified functional modules will help us improve service quality, management efficiency and profitability. We also pay close attention to the construction of talent pipelines. We will develop our team by both internal talent nurturing and external recruitment, enhance the team's capabilities, select and develop a new group of leaders to cultivate more leaders who can independently lead a team.

II. FINANCIAL REVIEW

Revenue

For the year ended 31 December 2020, the revenue of the Group amounted to RMB2,525.1 million (2019: RMB1,836.0 million), representing an increase of 37.5% as compared with the same period of last year.

The revenue of the Group was derived from three main businesses: (i) basic property management services; (ii) value-added services; and (iii) other businesses.

	For the year ended 31 December					
	2020		2019		Change	
	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)
Revenue						
Basic property management services	2,110,988	83.6	1,576,267	85.9	534,721	33.9
Value-added services	358,604	14.2	203,756	11.1	154,848	76.0
Other businesses	55,495	2.2	55,996	3.0	(501)	(0.9)
Total revenue	2,525,087	100.0	1,836,019	100.0	689,068	37.5

Basic Property Management Services

During the Reporting Period, the revenue from basic property management services was RMB2,111.0 million (2019: RMB1,576.3 million), representing an increase of 33.9% as compared with the same period of last year.

The following table sets forth (i) a breakdown of the GFA under management as at the dates indicated by type of property developer, and (ii) a breakdown of the revenue from the Group's basic property management services for the years indicated:

	As at/For the year ended 31 December 2020				As at/For the year ended 31 December 2019			
	GFA under management		Revenue		GFA under management		Revenue	
	(sq.m.'000)	(%)	(RMB'000)	(%)	(sq.m.'000)	(%)	(RMB'000)	(%)
Commercial properties	16,671	52.1	1,563,195	74.1	12,313	52.3	1,196,455	75.9
– Excellence Group	2,878	9.0	587,576	27.9	2,770	11.7	488,782	31.0
– Third-party property developers	13,793	43.1	975,619	46.2	9,543	40.6	707,673	44.9
Public and industrial properties	5,825	18.2	327,248	15.5	3,825	16.3	203,437	12.9
Residential properties	9,522	29.7	220,545	10.4	7,391	31.4	176,375	11.2
Total	32,018	100.0	2,110,988	100.0	23,529	100.0	1,576,267	100.0

Management Discussion and Analysis

As at 31 December 2020, the Group's GFA under management was 32.0 million sq.m., representing an increase of 36.2% from 23.5 million sq.m. as at the same period of 2019. Commercial properties accounted for 52.1% (or 16.7 million sq.m.), public and industrial properties accounted for 18.2% (or 5.8 million sq.m.), and residential properties accounted for 29.7% (or 9.5 million sq.m.).

The increase in the GFA under management was mainly derived from: (i) commercial and residential projects developed by Excellence Group which were under continuous control of the Group, with an additional GFA under management of 2.2 million sq.m. during the Reporting Period; (ii) projects developed by third-party property developers and acquisitions in 2019, with an additional GFA under management of 6.3 million sq.m., including those acquired through the acquisitions of Zhejiang Gangwan, of approximately 0.8 million sq.m.

During the Reporting Period, the overall collection rate of the Group's property management fees that were due was 92.0% (2019: 90.1%).

Coverage of the GFA under Management

The Group operated its businesses in two major regions (the Greater Bay Area and the Yangtze River Delta) and other cities with high potential. As at 31 December 2020, the Group had 406 projects under management, covering 42 cities across China. By region, 41.8% of the GFA under management was located in the Guangdong-Hong Kong-Macao Greater Bay Area, 25.4% was located in the Yangtze River Delta urban agglomeration, and 32.8% was located in other regions.

Value-added Services

During the Reporting Period, the revenue from value-added services increased by 76.0% to RMB358.6 million from RMB203.8 million as at the same period of 2019, accounting for approximately 14.2% (2019: 11.1%) of the total revenue.

The increase of value-added services mainly arose from: (i) the increase of high-end business services and services on corporate administrative welfare platform; (ii) the increase of rental and sales agency services for second-hand properties; (iii) the significant increase of the revenue for the period as compared with the same period of last year, and such revenue was derived from the service fees paid by Excellence Group entrusting the Group to provide pre-referral and undertaking inspection services since 2020; and (iv) increase of the revenue from electrical and mechanical installation service.

Other Businesses

The revenue from other businesses mainly arose from financial services and apartment leasing services.

During the Reporting Period, the revenue from other businesses was decreased slightly to approximately RMB55.5 million from approximately RMB56.0 million in 2019. This was primarily due to that the Group intends to sell Shenzhen Zhuotou Micro-Lending Co., Ltd. after 3 May 2021 (registration and establishment for three years later). There was no further expansion of its business operations during the year, and the financial service income declined compared with the same period of last year.

Management Discussion and Analysis

Cost of Sales

The Group's cost of sales mainly consists of staff costs, subcontracting costs, cleaning costs, repair and maintenance costs, utility costs, carpark expenses, office expenses, depreciation and amortization, rental expenses and others.

During the Reporting Period, the Group's cost of sales amounted to RMB1,861.3 million (2019: RMB1,402.6 million), representing an increase of 32.7% in 2019, which was primarily due to the continuous expansion of the Group's revenue-bearing GFA, resulting in an increase in staff costs and other costs.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of the gross profit and gross profit margin of the Group by business line as at the periods indicated:

	For the year ended 31 December				
	2020		2019		
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)	Change on gross profit margin
Basic property management services	508,905	24.1	347,272	22.0	+2.1 percentage points
Value-added services	124,019	34.6	51,394	25.2	+9.4 percentage points
Other businesses	30,888	55.7	34,780	62.1	–6.4 percentage points
Total	663,812	26.3	433,446	23.6	+2.7 percentage points

During the Reporting Period, the Group's gross profit was RMB663.8 million, representing an increase of 53.2% from RMB433.4 million in 2019. The gross profit margin increased to 26.3% in 2020 from 23.6% in 2019.

The gross profit margin of basic property management services was 24.1% (2019: 22.0%), representing an increase of 2.1 percentage points from last year, mainly attributable to (i) the integration of service teams within the Group to reduce costs and improve efficiency; and (ii) the reduction or exemption of social insurance contributions under the regulatory support policy for the COVID-19 epidemic.

The gross profit margin of value-added services was 34.6% (2019: 25.2%), representing an increase of 9.4 percentage points from last year, mainly attributable to (i) the increased proportion of the Group's value-added businesses that generated relatively high gross profit margin; and (ii) strengthened cost control to achieve scale effect and improve gross profit effectively.

Management Discussion and Analysis

The gross profit margin of other services was 55.7% (2019: 62.1%), representing a decrease of 6.4 percentage points from last year. It was mainly because that the Group entered into an additional apartment leasing project in Shenzhen in April 2019, and rented it out since September 2019. Affected by the COVID-19 epidemic, the occupancy rate and rental income in the first half of 2020 was lower, and more costs were incurred in the initial stage of operation.

Other Revenue

The Group's other revenue mainly consisted of interest income and government subsidies.

During the Reporting Period, other revenue was RMB23.0 million (2019: RMB17.5 million), representing an increase of 31.4% from last year, mainly attributable to the increase of government subsidies due to the outbreak of COVID-19 in 2020.

Other Net Income/(Loss)

The Group's other net income/(loss) mainly consisted of impairment losses on trade and other receivables, impairment losses on loans receivables, gain on wealth management investments and gain on disposal of assets.

During the Reporting Period, other net income was RMB21.0 million (2019: other net loss was RMB15.8 million), which was mainly due to the revenue of approximately RMB31.5 million from the disposal of a subsidiary during the Reporting Period.

Selling and Marketing Expenses

During the Reporting Period, the selling and marketing expenses amounted to RMB15.4 million (2019: RMB7.0 million), representing an increase of 120.0% from last year. It was mainly due to the increase in development staff costs for searching better business targets and continuing to acquire and expand third-party businesses, and the increase in expenses caused by the newly acquired subsidiary in the second half of 2019.

Administrative Expenses

During the Reporting Period, administrative expenses amounted to RMB194.7 million (2019: RMB96.8 million), representing an increase of 101.1% from last year. It was mainly due to (i) the employment of new employees to support business expansion and rapid development of the Group, resulting in the increase in salary and benefits of our employees as compared with the same period of last year; (ii) the increase in administrative expenses caused by newly acquired subsidiaries in the second half of 2019; (iii) listing expenses of RMB26.6 million; and (iv) equity-settled share-based payment of RMB12.9 million.

Finance Costs

During the Reporting Period, our finance costs amounted to RMB29.5 million (2019: RMB20.5 million), representing an increase of 43.9% from last year. The increase in finance costs was mainly due to the increase in interest on bank loans and other borrowings.

Management Discussion and Analysis

Share of Profits of Joint Ventures

During the Reporting Period, the share of profits of joint ventures amounted to RMB7.3 million (2019: RMB5.0 million), representing an increase of 46.0% from last year.

Share of Profits of Associates

During the Reporting Period, the share of profits of associates amounted to RMB1.2 million (2019: RMB0.9 million), representing an increase of 33.3% from last year.

Income Tax

During the Reporting Period, income tax was RMB120.8 million (2019: RMB83.2 million), representing an increase of 45.2% from last year. The effective tax rate was 25.3% (2019: 26.3%), representing a decrease of 1.0 percentage point from last year. It was mainly due to the non-taxable income from the disposal of the subsidiary, Zhenglian Haodong.

Profit for the Year

During the Reporting Period, the Group's net profit amounted to RMB355.9 million (2019: RMB233.6 million), representing an increase of 52.4% from last year. Excluding equity-settled share-based payment expense and income tax effects, adjusted profit for the Reporting Period was RMB368.8 million, representing an increase of 57.9% from last year.

During the Reporting Period, the profit attributable to shareholders of the Company was RMB325.0 million (2019: RMB178.5 million), representing an increase of 82.1% from last year. Excluding equity-settled share-based payment expense and income tax effects, adjusted profit attributable to shareholders of the Company for the Reporting Period was RMB337.8 million, representing an increase of 89.2% from last year.

During the Reporting Period, the net profit margin was 14.1% (2019: 12.7%), representing an increase of 1.4 percentage points from the same period of last year. Excluding equity-settled share-based payment expense and income tax effects, adjusted profit for the Reporting Period was 14.6%, representing an increase of 1.9 percentage points from the same period of last year.

Investment Properties

The Group's investment properties mainly include two apartment leasing projects in Shenzhen, which gained rental income from apartment operation and leasing. As at 31 December 2020, the Group's investment properties amounted to RMB123.5 million, representing a decrease of RMB11.0 million from RMB134.5 million as at 31 December 2019, which was mainly due to the depreciation and amortisation during the Reporting Period.

Property, Plant and Equipment

The property, plant and equipment of the Group mainly consisted of leasehold improvement, right-of-use assets, office equipment and furniture, machinery equipment and other fixed assets. As at 31 December 2020, the Group's net book value of property, plant and equipment amounted to RMB64.3 million, representing an increase of RMB9.2 million from RMB55.1 million as at 31 December 2019, which was mainly due to the increase in the number of dormitories rented for employees.

Management Discussion and Analysis

Intangible Assets

The Group's intangible assets mainly consisted of property management contracts and software arising from corporate mergers and acquisitions. The Group's intangible assets decreased by RMB12.3 million from RMB66.5 million as at 31 December 2019 to RMB54.2 million as at 31 December 2020, which was primarily due to the amortization of property management contracts.

Goodwill

As at 31 December 2020, the Group recorded goodwill of RMB271.7 million (2019: RMB271.7 million).

The Group's goodwill was mainly related to the acquisitions of Wuhan Yuyang, Zhejiang Gangwan and Wuhan Huanmao. As at 31 December 2020, the management did not find any significant risk of impairment of goodwill.

Trade and Other Receivables

Trade and other receivables mainly consisted of trade receivables and non-trade receivables due from related parties.

As at 31 December 2020, the Group's net trade and other receivables amounted to approximately RMB561.0 million, representing a decrease of RMB368.5 million from RMB929.5 million as at 31 December 2019, mainly due to (i) the significant increase in the total revenue of the Group, resulting in an increase in trade receivables; and (ii) the liquidation of non-trade payments with related parties before listing, resulting in a decrease in non-trade receivables due from related parties.

Trade and Other Payables

As at 31 December 2020, the Group's trade and other payables (including current and non-current payables) amounted to RMB892.8 million, representing a decrease of RMB383.0 million from approximately RMB1,275.8 million as at 31 December 2019. It was primarily due to (i) the liquidation of non-trade payments with related parties before listing, resulting in a decrease in non-trade payables due to related parties; and (ii) dividends payable to non-controlling interests at the end of 2019 was paid in 2020.

Lease Liabilities

During the Reporting Period, the increase in lease liabilities was recognised according to the new leasing standards. The lease liabilities payable within one year of RMB17.5 million were recognised in current liabilities, and the lease liabilities payable over one year of RMB132.2 million were recognised in long-term lease liabilities.

Contract Liabilities

Our contract liabilities mainly represent prepayments from customers of the Group's commercial operation services and residential property management services. As at 31 December 2020, the Group's contract liabilities amounted to approximately RMB81.6 million, representing an increase of 28.7% from RMB63.4 million as at 31 December 2019, mainly due to the expansion of business scale.

Borrowings

As at 31 December 2020, the Group's bank loans and other borrowings amounted to RMB373.9 million (31 December 2019: RMB465.0 million) all of which were unsecured and unguaranteed loans.

Management Discussion and Analysis

Asset-liability Ratio

The asset-liability ratio was calculated as the total liabilities divided by total assets. As at 31 December 2020, the Group's asset-liability ratio was 34%, representing a significant decrease from 82% as at 31 December 2019, mainly due to the proceeds raised from IPO, repayment of bank borrowings and non-trade payables due to related parties.

Asset Pledge

As at 31 December 2020, the Group did not pledge any assets (2019: Nil).

Contingent Liabilities

As at 31 December 2020, the Group did not have any significant contingent liabilities or guarantees (2019: Nil).

Liquidity, Reserves and Capital Structures

The Group maintained a good financial position during the Reporting Period. As at 31 December 2020, the Group's cash and equivalents amounted to RMB3,314.1 million, representing an increase of 641.2% from RMB447.1 million as at 31 December 2019, mainly due to the fund raised from the listing on the Main Board of the Stock Exchange, as well as the Group's increasing operating cash inflow.

As at 31 December 2020, the Group's total equity was RMB3,256.3 million, representing an increase of RMB2,800.4 million or 614.3% from RMB455.9 million as at 31 December 2019, primarily due to the fund raised from the listing and profit contribution realised during the year.

Cash Flow

For the year ended 31 December 2020, the Group's net cash generated from operating activities was approximately RMB434.0 million (RMB184.7 million in 2019), mainly due to net increase in operating profits, trade payables and contract liabilities as a result of the expansion of the Group's operating scale.

For the year ended 31 December 2020, the Group's net cash generated from investment activities was approximately RMB847.2 million, while the net cash used in the same period of 2019 was approximately RMB764.6 million, primarily attributable to the repayment of borrowings by related parties and the transfer prepayments for disposal of the equity of subsidiaries.

For the year ended 31 December 2020, the Group's net cash generated from financing activities was approximately RMB1,641.4 million, while the net cash inflow from the same period of 2019 was approximately RMB541.6 million, primarily attributable to the net proceeds raised from IPO of the Company as well as the repayment of non-trade payables of related parties before listing.

Exchange Risks

The Group mainly operates its business in China, and substantial all of its revenue and expenses are denominated in RMB, while the net proceeds from listing is denominated in Hong Kong dollars. As at 31 December 2020, among the Group's cash at bank and on hand, HK$3,366.3 million was denominated in Hong Kong dollars, such amount was subject to the exchange rate fluctuation. The Group does not have any policy to hedge against foreign exchange risk. However, the Group will closely monitor its foreign exchange exposure, and strive to maintain the value of the Group's cash.

Management Discussion and Analysis

Listing Expenses

The Company was listed on the Stock Exchange on 19 October 2020 and the listing expenses totaled approximately RMB96.5 million, of which approximately RMB26.6 million was charged to the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020 and approximately RMB69.9 million was recorded as a deduction from equity.

Employees and Remuneration Policy

As at 31 December 2020, the Group had a total of 11,532 and 72 full-time employees (31 December 2019: 12,064 and 78) in the PRC and India, respectively. The Group provides its employees with competitive remuneration packages such as fees, salaries, allowances and benefits in kind, bonuses and contributions to pension schemes and social benefits. The Group contributes to social insurance such as medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing provident fund for its employees.

Pre-emptive Rights

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

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During the Reporting Period, the Group had undergone acquisitions and disposals of subsidiaries for the purpose of the reorganisation in preparation for the Listing. Please refer to the Prospectus for further details.

Save as disclosed in the Prospectus, the Company has no other significant investments or significant acquisitions of subsidiaries, associates and joint ventures in 2020.

Future Plans for Major Investments and Capital Assets

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at 31 December 2020, the Company had not used any of the net proceeds of the Listing. The net proceeds are currently held in the form of bank deposits.

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

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Xiaoping (李曉平), aged 63, was appointed as our executive Director and the chairman of our Board on 22 May 2020. He joined our Group in October 1999 as the chairman of the board of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限責任公司) ("**Excellence Property Management**") and has since then been responsible for its overall strategic planning and major business decisions. Mr. Li has also been serving as a vice chairman of the board and the president of Excellence Real Estate Group Co., Ltd. (卓越置業集團有限公司) ("**Excellence Real Estate**") since June 1996 where he has been primarily responsible for assisting the chairman with its overall strategic development and major business decisions.

Prior to joining our Group, from September 1993 to May 1996, Mr. Li served as the general manager of Shenzhen Yonggao Industrial Limited (深圳永高實業有限公司) ("**Shenzhen Yonggao**"), a company principally engaged in real estate investment, where he was primarily responsible for its overall management and operations.

Mr. Li was recognized as the "Social Contributor of the Year" (年度社會貢獻人物大獎) by the Organizing Committee of Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇組委會) in June 2009, the "Most Innovative Person in China's Real Estate Industry" (中國最具創新力地產人物) by Boao Real Estate Forum (博鰲房地產論壇) in August 2015 and the "Top 30 CEO in China Real Estate Industry for the Year of 2018" (2018中國地產年度CEO30強) at the 2018 China Real Estate New Era Grand Ceremony (2018年中國地產新時代盛典) in December 2018.

Mr. Li obtained his bachelor's degree in applied mathematics from University of Electronic Science and Technology of China (電子科技大學) (formerly known as Chengdu Institute of Telecommunications Engineering (成都電訊工程學院)) in the PRC in January 1982, and his master's degree in applied mathematics from Xidian University (西安電子科技大學) (formerly known as Northwest Institute of Telecommunications Engineering (西北電訊工程學院)) in the PRC in January 1988.

Ms. Guo Ying (郭瑩), aged 53, was appointed as our executive Director on 22 May 2020 and is primarily responsible for implementing the strategies and daily operations of our Group. Ms. Guo joined our Group in October 2000 as a deputy project manager and successively served as the general manager of quality management department, assistant to deputy general manager and deputy general manager. She was promoted to the general manager of Excellence Property Management in August 2013 and has been responsible for project management and its daily operations since then. Ms. Guo currently holds directorships in our various subsidiaries.

Prior to joining our Group, from April 1998 to May 2000, Ms. Guo worked at Shenzhen Kangwei Home Kitchen Co., Ltd. (深圳市康威家庭廚櫃有限公司), a company principally engaged in the sales of construction materials and kitchenware. From October 1993 to December 1994, Ms. Guo worked at Shenzhen Yashi Clothing Co., Ltd. (深圳雅仕衣帽有限公司), a company principally engaged in the manufacturing and sales of clothes.

Directors and Senior Management

In January 2014, Ms. Guo was awarded as an "Outstanding General Manager for the Year of 2014" (2014年度聯盟卓越總經理) by Golden Key International Alliance (金鑰匙國際聯盟). Ms. Guo was admitted as a candidate for the "Top 10 CEOs in Property Industry for the Year of 2018" (2018年中國十大物業年度CEO) jointly organized by Leju Finance (樂居財經), Sina Finance (新浪財經), China Entrepreneur (中國企業家), Fangchan.com (中房網) and E-House Shihui (易居實惠) in November 2018, and was recognized as an "Outstanding Property Manager for the Year of 2019" (2019年度優秀物業經理人) by EH Consulting (億翰智庫) in December 2019.

Ms. Guo obtained her bachelor's degree in textile design from Xi'an Polytechnic University (西安工程大學) (formerly known as Northwestern Institute of Textile Technology (西北紡織工學院)) in the PRC in July 1990, and completed the advanced training courses in equipment management provided by the school of economy and management of Tongji University (同濟大學) in the PRC in August 2016.

Non-executive Directors

Mr. Wang Dou (王斗), aged 53, was appointed as our non-executive Director on 22 May 2020 and is primarily responsible for providing guidance for the overall development of our Group.

Mr. Wang joined Excellence Real Estate in June 1996 as a vice president and director and has since then been primarily responsible for its accounting and financing management. Prior to joining Excellence Real Estate, from September 1993 to May 1996, Mr. Wang served as an accounting manager at Shenzhen Yonggao where he was primarily responsible for its financial accounting, financial analysis and capital operations. From July 1990 to August 1993, Mr. Wang worked at the First Pharmaceutical Factory of Chinese PLA Chengdu Command (成都軍區製藥一廠) and China Vanke Enterprise Limited Company (萬科企業股份有限公司) (formerly known as Shenzhen Vanke Enterprise Limited Company (深圳萬科企業股份有限公司)).

Mr. Wang obtained his bachelor's degree in economics from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 1990.

Mr. Wang Yinhu (王銀虎), aged 44, was appointed as our non-executive Director on 22 May 2020 and is primarily responsible for providing guidance for the business development of our Group.

Mr. Wang joined Excellence Real Estate in May 2004 as a fund manager and was promoted to a deputy general manager of its financial and capital department in January 2011 and to the general manager of its financing department in January 2013, respectively, where he has been primarily responsible for its financing and capital management.

Mr. Wang obtained his bachelor's degree in accounting from Xi'an University of Science and Technology (西安科技大學) (formerly known as Xi'an College of Science and Technology (西安科技學院)) in the PRC in July 2001.

Directors and Senior Management

Independent non-executive Directors

Mr. Huang Mingxiang **(黃明祥)**, aged 62, was appointed as our independent non-executive Director on 28 September 2020 and is primarily responsible for providing independent advice on the operations and management of our Group.

Since September 2018, Mr. Huang has been serving as a director at Shenzhen Kingkey Smart Agriculture Times Co., Ltd (深圳市京基智農時代股份有限公司) (formerly known as Shenzhen Kondarl (Group) Co., Ltd. (深圳市康達爾(集團)股份有限公司)), a company principally engaged in agricultural development businesses whose shares are listed on the Shenzhen Stock Exchange (stock code: 000048), where he has been primarily responsible for providing guidance for its overall development. Since March 2018, Mr. Huang has been serving as the chairman and president of Jinghui Group Holdings Limited (景匯集團控股有限公司), a company principally engaged in investment and asset management, where he has been primarily responsible for formulating strategic plan and its daily operations. From May 2016 to January 2018, Mr. Huang served various positions including the chief executive officer, chairman and an executive director at Tianli Holdings Group Limited (天利控股集團有限公司) (formerly known as EYANG Holdings (Group) Co., Limited (宇陽控股(集團)有限公司)), a company principally engaged in the manufacture and sales of multi-layer ceramic chips and investment and financing business whose shares are listed on the Stock Exchange (stock code: 0117), where he was primarily responsible for its overall management. Mr. Huang also served as the general manager, chairman and an executive director of ICBC International Holdings Limited (工銀國際控股有限公司), a wholly owned subsidiary of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司) ("**ICBC**"), a bank whose shares are listed on the Shanghai Stock Exchange (stock code: 601398) and the Stock Exchange (stock code: 1398), until January 2016. Mr. Huang was appointed as the president of Chinese Mercantile Bank (華商銀行) in August 1995 and chairman of the Shenzhen branch in October 1997, respectively. From July 1997 to September 2002, he was appointed as the branch manager of Shenzhen branch of ICBC. From September 2002 to July 2009, Mr. Huang was appointed as the president of the Guangdong branch of ICBC.

Mr. Huang obtained his diploma in accounting from South China University of Technology (華南理工大學) in the PRC in July 1997. He obtained a master's degree in management science and engineering from Hunan University (湖南大學) in the PRC in June 2005 and a master's degree in business administration from China Europe International Business School (中歐國際工商學院) in the PRC in September 2007, respectively.

Mr. Kam Chi Sing (甘志成), aged 50, was appointed as our independent non-executive Director on 28 September 2020 and is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Kam has over 20 years of experience in management accounting, auditing and assurance, taxation, corporate services and cross border merger and acquisition consultation in Hong Kong and China. Mr. Kam established Roger Kam & Co., a certified public accounting firm in Hong Kong, in May 2000, and R&T Consulting Group Limited ("**R&T Consulting**"), a business consulting firm in Hong Kong, in July 2009. Mr. Kam is currently serving as the managing partner at Roger Kam & Co, the managing director at R&T Consulting and the chief representative of the representative offices of Roger Kam & Co in Shanghai, Guangzhou and Beijing.

Directors and Senior Management

Mr. Kam is a founding member of the Alliance of Inter-Continental Accountants and is registered as a chartered tax advisor by the Taxation Institute of Hong Kong for the year of 2020. He was admitted as a fellow member of the Association of Chartered Certified Accountants in November 2003, a fellow member of the Hong Kong Institute of Certified Public Accountants in April 2006, a fellow member of the Institute of Financial Accountants in March 2011, a fellow member of the Taxation Institute of Hong Kong in January 2010, a member of the Society of Trust and Estate Practitioners in April 2012 and a member of the Hong Kong Securities and Investment Institute in June 2013, respectively. Mr. Kam is currently a fellow member of the Hong Kong Institute of Certified Public Accountants. He is a committee member of the taxation committee, a committee member of the financial and treasury services committee and a committee member of the China committee of Hong Kong General Chamber of Commerce. He has also been serving as a committee member of the Chinese General Chamber of Commerce, Hong Kong since November 2016. Mr. Kam was appointed as a member and honorary treasurer of Hong Kong Red Cross Special Education & Rehabilitation Service Governing Committee in November 2013 and school sponsoring body appointed school manager and treasurer of the IMC of Hong Kong Red Cross Princess Alexandra School in July 2020.

Mr. Kam obtained his bachelor's degree of science from the University of Hong Kong in November 1993.

Ms. Liu Xiaolan (劉曉蘭), aged 55, was appointed as our independent non-executive Director on 28 September 2020 and is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Liu is the founder of Lanyu (Shanghai) Business Consulting Center (蘭毓(上海)商務諮詢中心), a company principally engaged in providing strategic and business consulting services. From September 2013 to April 2020, Ms. Liu served as the chairman of the board of Shanghai Yizhen Investment Management Co., Ltd. (上海溢臻投資管理有限公司), a company principally engaged in real estate consulting services and investment management, where she was primarily responsible for its investment decisions and strategy formulation. From March 2012 to November 2012, Ms. Liu served as the general manager at Kunshan Stereo City Investment Management Co., Ltd. (昆山立體之城投資管理有限公司), a company principally engaged in investment management and consulting services, where she was primarily responsible for project investment management. From May 2005 to February 2012, Ms. Liu successively served as an assistant to the president, deputy general manager of the real estate management center, vice president, executive director and general manager at Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a real estate developer whose shares are listed on the Main Board of the Stock Exchange (stock code: 1238), where she was primarily responsible for assisting the president with its daily operations, establishment of management system of the project companies and the management of commercial property management business. From May 2002 to May 2005, she served as an assistant to the general manager and the head of the branch management center at Xiamen Powerlong Information Industry Development Co., Ltd. (廈門寶龍信息產業發展有限公司), where she was primarily responsible for assisting the general manager in the daily matters of the company and its branches across China.

Ms. Liu has been serving as a deputy director of academic committee of the APCREA (Asia Pacific Commercial Real Estate Academy) (亞太商業不動產學院) since September 2009, a mentor of Boya Zhixue (Beijing) Investment Consulting Co., Ltd. (博雅知學(北京)投資顧問有限公司) since May 2014, a mentor of China's Real Estate Executive Program (中國房地產實戰研修項目) of E-house & Wharton Case Study and Teaching Facility (易居沃頓案例研究與教育基地) since June 2015, an economic counselor of Chengdu Skyscraper Economics Promotion Association (成都市樓宇經濟促進會) since September 2019 and a special consultant of Tianfu Institute of Building Economy (樓宇經濟天府學院) since June 2019.

Ms. Liu obtained her bachelor's degree in clinical medicine from Fujian University of Traditional Chinese Medicine (福建中醫藥大學) (formerly known as Fujian Chinese Traditional Medical College (福建中醫學院)) in the PRC in July 1988. She completed the Executive Development Program (高級管理培訓) offered by Xiamen University (廈門大學) in the PRC in September 2009 and the China Advanced Management Program offered by Wharton School of University of Pennsylvania in the United States in October 2019.

Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Hong Kong Listing Rules (the "**Listing Rules**") Governing the Listing of Securities on Hong Kong Stock Exchange.

SENIOR MANAGEMENT

Mr. Lv Li (呂力), aged 42, has been serving as our financial controller since February 2018 and has been primarily responsible for the financial management of our Group. He is also a joint company secretary of our Group.

Prior to joining our Group, from September 2017 to January 2018, Mr. Lv served as the board secretary of the securities investment department of Tiandi No. 1 Beverage Inc. (天地壹號飲料股份有限公司), a company principally engaged in the manufacturing and sales of non-alcoholic beverage whose shares are listed on the NEEQ (stock code: 832898), where he was primarily responsible for its financial management and corporate compliance matters. From June 2015 to June 2017, Mr. Lv served as a director, chief financial officer and board secretary of Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司), a property management service provider whose shares were previously listed on the NEEQ (stock code: 834669) and delisted in December 2017, where he was primarily responsible for its financial management and compliance matters. From 2010 to September 2015, Mr. Lv served several positions including the financial controller and board secretary at SurExam Bio-Tech Co., Ltd. (益善生物技術股份有限公司), a biotechnology company whose shares are listed on the NEEQ (stock code: 430620), where he was primarily responsible for its financial management and corporate compliance matters. From July 2001 to August 2010, Mr. Lv worked at several accountant firms with his last position as a department manager at the Guangzhou branch office of Beijing Yong Tuo Certified Public Accountants LLP (北京永拓會計師事務所) where he was primarily responsible for the audit work of various listed companies.

Mr. Lv obtained his bachelor's degree in accounting from Jinan University (暨南大學) in the PRC in June 2001. Mr. Lv was qualified as an intermediate auditor (中級審計師) by the Ministry of Human Resources and Social Security of Guangdong Province (廣東省人力資源和社會保障廳) in December 2013. He also received the Qualification Certificate of Board Secretary (董事會秘書資格證書) from the Shenzhen Stock Exchange in March 2014.

Directors and Senior Management

Mr. Ma Fangzhou (馬防周), aged 43, has been serving as the general manager of our residential business department since June 2013 and has been primarily responsible for the overall management of property management services for residential projects of our Group.

Prior to joining our Group, from September 2011 to June 2013, Mr. Ma served as an assistant general manager at the Shenzhen branch of Jinbi Property Management Co., Ltd. (金碧物業有限公司), a property management service provider and a wholly-owned subsidiary of China Evergrande Group (中國恒大集團), a real estate developer whose shares are listed on the Stock Exchange (stock code: 3333), where he was primarily responsible for its overall management in Shenzhen and Chaozhou. From July 2001 to September 2011, Mr. Ma successively served as a project manager and manager of the property management department of Shenzhen Property Management Co., Ltd. (深圳市物業管理有限公司), a property management service provider, where he was primarily responsible for its property management business.

Mr. Ma obtained his bachelor's degree in architectural engineering from Central South University (中南大學) in the PRC in July 2001.

Mr. He Gang (何鋼), aged 51, has been serving as the general manager of our commercial business department since July 2016 and has been primarily responsible for the overall management of property management services for non-residential projects of our Group.

Prior to joining our Group, from December 2001 to July 2016, Mr. He successively served as the director of marketing and operations at Aramark Service Industry (China) Co., Ltd. (愛瑪客服務產業(中國)有限公司), a company principally engaged in providing property management, facilities management and food services, where he was primarily responsible for its project management and customer relationship.

Mr. He obtained his bachelor's degree in control engineering and electric automation from Zhengzhou University of Light Industry (鄭州輕工業學院) in the PRC in July 1993. He also completed the Engineering, Procurement and Construction and Agent Construction project manager training course (工程總承包和代建制項目經理培訓班) organized by Institute of International Engineering Project Management of Tsinghua University (清華大學國際工程項目管理研究院) in August 2005.

Mr. Wang Bing (王兵), aged 41, has been serving as the general manager of our mergers and acquisitions and integration department since September 2015 and has been primarily responsible for investment and acquisitions and business development of our Group.

Prior to joining our Group, from June 2005 to September 2015, Mr. Wang served as the general manager of the asset management consulting department of Shenzhen Worldunion Join Wealth Real Estate Management Incorporated (深圳世聯君匯不動產運營管理股份有限公司) (formerly known as Shenzhen Worldunion Xingye Asset Management Co., Ltd. (深圳世聯興業資產管理有限公司)), a subsidiary of Shenzhen Worldunion Group Incorporated (深圳世聯行集團股份有限公司), a real estate service provider whose shares are listed on the Shenzhen Stock Exchange (stock code: 002285), where he was primarily responsible for its asset management, strategies formulation and market development.

Directors and Senior Management

Mr. Wang obtained his bachelor's degree in architectural engineering from Jiangsu University of Science and Technology (江蘇科技大學) (formerly known as East China Shipbuilding Institute (華東船舶工業學院)) in the PRC in July 2002 and his master's degree in architectural technology science from Tianjin University (天津大學) in the PRC in March 2005.

Mr. Cai Daocheng (蔡道成), aged 43, has been servicing as our chief human resources officer since May 2017 and has been primarily responsible for human resources and administrative management of our Group. He served as a senior director of human resources and administrative department of Excellence Property Management from June 2016 to May 2017.

Prior to joining our Group, from May 2010 to June 2016, Mr. Cai worked at Sodexo Group, a company principally engaged in catering and facilities management services whose shares are listed on the Euronext Paris (stock code: SW), where he served as the regional human resources director in China. Mr. Cai later worked at Zhongshan Eurotec Electronics Ltd. (中山歐科電子有限公司), an electronic component manufacturer, where he served as a human resources manager. From March 2005 to December 2006, Mr. Cai served as a human resources and administrative manager at Dongguan Suonalong Shoe Industry Co., Ltd. (東莞所納隆鞋業服務有限公司), a shoes designer and manufacturer, where he was primarily responsible for its human resources and administrative matters.

Mr. Cai obtained his master's degree in business administration project management from the University of Management and Technology in the United States in December 2007. He was admitted as a Global Professional in Human Resources by Human Resource Certification Institution in May 2012.

Report of the Directors

The board (the "**Board**") of directors (the "**Directors**") of the Company is pleasant to submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (the "**Group**") during the Reporting Period.

GLOBAL OFFERING

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 13 January 2020. The Company's shares (the "**Shares**") were listed on the Main Board of the Stock Exchange on 19 October 2020 (the "**Listing Date**").

PRINCIPAL ACTIVITIES

As an investment holding company mainly providing property management services and related services, the Company runs its business through three business segments. To be specific, the property management service segment mainly engages in providing basic property management services and value-added services for property developers, property owners and tenants, including asset services which include preliminary property consulting services, agency services for second-hand property leasing and sales, light-asset property operation services and space operation services, as well as corporate services. The financial service segment mainly focuses on offering micro-lending to small and medium enterprises, individual business proprietors and individuals. Other service segments mainly focus on providing software development and apartment leasing services. The Company is mainly engaged in operating its business in China. The analysis of principal activities of the Group for the year ended 31 December 2020 is set out in note 4 to the consolidated financial statements.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2020 are set out in the consolidated statements of profit or loss and other comprehensive income on pages 73 to 74 of the annual report.

FINAL DIVIDENDS

The board of directors recommends the payment of a final dividend of HK9.51 cents per share for the year ended 31 December 2020. Such final dividend is subject to approval by the Company's shareholders (the "**Shareholders**") at the forthcoming annual general meeting (the "**AGM**") to be held on 16 June 2021, and is expected to be paid on or around 12 July 2021 to the Shareholders whose names appear on the Register of Members of the Company on 25 June 2021.

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from 10 June 2021 to 16 June 2021 (both days inclusive). In order to be eligible for attending and voting the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 9 June 2021.

For the purpose of determining the identity of the Shareholders entitled to receive the Final Dividend, the register of members of the Company will be closed from 23 June 2021 to 25 June 2021 (both days inclusive). In order to be eligible for receiving the Final Dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 22 June 2021.

DIVIDEND POLICY

Subject to the Companies Law of the Cayman Islands, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The articles of association of the Company (the "**Articles of Association**") provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve of the Company lawfully available for distribution including share premium.

The declaration of dividends is subject to the discretion of the Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our Shareholders; and
- any other factors which the Board may deem relevant.

The Board adopted a dividend policy that aims to allow the Shareholders to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities. Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from HKFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Any final dividend for a fiscal year shall be subject to our Shareholders' approval. The Group has not been aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

BUSINESS REVIEW

Business review in 2020 and discussion about future business development of the Group, as well as main risks and uncertain factors to be faced by the Group, and discussion about the compliance with laws and regulations that have significant impact on the Group are set forth in the section headed "Chairman's Statement" from page 4 to page 5 of the annual report, respectively. The performance analysis of the Group in 2020 based on key financial indicators is set forth in the Management Discussion and Analysis from page 6 to page 20 of the annual report.

The Group believes sustainable development is an important part in our development, and applies this concept to every aspect of our business operation and strives to create a better future for the Company and the society. The Group will deliver an independent Environmental, Social and Governance Report in accordance with Appendix 27 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

Report of the Directors

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on pages 179 to 180 of this annual report. The summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM THE LISTING

The Company issued 300,000,000 new shares listed on the Main Board of the Stock Exchange on the Listing Date, and partially exercised the over-allotment options on 11 November 2020 and issued 22,490,000 new shares. After the partial exercise of the over-allotment options and deducting underwriting fees and related expenses, the total proceeds from the listing are estimated to be approximately HK$3,359.5 million. As at the date of this annual report, the proceeds from the listing have not been utilized. The proceeds will be allocated and used in accordance with the purposes and schedule as stated in the Prospectus (the "**Prospectus**") of the Company dated 7 October 2020.

Major Categories	% of Total Proceeds	Amount (HK$ in millions)	Sub-categories	Specific Plans	% of Total Proceeds	Timeframe 2021	2022	2023	Actual amount of proceeds utilized as at 31 December 2020	Amount of proceeds unutilized as at 31 December 2020
						(HK$ in millions)				
Business expansion	70.0%	2,351.7	Strategic acquisitions and investments	We plan to strategically acquire or invest in majority interests in property management companies with sizeable operations in our target cities or holding landmark projects in first-tier and new first-tier cities.	60.0%	638.5	671.8	705.5	0	2,015.8
				We plan to acquire or invest in majority interests in third party service providers to provide specialized value-added services, such as mechanical and electrical services, indoor air treatment services and services to intelligence buildings when opportunities arise.	10.0%	100.7	100.7	134.5	0	335.9

Report of the Directors

Major Categories	% of Total Proceeds	Amount (HK$ in millions)	Sub-categories	Specific Plans	% of Total Proceeds	Timeframe 2021	2022	2023	Actual amount of proceeds utilized as at 31 December 2020	Amount of proceeds unutilized as at 31 December 2020
					(HK$ in millions)					
Development of information technology system	10.0%	134.3	Develop FM smart management information platform	We plan to increase the coverage of the FM smart management information platform, which covered about 80 out of over 300 projects we managed as at 30 June 2020, to cover all the projects under our management in satisfactory conditions within the next two to three years through (i) expanding our hardware infrastructures to the uncovered projects; (ii) continuing to develop and upgrade our software system of the FM smart management information platform; and (iii) strengthening internal training on the operation of FM smart management information platform. We plan to use IoT technologies to connect all the facilities under our management to our FM smart management information platform in order to collect operating data from these facilities.	4.0%	40.3	53.8	40.2	0	134.3

Report of the Directors

Major Categories	% of Total Proceeds	Amount (HK$ in millions)	Sub-categories	Specific Plans	% of Total Proceeds	Timeframe 2021 (HK$ in millions)	2022	2023	Actual amount of proceeds utilized as at 31 December 2020	Amount of proceeds unutilized as at 31 December 2020
				See "Business–Competitive Strengths–Technology-backed Services to Enhance Customer Experience and Management Efficiency" in the Prospectus for details on the functions of our FM smart management information platform.						
		134.3	Develop "O+" platform	We will (i) continue to upgrade the "O+" platform; (ii) secure quality supplies to enrich the offerings on the "O+" platform; and (iii) organize events for and provide benefits to customers to increase their loyalty. See "Business-Competitive Strengths-Technology-backed Services to Enhance Customer Experience and Management Efficiency" in the Prospectus for details on the functions of our "O+" platform.	4.0%	53.8	40.3	40.2	0	134.3
		67.2	Upgrade our information technology infrastructure to enhance internal control and management efficiency	We plan to upgrade our business management systems, including human resource system, finance system and business process management system, and develop business intelligence tools, to enhance our internal control and management efficiency.	2.0%	20.2	27.0	20.0	0	67.2

Report of the Directors

Major Categories	% of Total Proceeds	Amount (HK$ in millions)	Sub-categories	Specific Plans	% of Total Proceeds	Timeframe 2021	2022	2023	Actual amount of proceeds utilized as at 31 December 2020	Amount of proceeds unutilized as at 31 December 2020
						(HK$ in millions)				
Facility upgrades for the properties under our management	5.0%	168.0	Upgrading facilities for development of intelligent communities to enhance our operational efficiency and customers' satisfaction level	We plan to upgrade the facilities in some old residential properties under our management to develop intelligent communities. For example, we may install automatic entry control and face identification and entry control facilities in these residential properties, with an aim to save our labor costs and create a more convenient living environment for the residents.	5.0%	33.6	67.3	67.1	0	168.0
Attracting and nurturing talent	5.0%	168.0		We plan to: – provide trainings to our employees at key positions and identify and train up our future team leaders. – recruit key personnel strategically to support our business growth.	5.0%	67.0	50.5	50.5	0	168.0
General corporate purposes	10.0%	336.0	Working capital and general corporate purposes	–	10.0%	100.7	100.7	134.6	0	336.0

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2020, the transaction amounts of the Group's top five customers accounted for 31.7% of the total income (2019: 32.9%), and the transaction amounts of the Group's single largest customer accounted for 15.8% of the total income (2019: 10.6%).

Major Suppliers

For the year ended 31 December 2020, the transaction amounts of the Group's top five suppliers accounted for 30.8% of the total purchases of the Group for the year ended 31 December 2020 (2019: 18.7%), and the transaction amounts of the Group's single largest supplier accounted for 10.4% of the total purchases (2019: 7.8%).

During the Reporting Period, none of the Directors, any of their respective close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company's shares in issue) are interested in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 30 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in the consolidated statements of changes in equity on pages 77 to 78 of the annual report.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2020, the Company's reserves available for distribution amounted to approximately RMB2,892,546,000 (2019: Nil).

BANK LOANS AND OTHER BORROWINGS

Details of the bank loans and other borrowings of the Company and the Group as at 31 December 2020 are set out in note 24 to the consolidated financial statements.

Report of the Directors

DIRECTORS

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

Executive Directors:

Mr. Li Xiaoping *(Chairman)*
Ms. Guo Ying

Non-executive Directors:

Mr. Wang Dou
Mr. Wang Yinhu

Independent Non-executive Directors:

Mr. Huang Mingxiang
Mr. Kam Chi Sing
Ms. Liu Xiaolan

In accordance with article 83(3) of the Company's articles of association (the "**Articles of Association**"), the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting after his appointment and be subject to re-election at such meeting and any Director appointed by the Board 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.

In addition, in accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

Accordingly, Mr. Li Xiaoping, Ms. Guo Ying and Mr. Wang Dou shall retire from office and, being eligible, will offer themselves for re-election at the annual general meeting.

The particulars of Directors who are subject to re-election at the annual general meeting are set out in the circular to be despatched to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 21 to 27 of this annual report.

Report of the Directors

CONFIRMATION OF THE INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Mr. Huang Mingxiang, Mr. Kam Chi Sing, and Ms. Liu Xiaolan, a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules. The independent non-executive Directors do not and will not be involved in the daily operation of the Group and will abstain from voting in respect of any resolution. Therefore, the Company considers all of the independent non-executive Directors are independent persons since the Listing Date and up to the date of this annual report.

SERVICE CONTRACT AND LETTER OF APPOINTMENT OF THE DIRECTORS

Each of our executive Directors has entered into a service agreement 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.

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.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation).

INTEREST OF DIRECTORS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENT OR CONTRACTS

During the Reporting Period and up to the date of this annual report, none of the Directors has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

The remuneration committee of the Company (the "**Remuneration Committee**") was set up for reviewing the Group's remuneration policy and structure of the Directors and senior management of the Group, having regard to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

As at 31 December 2020, the Group had a total of 11,532 and 72 full-time employees (31 December 2019: 12,064 and 78) in the PRC and India, respectively. The Group provides its employees with competitive remuneration packages such as fees, salaries, allowances and benefits in kind, bonuses and contributions to pension schemes and social benefits. The Group contributes to social insurance such as medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing provident fund for its employees.

The Group's companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group. No forfeited contribution under these plans is available to reduce the contribution payable in future years.

The Group also participates in a employees' provident fund for all employees in India, which is a defined contribution retirement scheme, The contributions to the employees' provident fund are based on statutory contribution requirement of eligible employees' relevant aggregate income. No forfeited contribution under the the employees' provident fund is available to reduce the contribution payable in future years. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

Details of the remuneration of the Directors, and the five highest paid individuals during the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements respectively.

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 9 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been 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 they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules were as follows:

Report of the Directors

Interests in the Shares of the Company

Name of Director	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage of Interests in the Company	Long/Short Position
Mr. Li Xiaoping ("**Mr. Li**")	Interest of spouse	117,900,000(1)	9.64%	Long position
	Beneficial owner	16,200,000(2)	1.33%	Long position
Ms. Guo Ying ("**Ms. Guo**")	Beneficial owner	1,200,000(2)	0.10%	Long position

Notes:

(1) Mr. Li is the spouse of Ms. Xiao Xingping ("**Ms. Xiao**"). By virtue of the SFO, Mr. Li is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.

(2) Such interest is in the form of share options of our Company which have been granted but have not yet been exercised as at the date of this annual report.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was 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 they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under the age of 18, or were there any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Interests in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage of Interests in the Company	Long/Short Position
Mr. Li Wa [1]	Interest in a controlled corporation	719,100,000	58.82%	Long position
Oriental Rich Holdings Group Limited ("**Oriental Rich**")[1]	Interest in a controlled corporation	719,100,000	58.82%	Long position
Urban Hero Investments Limited ("**Urban Hero**")[1]	Beneficial owner	719,100,000	58.82%	Long position
Ms. Xiao Xingping[2]	Interest in a controlled corporation	117,900,000	9.64%	Long position
Ever Rainbow Holdings Limited ("**Ever Rainbow**")[2]	Beneficial owner	117,900,000	9.64%	Long position
Mr. Li Yuan[3]	Interest in a controlled corporation	63,000,000	5.15%	Long position
Autumn Riches Limited ("**Autumn Riches**")[3]	Beneficial owner	63,000,000	5.15%	Long position

Notes:

(1) Urban Hero is wholly owned by Oriental Rich, which is in turn wholly owned by Mr. Li Wa. By virtue of the SFO, each of Oriental Rich and Mr. Li Wa is deemed to be interested in the same number of Shares in which Urban Hero is interested.

(2) Ever Rainbow is wholly owned by Ms. Xiao. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Ever Rainbow is interested.

(3) Autumn Riches is wholly owned by Mr. Li Yuan. By virtue of the SFO, Mr. Li Yuan is deemed to be interested in the same number of Shares in which Autumn Riches is interested.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

Report of the Directors

SHARE OPTION SCHEME

1. Share Option Scheme

The Share Option Scheme was approved and adopted by the written resolutions of our Shareholders on 28 September 2020.The Share Option Scheme is established to recognize and acknowledge the contributions that the Eligible Participants had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group. For further details on the Share Option Scheme, please refer to "Appendix IV-Statutory and General Information–D. Other Information–1. Share Option Scheme" in the Prospectus.

2. Pre-IPO Share Option Scheme

The Pre-IPO Share Option Scheme was approved and adopted by the written resolution of our Shareholders on 9 September 2020. The Pre-IPO Share Option Scheme is to enable the Company to grant options to Pre-IPO Eligible Participants as incentives or rewards for their contribution or potential contribution to any member of our Group. For further details on the Pre-IPO Share Option Scheme, please refer to "Appendix IV–Statutory and General Information–D. Other Information–2. Pre-IPO Share Option Scheme" in the Prospectus.

(i) Purpose

The Pre-IPO Share Option Scheme is to enable the Company to grant options to Pre-IPO Eligible Participants (as defined in sub-paragraph (b)) as incentives or rewards for their contribution or potential contribution to any member of our Group.

(ii) Who may join

The Board may at its discretion grant options to persons who satisfy the following eligibility criteria ("**Pre-IPO Eligible Participant(s)**"):

(i) any full-time employee, administrative personnel, and senior staff of an member of our Group;

(ii) any director (including non-executive director and independent non-executive director) of any member of our Group;

(iii) any other eligible person who, in the discretion of our Board and its authorized person, has made contributions or will make contributions to our Group.

(iii) Maximum number of Shares available for subscription

The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 28,200,000 Shares, representing 2.35% of the issued share capital of our Company upon completion of the Listing (without taking into account the exercise of the Over-allotment Option or Shares which may be issued pursuant to the exercise of options granted under the Pre-IPO Share Option Scheme and options which may be granted under the Share Option Scheme).

(iv) Price of Shares

The exercise price per Share in respect of any particular option granted under the Pre-IPO Share Option Scheme is HK$5.36, which was determined with reference to the fair value of the Shares as at 3 August 2020, based on a valuation report prepared by an independent valuer appointed by our Company.

(v) Exercise of options

An option may be exercised according to the terms of the Pre-IPO Share Option Scheme in whole or in part by the Grantee after vesting but before the expiry of five years after the grant date ("**Exercisable Period**") by giving notice in writing to our Company stating that the option is to be exercised and the number of Shares in respect of which it is exercised, provided that the number of Shares shall be equal to the size of a board lot for dealing in Shares on the Stock Exchange or an integral number thereof. The Grantee shall also fully pay to our Company the exercise price in Hong Kong dollars in immediately available funds.

On 9 September 2020, the Company granted the options in relation to a total of 28,200,000 shares to the eligible persons in accordance with the terms of the Pre-IPO Share Option Scheme.

For the year ended 31 December 2020, details of the movements on the share option under the Pre-IPO Share Option Scheme are set out as follows:

Category and name of the Grantee	Outstanding as at 1 January 2020	Granted during the year	Outstanding as at 31 December 2020	Exercise price per share (HK$)
Directors				
Mr. Li Xiaoping	–	16,200,000	16,200,000	5.36
Ms. Guo Ying	–	1,200,000	1,200,000	5.36
Subtotal	–	17,400,000	17,400,000	
Other participants	–	10,800,000	10,800,000	5.36
Total	–	28,200,000	28,200,000	

Further details of the Pre-IPO Share Option Scheme during the Reporting Period are set out in note 28 to the consolidated financial statements.

Save as disclosed above, the Company has not entered into any other share option scheme.

EQUITY-LINKED AGREEMENT

Save as disclosed in the annual report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries or subsisted at the end of the year.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

Save for the Company's initial public offering as described in the Prospectus and the additional 22,490,000 Shares allotted and issued on 17 November 2020 as a result of the partial exercise of the over-allotment option on 11 November 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date up to 31 December 2020.

PRE-EMPTIVE RIGHTS

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

TAX RELIEF AND EXEMPTION

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

INTERESTS OF DIRECTORS IN THE COMPETITIVE BUSINESS

Save as disclosed in the Prospectus, none of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of our Group since the Listing Date and up to the date of this annual report.

COMPLIANCE WITH NON-COMPETITION DEED

On 4 October 2020, the controlling shareholders of the Company, namely, Mr. Li Wa, Oriental Rich and Urban Hero (the "**Controlling Shareholders**"), have entered into the Non-competition Deed in favour of the Company and its subsidiaries, pursuant to which, the Controlling Shareholders will not, and will not procure their associates to compete with the Group in relation to the relevant business. Our Controlling Shareholders have also undertaken to our Company that they will, and will procure their associates to refer the New Business Opportunity to our Company. For details, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The independent non-executive Directors of the Company are responsible for checking, reviewing, considering and deciding whether or not to adopt and accept new business opportunities referred by the Controlling Shareholders or its subsidiaries to the Company.

Our Controlling Shareholders have undertaken that they have complied with the Non-competition Deed during the Year. The independent non-executive Directors of the Company have monitored and reviewed the implementation of the Non-competition Deed during the Year and confirmed that the Controlling Shareholders have fully complied with the Deed and no breach of the Non-competition Deed occurred.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

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

Continuing Connected Transactions

During the Reporting Period, the Group has entered into the following continuing connected transactions:

As disclosed in the prospectus, the following transactions of the Group constitute continuing connected transactions of the Company. For more details on continuing connected transactions, please refer to the section headed "Connected Transactions" on pages 243 to 256 of the Prospectus.

1. *Commercial Properties Lease Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a master commercial properties lease agreement (the "**Master Commercial Properties Lease Agreement**") with Mr. Li Wa ("**Mr. Li**"), pursuant to which we will lease from associates of Mr. Li ("**Mr. Li's Companies**") (i) certain car parking lots situated in residential and commercial properties managed by us for sub-leasing to residents and tenants in those residential and commercial properties; and (ii) certain public areas in the commercial properties held by Mr. Li's Companies and managed by us for commercial use, including but not limited to advertisement and provision of car wash services. The Master Commercial Properties Lease Agreement has a term commencing from the Listing Date until 31 December 2022.

The maximum annual fee payable by us under the Master Commercial Properties Lease Agreement for the three years ended 31 December 2022 will not exceed RMB39.2 million, RMB41.6 million and RMB44.2 million, respectively. For the year ended 31 December 2020, the Group's fees paid for the Master Commercial Properties Lease Agreement amounted to RMB34.0 million.

As at 31 December 2020, Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Commercial Properties Lease Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Report of the Directors

2. *Master Procurement & Maintenance Services Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a master procurement and maintenance services agreement (the "**Master Procurement & Maintenance Services Agreement**") with Shenzhen Shenghengda Electrical Equipment Co., Ltd. ("**Shenghengda Elevator**"), pursuant to which our Group agreed to (i) procure elevators accessories from Shenghengda Elevator; and (ii) engage Shenghengda Elevator to provide accessorial installation, maintenance and repair services for such elevators (the "**Procurement & Maintenance Services**"). The Master Procurement & Maintenance Services Agreement has a term commencing from the Listing Date until 31 December 2022.

The maximum annual fee payable by our Group in relation to the Procurement & Maintenance Services to be provided by Shenghengda Elevator for the three years ended 31 December 2022 will not exceed RMB31.1 million, RMB37.3 million and RMB40.2 million, respectively. For the year ended 31 December 2020, the Group's fees paid for the Procurement & Maintenance Services amounted to RMB19.4 million.

As at 31 December 2020, Shenghengda Elevator was owned as to 98.5% by Ms. Li Xin. Ms. Li Xin was a director of Shenghengda EE, our wholly-owned subsidiary, in the past 12 months and Shenghengda Elevator is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Procurement & Maintenance Services Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

3. *Master IT System Support Services Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a master information technology system support services agreement (the "**Master IT System Support Services Agreement**") with Shenzhen Zhenglian Haodong Technology Development Co., Ltd. ("**Zhenglian Haodong**"), pursuant to which Zhenglian Haodong agreed to provide information technology system support services to our Group, including but not limited to (i) development, operation, maintenance and upgrade of online intelligent platform for property management; and (ii) maintenance and upgrade of online office system, business process management system and internal control management system (the "**IT System Support Services**"). The Master IT System Support Services Agreement has a term commencing from the Listing Date until 31 December 2022.

The maximum annual fee payable by our Group in relation to the IT System Support Services to be provided by Zhenglian Haodong for the three years ended 31 December 2022 will not exceed RMB2.6 million, RMB3.9 million and RMB4.3 million, respectively. For the year ended 31 December 2020, the Group's fees paid for the IT System Support Services amounted to RMB1.2 million.

As at 31 December 2020, Zhenglian Haodong was indirectly controlled by Excellence Real Estate Group Co., Ltd. ("**Excellence Real Estate**") which was owned as to 95.0% by Mr. Li. Mr. Li is one of our Controlling Shareholders and Zhenglian Haodong is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master IT System Support Services Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Report of the Directors

4. *Property Agency Services Framework Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a property agency services framework agreement (the "**Property Agency Services Framework Agreement**") with Mr. Li, pursuant to which our Group agreed to provide property agency services in respect of (i) the sales of residential and commercial properties developed by Mr. Li's Companies, (ii) the unleased units in the office buildings and unleased ancillary commercial units in the residential communities owned by Mr. Li's Companies and managed by us (the "**Property Agency Services**"). The Property Agency Services Framework Agreement has a term commencing from the Listing Date until 31 December 2022.

The maximum annual fee payable by Mr. Li's Companies in relation to the Property Agency Services under the Property Agency Services Framework Agreement for the three years ended 31 December 2022 will not exceed RMB2.6 million, RMB2.9 million and RMB3.2 million, respectively. For the year ended 31 December 2020, the Group's fees paid for the Property Agency Services Framework Agreement amounted to RMB2.2 million.

As at 31 December 2020, Mr. Li Wa is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Property Agency Services Framework Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

5. *Master Property Management Services Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a master property management services agreement (the "**Master Property Management Services Agreement**") with Mr. Li, pursuant to which we agreed to provide Mr. Li's Companies with property management services, including but not limited to (i) pre-delivery services including (a) the on-site security, cleaning, and display units and on-site sales office management services; (b) preliminary planning and design consultancy services; (c) house inspection; and (d) pre-delivery cleaning services; and (ii) the property management services for the unsold residential property units and commercial properties owned and used by Mr. Li's Companies, for a term commencing from the Listing Date to 31 December 2022.

The maximum annual fee payable by Mr. Li's Companies in relation to the Property Management Services for the three years ended 31 December 2022 will not exceed RMB204.8 million, RMB291.7 million and RMB370.3 million, respectively. For the year ended 31 December 2020, the Group's fees paid for the Property Management Services amounted to RMB199.2 million.

As at 31 December 2020, Mr. Li Wa is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management Services Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Report of the Directors

6. *Master Supply & Installation Agreement*

On 5 October 2020, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master supply and installation agreement (the "**Master Supply & Installation Agreement**") with Mr. Li, pursuant to which our Group agreed to provide assistance to (i) the supply of (a) ventilation and air conditioning system; (b) floor heating and water heating system; and (c) intelligent home system including but not limited to access control and surveillance system to Mr. Li's Companies; and (ii) the related installation services (the "**System Supply & Installation Services**"). The Master Supply & Installation Agreement has a term commencing from the Listing Date until 31 December 2022.

The total contract value with Mr. Li's Companies in relation to the System Supply & Installation Services for the three years ended 31 December 2022 will not exceed RMB108.6 million, RMB150.0 million and RMB235.0 million, respectively. For the year ended 31 December 2020, the total contract value of the Group for the System Supply & Installation Services amounted to RMB107.4 million.

As at 31 December 2020, Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supply & Installation Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

During the Reporting Period and pursuant to Rule 14A.55 of the Listing Rules, our independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and have confirmed that such transactions were entered into:

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

(ii) on normal commercial terms or better; and

(iii) on terms that are fair and reasonable and in a manner that is in the overall interests of the Company and its shareholders.

For the purpose of Rule 14A.56 of the Listing Rules, 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, and concluded that such transactions:

(1) have been approved by the Board;

(2) have followed the pricing policies of the Group in all material aspects, if they involve the goods or services provided by the Group;

(3) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and

(4) have an aggregate amount not exceeding the relevant cap disclosed in Prospectus.

The related party transactions mentioned in note 34 to the consolidated financial statements constitute the connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

The Group made no charitable donations and other donations during the Reporting Period.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, the Company was not involved in any material legal proceedings or arbitrations. To the best knowledge of the Directors, there is no material legal proceeding or claim which is pending or threatening against the Company.

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this annual report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company). The Company has purchased appropriate directors' and officers' liability insurance for its Directors and senior staff.

Report of the Directors

SIGNIFICANT ACQUISITIONS AND DISPOSALS

During the year ended 31 December 2020, the Company had no significant acquisitions and disposals of associates and joint ventures.

EVENTS AFTER THE BALANCE SHEET DATE

Details of the significant events after the balance sheet date are set out in note 36 to the consolidated financial statements.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has, together with the senior management and the external auditor of the Company, reviewed the accounting principles and practices adopted by our Group as well as the audited consolidated financial statements for the year ended 31 December 2020.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 49 to 63 in this annual report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of our Directors' knowledge, information and belief, the Company has maintained sufficient public float as approved by the Stock Exchange and as permitted under the Listing Rules during the entire period from the Listing Date to the date of this annual report.

AUDITORS

KPMG is appointed as auditor of the Company for the year ended 31 December 2020. KPMG has audited the accompanying financial statements which were prepared in accordance with the HKFRS.

By Order of the Board
Chairman
Li Xiaoping

Hong Kong, 25 March 2021

Corporate Governance Report

The Board is pleasured to present the Corporate Governance Report of the Company during the period from the Listing Date to the date of this annual report (the "**Relevant Period**").

CORPORATE GOVERNANCE PRACTICES

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 Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Listing Rules as its own corporate governance code. The Company has complied with all applicable code provisions under the CG Code during the Relevant Period, and the Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

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 three Board committees, including the Audit Committee, the Remuneration Committee and the Nomination Committee (the "**Nomination Committee**") (collectively, the "**Board Committees**"). 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 their duties in good faith in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

Corporate Governance Report

COMPOSITION OF THE BOARD OF DIRECTORS

As at the date of this annual report, the Board comprised two executive Directors, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. Li Xiaoping *(Chairman)*
Ms. Guo Ying

Non-executive Directors:

Mr. Wang Dou
Mr. Wang Yinhu

Independent non-executive Directors:

Mr. Huang Mingxiang
Mr. Kam Chi Sing
Ms. Liu Xiaolan

The biographies of the Directors are set out in section headed "Directors and Senior Management" in this annual report.

During the Relevant Period, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

In order to enhance the effectiveness of our Board and to maintain high standard of corporate governance, the Company has adopted the board diversity policy which sets out the objectives and approach to achieve and maintain diversity on our Board. Pursuant to the board diversity policy, the Company seeks to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

The board diversity policy is summarized as follows:

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board comprises of seven members, including two female Directors. Our Directors also have a balanced mix of knowledge, skills and experience, including property operation and management, marketing, finance and investment. They obtained degrees in various majors including economics, laws, business administration, and management. Furthermore, our Board has a wide range of age, ranging from 44 years old to 63 years old. We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Taking into account our business model and specific needs as well as the presence of two female Directors out of a total of seven Board members, we consider that the composition of our Board satisfies our board diversity policy.

With regards to gender diversity on the Board, our board diversity policy further provides that our Board shall take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

Our nomination committee is responsible for ensuring the diversity of our Board members. After Listing, our nomination committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis.

Corporate Governance Report

Save as disclosed in the biographies of the Directors as set out in the section headed "Directors and Senior Management" of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

INDUCTION AND CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The company secretary of the Company updates and provides the Directors with written training materials in relation to their roles, functions and duties from time to time.

According to the Directors, the trainings received by them during the year ended 31 December 2020 are summarized as follows:

Name of Director	Nature of continuous professional development program
Mr. Li Xiaoping	A/C/D
Ms. Guo Ying	A/C/D
Mr. Wang Dou	C/D
Mr. Wang Yinhu	C/D
Mr. Huang Mingxiang	C/D
Mr. Kam Chi Sing	C/D
Ms. Liu Xiaolan	C/D

Notes:

A: attending seminars and/or conferences and/or forums and/or briefings

B: making speeches at seminars and/or conferences and/or forum

C: participating in training provided by law firms and that relating to the business of the Company

D: reading materials on various topics, including corporate governance, directors' duties, Listing Rules and the amendments to other relevant laws

CHAIRMAN AND GENERAL MANAGER

Under the code provision A.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Xiaoping acts as the chairman of the Board, and Ms. Guo Ying acts as the General Manager, and the two different positions are clearly defined by their respective functions. The chairman of the Board is responsible for providing overall strategic planning and major business decisions of our Group, while the General Manager is responsible for implementing the strategies and daily operations of the Group.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service agreement 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.

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.

Save as disclosed above, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

Pursuant to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if the number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retried director is eligible for re-election and shall continue to act as the Director throughout the meeting at which his/her retires.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's composition, and making recommendations to the Board on the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are despatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are available for inspection by all Directors.

During the Relevant Period, 3 Board meetings and no general meetings were held by the Board, and the attendance of each Director at the Board meeting is set out in the table below:

Name of Director	Attended/Eligible to attend the Board meeting
Mr. Li Xiaoping	3/3
Ms. Guo Ying	3/3
Mr. Wang Dou	3/3
Mr. Wang Yinhu	3/3
Mr. Huang Mingxiang	3/3
Mr. Kam Chi Sing	3/3
Ms. Liu Xiaolan	3/3

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions conducted by Directors. After making specific enquiries to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the Relevant Period.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of the Directors, which includes:

(a) to review and monitor the Company's policies and practices in complying with legal and regulatory requirements;

(b) to review and monitor the training and continuous professional development of Directors and senior management;

(c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;

(d) to develop and review the Company's corporate governance policies and practices and make recommendations and report on related issues to the Board;

(e) to review the Company's compliance with the CG Code and the disclosures in the Corporate Governance Report; and

(f) to review and monitor the Company's compliance with its whistle blowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises Mr. Wang Dou, a non-executive Director, and Mr. Huang Mingxiang, Mr. Kam Chi Sing and Ms. Liu Xiaolan, independent non-executive Directors. Mr. Kam Chi Sing serves as the Chairman of the Audit Committee.

The major duties of the Audit Committee are as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;

2. to review the Company's financial information, to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;

3. to monitor the Company's financial reporting system, risk management and internal control systems, to review the Company' financial controls, and the Company's risk management and internal control systems, and to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems; and

4. to perform the Company's corporate governance procedures, to develop and review the Company's policies and practices on corporate governance, and to make recommendations to the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

Since the Company was listed on the Stock Exchange as at the Date of Listing, the Audit Committee did not hold any meetings during the Relevant Period. The first Audit Committee meeting was held on 25 March 2021, at which the Audit Committee has reviewed, among other things, the consolidated financial statements of the Group for the year ended 31 December 2020 and the risk management and internal control systems.

Nomination Committee

The Nomination Committee currently comprises Mr. Li Xiaoping, an executive Director, and Mr. Huang Mingxiang, Mr. Kam Chi Sing and Ms. Liu Xiaolan, independent non-executive Directors. Mr. Li Xiaoping serves as the Chairman of the Nomination Committee.

The major duties of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's strategy;

2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

3. to assess the independence of independent non-executive Directors;

4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and

5. to review the Board diversity policy and the measurable objectives and achievements of these objectives set by the Board from time to time.

Corporate Governance Report

The Nomination Committee evaluates the candidate or incumbent based on the criteria of integrity, experience, skills, and time and effort devoted to the performance of their duties. 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 Stock Exchange and the Company.

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Since the Company was listed on the Stock Exchange as at the Listing Date, the Nomination Committee did not hold any meetings during the Relevant Period. The first Nomination Committee meeting was held on 25 March 2021, at which the Nomination Committee has reviewed, among other things, the policy for the structure, size and composition of the Board and assessed independence of the independent non-executive Directors.

Remuneration Committee

The Remuneration Committee currently comprises Mr. Li Xiaoping, an executive Director, and Mr. Huang Mingxiang, Mr. Kam Chi Sing and Ms. Liu Xiaolan, independent non-executive Directors. Mr. Huang Mingxiang serves as the Chairman of the Remuneration Committee.

The major duties of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;

2. to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives; and

3. to make recommendations to the Board on the remuneration of non-executive Directors.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

Since the Company was listed on the Stock Exchange as at the Listing Date, the Remuneration Committee did not hold any meetings during the Relevant Period. The first Remuneration Committee meeting was held on 25 March 2021, at which the Remuneration Committee has reviewed the remuneration and compensation packages of the Directors and senior management by reference to, including but not limited to the Group's operating results, individual performance of the Directors and senior management and comparable market practices.

Remuneration of Directors and Senior Management

Pursuant to code provision B.1.5 of the CG Code, for the year ended 31 December 2020, details of the remuneration of the Senior Management of the Company are set out below:

Remuneration band of Senior Management	Number of individuals
Nil – HKD1,000,000	–
HKD1,000,001 – HKD1,500,000	–
HKD1,500,001 – HKD2,000,000	–
HKD2,000,001 – HKD2,500,000	2
HKD2,500,001 – HKD3,000,000	3

Details of the Directors' remuneration are set out in the note 8 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2020 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The Management has provided the Board with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval.

The Directors were not aware of any material uncertainties relating to events or conditions which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the auditors regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 64 to 72 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems is a four-level structure comprising the Board, Audit Committee, Senior Management and internal audit department.

The Board acknowledges that it is the responsibility of the Board for maintaining adequate risk management and internal control systems to (i) safeguard the investments of Shareholders and assets of the Company and avoid inappropriate use or disposal; (ii) comply with relevant laws, rules or regulations; and (iii) keep reliable financial and accounting records in accordance with relevant reviewing standards and regulatory reporting requirements and review the effectiveness of such systems on an annual basis. Risk management and internal control systems are 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.

Corporate Governance Report

The Board has authorized the Audit Committee to take charge of the on-going monitoring of the Group's risk management and internal control system as well as the annual review of its effectiveness. Such review covers all material control aspects, including financial control, operation control and compliance control. As disclosed in the terms of reference of the Audit Committee, the Audit Committee is responsible for monitoring the Company's risk management and internal control systems, oversees the risk management process and review the effectiveness of the risk management and internal control systems through the following procedures:

- To review the Company's risk management procedures and policy;
- To discuss with the Senior Management about the compliance with risk management policy at least each year;
- To discuss with the Senior Management about major risks faced by the Company, evaluate, together with the Senior Management, the measures taken or to be taken to cope with these risks at least each year; and
- To continuously review the effectiveness of the Company's risk management practices.

The Senior Management is responsible for managing the Company's risk management procedures, to ensure compliance with the risk management policy after considering the environmental changes and risk taking capacity of the Company. Responsibilities of Senior Management of the Company include:

- To design and implement the risk management policy across the Company;
- To timely review and update the risk management policy based on the operating and risk structure of the environment, industry and the Company, to ensure its pertinence and efficiency, and make recommendations about the changes in risk management policy, if necessary, to the Audit Committee for review;
- To ensure supplementary relationship between the risk management procedures and annual strategy & business planning procedures of the Company;
- To design and establish a whole set of risk management methodology for providing an appropriate tools to identify, evaluate and manage the business risks;
- To establish a company-wide reporting system and ensure that the Senior Management, the Audit Committee and the Board are aware of all significant risk matters and business risks;

- To ensure that necessary management controls and oversight procedures have been taken to monitor the implementation of risk management policy and the risk management methodology;

- To approve and control the positioning and trend of major risks, risk management strategies and risk management priority rating;

- To review and discuss the Company's overall risk structure, major and emerging risks and risk management activities by discussing with the Senior Management on a regular basis; and

- To review the principal business strategies and plans to evaluate their impact on the Company's overall risk positioning.

Risk Management Procedures

Apart from the oversight responsibilities of the Board, the Company also develops the risk management procedures for identifying, evaluating and managing major risks and solving the significant internal control deficiencies (if any). The Senior Management is responsible for reporting the risks annually through the internal audit department. Members of the internal audit department could meet several members of the Senior Management to review and evaluate the risks, discuss about the solutions for significant internal control deficiencies (if any), including any changes in annual suitability, aggregation and rating of risks, and development of risk mitigation plans. Several members of the Senior Management could review the risk evaluation and submit it to the Audit Committee and the Board for their review.

The Board and Senior Management could evaluate the risks based on (i) severity of impact of risks on the Company's financial results; (ii) probability of risk occurrence; and (iii) possible rate or speed of risk occurrence. The main features of the Company's risk management and internal control structure include: (i) exclusive departments are designated to be responsible for the implementation and execution of the Company's risk management and internal control system and heads of major operating divisions or departments are in charge of the management and mitigation of identified risks; (ii) the Management ensures appropriate measures have been taken in relation to significant risks that may affect the Group's business and operation; and (iii) internal audit department provides independent confirmation to the management and Audit Committee on the effectiveness of risk management and internal control. During the Reporting Period, the Company guarantees the compliance with the risk management and internal control provisions of the CG Code. During the annual review of risk management and internal control systems, the Board confirms that the Company has sufficient resources, qualification and experience in accounting, internal audit and financial reporting functions.

Inside Information

With regard to any exceptional significant events that may affect the share price or transaction volume, the Board evaluates the possible impact, and determine whether such information falls within the scope of inside information as stipulated in Rules 13.09 and 13.10 of the Listing Rules and Part XIVA of the SFO, and whether it is necessary to make disclosure as soon as feasibly practicable. Executive Directors and the Joint Company Secretary are also responsible for approving the announcements and/or circulars the Board delegates the Company to publish from time to time.

Corporate Governance Report

Internal Audit Department

The Group's internal audit department plays an important role in monitoring the internal governance of the Company. The major responsibilities of the internal audit department include reviewing the financial condition and internal control of the Company, and conducting overall audit of all branches and subsidiaries of the Company on a regular basis.

AUDITORS' REMUNERATION

The approximate remuneration for the audit and non-audit services provided by the auditor to the Company during the Relevant Period is as follows:

Type of Services	RMB'000
Audit services	2,580
Non-audit services*	5,050
Total	7,630

* The non-audit services mainly represents audit services, tax advisory services and other professional services relating to the Listing.

JOINT COMPANY SECRETARIES

Mr. Lv Li was appointed as one of our joint company secretaries on 22 May 2020. The biographical details of Mr. Lv is set out under the "Directors and Senior Management – Senior Management" of the annual report.

Ms. Fok Po Yi was appointed as one of our joint company secretaries on 22 May 2020, and she resigned from the position on 5 February 2021. On the very same day, Ms. Chan Tsz Yu was appointed to replace Ms. Fok as the joint company secretary. Ms. Chan concurrently acts as an assistant manager of SWCS Corporate Service Group (Hong Kong) Limited ("**SWCS**"), which is a company with the focus on providing the company secretary services. The primary contact person of Ms. Fok and Ms. Chan in the Company is Mr. Lv Li.

During the year ended 31 December 2020, both Mr. Lv and Ms. Fok have undertaken not less than 15 hours of relevant professional training, respectively, in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make the informed investment decisions.

The Company's AGM provides opportunity for the Shareholders to directly communicate with the Directors. The chairman of the Company and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

To promote effective communication, the Company adopts a shareholders' communication policy which aims at establishing a two-way relationship and communication between the Company and the Shareholders and sets up an official website (http://www.excepm.com), where up-to-date information on the Company's business operations and development, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard the 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 general 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.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, Shareholders may propose to convene the general meeting at any time it thinks appropriate. Any one or more members holding as at 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) shall, at any times, have the right, by written requisition to the Board or any one of the company secretaries of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such request, and such meeting shall be held within two (2) months after the submission of such request. If, within twenty one (21) days of such submission, the Board fails to proceed to convene such meeting the requisitionist himself/herself may do so in the same manner, and all reasonable expenses incurred by the requisitionist due to the Board's failure shall be reimbursed to the requisitionist by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the Investor Relations Department of the Company by sending an email to ir@exceam.com.

CHANGES IN CONSTITUTIONAL DOCUMENTS

The Company adopted the amended and restated Memorandum of Association and Articles of Association on 28 September 2020 with effect from the Listing Date. There was no change in the Memorandum of Association and Articles of Association during the Relevant Period.

Independent Auditor's Report

Independent auditor's report to the members of
Excellence Commercial Property & Facilities Management Group Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Excellence Commercial Property & Facilities Management Group Limited ("the Company") and its subsidiaries ("the Group") set out on pages 73 to 178, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit and loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the 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 ("HKSAs") 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") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and 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 judgement, 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 MATTERS *(continued)*

Expected credit loss allowance for trade receivables

Refer to note 20 to the consolidated financial statements and the accounting policies note 2(l)(i).

The Key Audit Matter

As at 31 December 2020, the Group's gross trade receivables amounted to RMB498,653,000, which represented 11.51% of the current assets of the Group. Management assessed the expected credit losses ("ECLs") of the trade receivables and an allowance of RMB37,732,000 was made against the trade receivables as at 31 December 2020.

The Group's trade receivables comprised mainly receivables from property owners, property developers and other third parties.

Management assessed the ECLs of trade receivables based on assumptions about expected credit loss rates at the end of each reporting period. The Group used judgement in making these assumptions and selecting the inputs to the calculation, based on the Group's past history of loss pattern, ageing profile of the receivables, existing market condition as well as forward-looking information.

We identified assessing the ECL allowance for trade receivables as a key audit matter because the balance of trade receivables is material to the Group and the assessment of expected credit loss is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowance for trade receivables included the following:

- obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal control over the assessment of the expected credit losses of trade receivables;
- evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;
- assessing the appropriateness of the estimated credit loss rates by examining historical default data and movements of the ageing of trade receivables and evaluating whether the expected credit loss rates are appropriately adjusted based on the current market conditions and forward -looking information;
- assessing whether items in the trade receivables aging report were categorised in the appropriate ageing bracket by comparing a sample of individual items with the demand notes, sales invoices and other relevant underlying documentation;
- re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies; and
- assessing the reasonableness of the disclosures in the consolidated financial statements in respect of ECL allowance for trade receivables with the reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Potential impairment of goodwill

Refer to note 15 to the consolidated financial statements and the accounting policies note 2(l)(ii).

The Key Audit Matter

As at 31 December 2020, the carrying value of the Group's goodwill amounted to RMB271,722,000 million, which represented 5.51% of the Group's consolidated total assets.

Goodwill was recognised in the consolidated statement of financial position as a result of businesses acquisitions completed in previous years.

Management performs annual impairment assessment of goodwill based on discounted cash flow forecast prepared for each cash-generating unit ("CGU") to which goodwill is allocated. The impairment assessment is carried out by management with reference to a valuation report prepared by an external valuer appointed by management.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill included the following:

- obtaining an understanding of and assessing the appropriateness of the management's impairment assessment model, evaluating the identification of the CGUs and the allocation of assets to that CGUs with reference to the requirements of the prevailing accounting standards;
- assessing the qualifications, experience and expertise of the external valuer appointed by management;
- discussing future operating plans with management and challenging the key assumptions adopted in the discounted cash flow forecasts, in particular in relation to revenue growth rates and profit margin, by comparing these with publicly available market benchmark, historical results, economic and industry forecasts;
- performing a retrospective review by comparing the revenue growth rates and profit margin included in the prior year's discounted cash flow forecasts with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified and whether there is any indication of management bias;

KEY AUDIT MATTERS *(continued)*

Potential impairment of goodwill *(continued)*

Refer to note 15 to the consolidated financial statements and the accounting policies note 2(l)(ii).

The Key Audit Matter

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in determining the appropriate short-term and long-term revenue growth rates, profit margin and discount rates.

We identified the assessment of potential impairment of goodwill as a key audit matter because the assessment of the recoverable amount of CGUs can be inherently subjective and requires the exercise of significant management judgement and estimation which increases the risk of error or management bias.

How the matter was addressed in our audit

- with the assistance of our internal valuation specialists, evaluating the appropriateness of the discount rates by benchmarking against other comparable companies in the same industry;
- evaluating the sensitivity analysis prepared by management for each of the key assumptions adopted in the discounted cash flow forecasts and considering the possibility of error or management bias; and
- assessing the reasonableness of the disclosures in the consolidated financial statements in relation to goodwill with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Loss allowance of loans receivable

Refer to note 21 to the consolidated financial statements and the accounting policies note 2(l)(i).

The Key Audit Matter

As at 31 December 2020, the Group's gross loans receivable amounted to RMB384,970,000 and a loss allowance amounted to RMB16,434,000 has been made.

The determination of loss allowance of loans receivable using the ECL model is subject to a number of key parameters and assumptions, including the identification of loss stages, estimates of probability of default, loss given default, exposures at default and adjustments for forward-looking information and other adjustments. Management judgement is involved in the selection of those parameters and the application of the assumptions.

In particular, the determination of the loss allowance of loans receivable is heavily dependent on the external macro environment and the Group's internal credit risk management policy. The expected credit loss for loans receivable is derived from estimates whereby management takes into consideration historical overdue data, the credit grading, the historical loss experience for loans receivable and other adjustment factors.

How the matter was addressed in our audit

Our audit procedures to assess the loss allowance of loans receivable included the following:

- obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls over the approval, recording and monitoring of loans to customers, the credit assessment process and the measurement of loss allowance of loans to customers;

- with the assistance of our internal valuation specialists assessing the appropriateness of the ECL model used by management in determining loss allowance and the appropriateness of the key parameters and assumptions in the ECL model, the identification of loss stages, probability of default, loss given default, exposure at default and adjustments for forward-looking information;

- evaluating the validity of management's assessment on whether the credit risk of the loans have, or have not, increased significantly since initial recognition and whether the loans are credit-impaired by checking the loans overdue information, making enquiries of the credit managers about the communication with borrowers, borrowers' personal financial information and any claim made for overdue loans;

KEY AUDIT MATTERS *(continued)*

Loss allowance of loans receivable *(continued)*

Refer to note 21 to the consolidated financial statements and the accounting policies note 2(l)(i).

The Key Audit Matter

Management also exercises judgement in determining the quantum of loss given default based on a range of factors. These include the financial situation of the borrower, the recoverable amount of collateral and the seniority of the claim. The enforceability, timing and means of realisation of collateral can also have an impact on the recoverable amount of collateral and, therefore, the amount of loss allowance as at the end of each reporting period.

We identified the loss allowance of loans receivable as a key audit matter because of the assessment of expected credit loss for loans receivable is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

- for selected samples of loans to customers that are credit-impaired, evaluating management's assessment of the value of property collateral, if any, by comparing with market prices based on the location and use of the property and the prices of nearby properties; and

- assessing the reasonableness of the disclosures in the consolidated financial statements in respect of loss allowance of loans receivable with the reference to the requirements of the prevailing accounting standards.

Independent Auditor’s Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR’S REPORT THEREON

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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.

The directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made solely to you, as a body, 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 judgement and maintain professional scepticism 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.

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- 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 the Audit Committee 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 the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and 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 the Audit Committee, we determine those 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 matters 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 this independent auditor's report is Wong Chun Pong.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

25 March 2021

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Revenue	4	**2,525,087**	1,836,019
Cost of sales		**(1,861,275)**	(1,402,573)
Gross profit		**663,812**	433,446
Other revenue	5(a)	**22,970**	17,467
Other net income/(loss)	5(b)	**21,030**	(15,772)
Selling and marketing expenses		**(15,419)**	(7,024)
Administrative expenses		**(194,667)**	(96,776)
Profit from operations		**497,726**	331,341
Finance costs	6(a)	**(29,535)**	(20,482)
Share of profit of an associate	17	**1,212**	887
Share of profits less losses of joint ventures	18	**7,346**	5,001
Profit before taxation	6	**476,749**	316,747
Income tax	7	**(120,827)**	(83,182)
Profit for the year		**355,922**	233,565
Attributable to:			
Equity shareholders of the Company		**324,987**	178,510
Non-controlling interests		**30,935**	55,055
Profit for the year		**355,922**	233,565
Earnings per share (RMB cents)	10		
Basic		**33.7**	19.8
Diluted		**33.6**	19.8

The notes on pages 81 to 178 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 30(d).

Consolidated Statements of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

(Expressed in Renminbi)

	2020 RMB'000	2019 RMB'000
Profit for the year	**355,922**	233,565
Other comprehensive income for the year (after tax and reclassification adjustments)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	**(55,621)**	10
Total comprehensive income for the year	**300,301**	233,575
Attributable to:		
Equity shareholders of the Company	**269,366**	178,518
Non-controlling interests	**30,935**	55,057
Total comprehensive income for the year	**300,301**	233,575

The notes on pages 81 to 178 form part of these financial statements.

Consolidated Statements of Financial Position

As at 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current assets			
Investment properties	11	123,474	134,490
Property, plant and equipment	12	64,258	55,134
Intangible assets	14	54,202	66,452
Goodwill	15	271,722	271,722
Other financial assets	19	2,118	2,224
Interest in an associate	17	4,871	3,060
Interests in joint ventures	18	46,429	36,809
Deferred tax assets	29(b)	28,666	19,342
		595,740	589,233
Current assets			
Other financial assets	19	48,177	123,842
Inventories		2,310	–
Trade and other receivables	20	560,998	929,471
Prepaid tax	29(a)	1,465	2,109
Loans receivable	21	368,536	391,000
Restricted deposits	22	38,596	69,105
Cash and cash equivalents	23	3,314,132	447,103
		4,334,214	1,962,630
Current liabilities			
Bank loans and other borrowings	24	193,790	465,000
Contract liabilities	25	81,628	63,438
Trade and other payables	26	892,849	1,275,800
Lease liabilities	27	17,509	10,910
Current taxation	29(a)	57,214	59,319
		1,242,990	1,874,467
Net current assets		3,091,224	88,163
Total assets less current liabilities		3,686,964	677,396

Consolidated Statements of Financial Position

As at 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Bank loans and other borrowings	24	180,150	–
Other payables	26	102,280	72,537
Lease liabilities	27	132,169	133,496
Deferred tax liabilities	29(b)	16,079	15,488
		430,678	221,521
NET ASSETS		3,256,286	455,875
CAPITAL AND RESERVES			
Share capital	30(a)	10,496	8,561
Reserves	30(c)	3,173,391	381,947
Total equity attributable to equity shareholders of the Company		3,183,887	390,508
Non-controlling interests		72,399	65,367
TOTAL EQUITY		3,256,286	455,875

Approved and authorised for issue by the board of directors on 25 March 2021.

Mr. Li Xiaoping
Director

Ms. Guo Ying
Director

The notes on pages 81 to 178 form part of these financial statements.

Consolidated Statements of Changes in Equity

For the year ended 31 December 2020

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
		Share capital	Share premium	PRC Statutory reserves	Share option reserves	Exchange reserve	Other reserves	Retained profits	Total	Non-controlling interests	Total equity
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note	30(a)	30(b)	30(c)(i)	28	30(c)(ii)	30(c)(iii)				
At 1 January 2019		8,561	–	40,633	–	16	(2,500)	235,882	282,592	80,195	362,787
Changes in equity for 2019:											
Profit for the year		–	–	–	–	–	–	178,510	178,510	55,055	233,565
Other comprehensive income for the year		–	–	–	–	8	–	–	8	2	10
Total comprehensive income for the year		–	–	–	–	8	–	178,510	178,518	55,057	233,575
Acquisition of subsidiaries		–	–	–	–	–	(70,602)	–	(70,602)	34,855	(35,747)
Dividend declared to non-controlling interests	30(d)	–	–	–	–	–	–	–	–	(104,740)	(104,740)
Appropriation to statutory reserve		–	–	23,869	–	–	–	(23,869)	–	–	–
At 31 December 2019 and 1 January 2020		8,561	–	64,502	–	24	(73,102)	390,523	390,508	65,367	455,875

Consolidated Statements of Changes in Equity

For the year ended 31 December 2020

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
		Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Share option reserves RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
	Note	30(a)	30(b)	30(c)(i)	28	30(c)(ii)	30(c)(iii)				
Changes in equity for 2020:											
Profit for the year		–	–	–	–	–	–	324,987	324,987	30,935	355,922
Other comprehensive income for the year		–	–	–	–	(55,621)	–	–	(55,621)	–	(55,621)
Total comprehensive income for the year		–	–	–	–	(55,621)	–	324,987	269,366	30,935	300,301
Disposal of a subsidiary	32	–	–	–	–	–	–	–	–	1,138	1,138
Capital reduction by a former non-controlling interest of a subsidiary		–	–	–	–	–	–	–	–	(12,125)	(12,125)
Arising from reorganisation	30(b)	(8,561)	80,049	–	–	–	(54,826)	–	16,662	(7,720)	8,942
Remeasurement of put option written to non-controlling interests	26(e)	–	–	–	–	–	(31,678)	–	(31,678)	–	(31,678)
Dividend declared to then equity shareholder of a subsidiary	30(d)	–	–	–	–	–	–	(353,718)	(353,718)	–	(353,718)
Dividend declared to non-controlling interests		–	–	–	–	–	–	–	–	(5,388)	(5,388)
Capitalisation issue	30(a)	7,729	(7,729)	–	–	–	–	–	–	–	–
Issue of ordinary shares upon initial public offering ("IPO"), net of issuing costs	30(a)	2,767	2,877,316	–	–	–	–	–	2,880,083	–	2,880,083
Appropriations to statutory surplus reserves		–	–	31,293	–	–	–	(31,293)	–	–	–
Pre-IPO equity-settled share-based payment	28	–	–	–	12,664	–	–	–	12,664	192	12,856
		1,935	2,949,636	31,293	12,664	(55,621)	(86,504)	(60,024)	2,793,379	7,032	2,800,411
At 31 December 2020		10,496	2,949,636	95,795	12,664	(55,597)	(159,606)	330,499	3,183,887	72,399	3,256,286

The notes on pages 81 to 178 form part of these financial statements.

Consolidated Statements of Cash Flows

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Operating activities			
Cash generated from operations	23(b)	565,371	259,040
Corporate Income Tax paid		(131,359)	(74,365)
Net cash generated from operating activities		434,012	184,675
Investing activities			
Net cash outflow from acquisition of subsidiaries		–	(290,728)
Loans to the related parties		–	(455,000)
Loans repaid by related parties		455,000	–
Proceeds from repayment of loans to related parties		–	–
Net cash outflow from disposal of a subsidiary	32	(5,167)	–
Advances from a related party for disposal of a subsidiary	26(c)	300,000	–
Payments for purchase of property, plant and equipment and intangible assets		(15,714)	(15,792)
Proceeds from disposal of property, plant and equipment		4,447	804
Dividend received from a joint venture		14,739	–
Dividend received from an associate		900	1,200
Payments for investment in joint ventures		(3,240)	–
Payments for purchase of wealth management products		(7,969,792)	(4,457,430)
Proceeds from redemption of wealth management products		8,049,761	4,451,308
Interest received		16,237	1,087
Net cash generated from/(used in) investing activities		847,171	(764,551)

Consolidated Statements of Cash Flows

For the year ended 31 December 2020

(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from issuance of shares upon IPO, net of issuing costs	30(a)	2,880,083	–
Capital injection from shareholders		8,993	–
Proceeds from bank loans and other borrowings	23(c)	496,780	465,000
Repayment of bank loans and other borrowings	23(c)	(587,840)	(150,000)
Advances from related parties	23(c)	104,300	1,356,970
Repayment of advances from related parties	23(c)	(719,240)	(1,094,633)
Capital element of lease rentals paid	23(c)	(16,240)	(20,827)
Interest element of lease rentals paid	23(c)	(8,224)	(6,410)
Interest paid	23(c)	(24,433)	(8,507)
Dividends paid to a former non-controlling interest		(104,740)	–
Dividends paid to then equity shareholders of a subsidiary		(353,718)	–
Payment for capital reduction by a former non-controlling interest		(12,125)	–
Payment for other financing activities		(22,182)	–
Net cash generated from financing activities		1,641,414	541,593
Net increase/(decrease) in cash and cash equivalents		2,922,597	(38,283)
Cash and cash equivalents at 1 January	23(a)	447,103	485,386
Effect of foreign exchange rate changes		(55,568)	–
Cash and cash equivalents at 31 December	23(a)	3,314,132	447,103

The notes on pages 81 to 178 form part of these financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION AND GROUP REORGANISATION

The Company was incorporated in the Cayman Islands on 13 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The Company's shares (the "**Shares**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 October 2020 (the "**Listing Date**"). The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**"). The ultimate controlling company is Oriental Rich Holdings Group Limited ("**Oriental Rich**"). The ultimate controlling shareholder of the Group is Mr. Li Wa ("**Mr. Li**" or the "**Ultimate Controlling Shareholder**").

Prior to the incorporation of the Company, the above-mentioned principal activities were carried out by Shenzhen Dongrunze Investment Consultants Limited ("**Shenzhen Dongrunze**") (深圳東潤澤投資顧問有限公司) and its subsidiaries. To rationalise the corporate structure in preparation of the listing of the Company's shares on Stock Exchange, the Group underwent a reorganisation (the "**Reorganisation**").

As a part of the Reorganisation, Shenzhen Jiaxin Industrial Co., Ltd. ("**Jiaxin Industrial**") (深圳嘉信實業有限公司) reduced its whole capital in Yuanxi Investment Consulting Co., Ltd. ("**Yuanxi Investment**") (深圳市元熙投資諮詢有限公司) and Shenzhen Excellence Property Management Co., Ltd. ("**Excellence Property Management**") (深圳市卓越物業管理有限責任公司), subsidiaries comprising the Group, amounted to RMB12,125,000. After the capital reduction, Yuanxi Investment and Excellence Property Management became the wholly owned subsidiaries of the Group.

In May 2020, the Company acquired the entire equity interest in Shenzhen Dongrunze from Oriental Rich wholly owned by Mr. Li Wa by issuing and allotting shares to Oriental Rich. Upon the completion of the Reorganisation on 21 May 2020, the Company became the holding company of the subsidiaries now comprising the Group.

As Shenzhen Dongrunze was controlled by Mr. Li before and after the Reorganisation and therefore there were no changes in the economic substance of the ownership and the business of the Group. The Reorganisation only involved inserting several newly formed investment holding entities with no substantive operations as the new holding companies of Shenzhen Dongrunze. Accordingly, the Historical Financial Information has been prepared and presented as a continuation of the financial statements of Shenzhen Dongrunze with the assets and liabilities of Shenzhen Dongrunze recognised and measured at their historical carrying amounts prior to the Reorganisation.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (HKFRSs), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (HKASs) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (HKICPA), accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). Significant accounting policies adopted by the Group are disclosed below.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2020 comprise the Group and the Group's interest in an associate and joint ventures.

The financial statements are presented in Renminbi ("**RMB**") rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at fair value as explained in the accounting policies set out below:

– investments in wealth management products (see Note 2(g)); and

– contingent consideration receivables (see Note 2(f)).

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell (see notes 2(h), 2(i), 2(j) and 2(k)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 3.

(c) Changes in accounting policies

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power, only substantive rights (held by the Group and other parties) are considered.

An investment in a subsidiary is included into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances, transactions and cash flows and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Non-controlling interests represent the equity in a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at the non-controlling interests' proportionate share of the subsidiary's net identifiable assets.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests *(continued)*

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the period between non-controlling interests and the equity shareholders of the Company.

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the Group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture (see Note 2(e)).

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(l)).

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

A joint venture is an arrangement whereby the Group and other parties contractually agree to share control of the arrangement and have rights to the net assets of the arrangement.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

An investment in an associate or a joint venture is accounted for in the financial statements under the equity method, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). The cost of the investment includes purchase price, other costs directly attributable to the acquisition of the investment, and any direct investment into the associate or joint venture that forms part of the Group's equity investment. Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the investee's net assets and any impairment loss relating to the investment (see Notes 2(f) and 2(l)(ii)). At each reporting date, the Group assesses whether there is any objective evidence that the investment is impaired. Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the investees and any impairment losses for the period are recognised in the consolidated statement of profit or loss and other comprehensive income, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in the consolidated statement of profit or loss and other comprehensive income.

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with the other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying the expected credit losses ("ECLs") model to such other long-term interests where applicable (see Note 2(l)(i)).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in the investee, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

If an investment in an associate becomes an investment in a joint venture or vice versa, retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method.

In all other cases, when the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in that investee, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former investee at the date when significant influence or joint control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset (see Note 2(g)).

(f) Business combination and goodwill

Accounting treatments for business combinations involving entities under common control and not under common control.

(i) Business combinations involving entities under common control

The consolidated financial statements incorporate the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been combined from the date when the combining entities or businesses first came under the control of the controlling party or the earliest date presented, whenever the later. The assets and liabilities of the combining entities or businesses are combined at the carrying amounts previously recognised in the respective controlling shareholder's financial statements. The consolidated statement of profit or loss and comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when combining entities or businesses first came under common control, where this is a shorter period, regardless of the date of the common control combination.

The adjustment to eliminate the share capital of entities combined and investment cost has been recorded as other reserve in equity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Business combination and goodwill *(continued)*

(ii) Business combinations involving entities not under common control

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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 expensed as incurred.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration assumed in a business combination is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(iii) Put option arrangements

Put options are financial instruments granted by the Group which permit the holders to put back to the Group their shares in certain subsidiaries for cash or other financial assets when certain conditions are met. If the Group does not have the unconditional right to avoid delivering cash or other financial assets under the put option, a liability is initially recognised under “other payables” in the consolidated financial statements at the present value of the estimated future cash outflows on exercise under the put option. Subsequently, if the Group revises its estimates of payments, the Group will adjust the carrying amount of the liability to reflect actual and revised estimated cash outflows. The Group will remeasure the carrying amount based on the present value of revised estimated future cash outflows and the adjustment will be recognised in equity. In the event that the put option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(f) Business combination and goodwill *(continued)*

(iii) Put option arrangements (continued)

Goodwill represents the excess of

(i) the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the Group's previously held equity interest in the acquiree; over

(ii) the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

When (ii) is greater than (i), then this excess is recognised immediately in profit or loss as a gain on a bargain purchase.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(l)(ii)).

On disposal of a cash generating unit during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(g) Other investments in debt and equity financial instruments

The Group's and the Company's policies for investments in debt and equity financial instruments, other than investments in subsidiaries, an associate and joint ventures, are as follows:

Investments in debt and equity financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at fair value through profit or loss ("FVTPL") for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments, see note 19. These investments are subsequently accounted for as follows, depending on their classification.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(g) Other investments in debt and equity financial instruments *(continued)*

(i) Investments other than equity investments

Non-equity investments held by the Group are classified into one of the following measurement categories:

– Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the investment is calculated using the effective interest method (see Note 2(v)(iv)).

– Fair value through other comprehensive income ("FVTOCI") – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Changes in fair value are recognised in other comprehensive income, except for the recognition in profit or loss of expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses. When the investment is derecognised, the amount accumulated in other comprehensive income is recycled from equity to profit or loss.

– FVTPL if the investment does not meet the criteria for being measured at amortised cost or FVTOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) Equity investments

An investment in equity securities is classified as FVTPL unless the equity investment is not held for trading purposes and on initial recognition of the investment the Group makes an irrevocable election to designate the investment at FVTOCI (non-recycling) such that subsequent changes in fair value are recognised in other comprehensive income. Such elections are made on an instrument-by-instrument basis but may only be made if the investment meets the definition of equity from the issuer's perspective. Where such an election is made, the amount accumulated in other comprehensive income remains in the fair value reserve (non-recycling) until the investment is disposed of. At the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings. It is not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVTPL or FVTOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 2(v)(vi).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 2(k)(ii)) to earn rental income and/or for capital appreciation. This includes property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss (see Note 2(l)(ii)). Rental income from investment properties is accounted for as described in Note 2(v)(v).

Depreciation is calculated to write off the costs of investment properties, less a residual value of 0%, if any, using the straight-line method over their lease term typically varying from 4 to 14 years.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 2(l)(ii)):

– right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest (see Note 2(k)); and

– items of plant and equipment.

The cost of self-constructed items of property, plant and equipment includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(i) Property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

– Office equipment and furniture	3-5 years
– Motor vehicles	5 years
– Leasehold improvement	3-5 years
– Machinery equipment	3-5 years
– Other leased properties	Over the lease terms

Both the useful life of an asset and its residual value, if any, are reviewed annually.

(j) Intangible assets (other than goodwill)

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(l)(ii)). Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

Amortisation of intangible assets with finite useful lives is charged to profit or loss on a straight-line basis over the assets' estimated useful lives. The following intangible assets with finite useful lives are amortised from the date they are available for use and their estimated/contracted useful lives are as follows:

– Software	2-5 years
– Uncompleted property management contracts (Note)	3.5-6.5 years

Note: Uncompleted property management contracts acquired in business combinations are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method over the remaining life of property management contracts.

Both the period and method of amortisation are reviewed annually.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, 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. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see Notes 2(h), 2(i) and 2(l)(ii)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee (continued)

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with Note 2(v)(v).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(ii) As a lessor (continued)

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in Note 2(k)(i), then the Group classifies the sub-lease as an operating lease.

For a sublease classified as an operating lease, the Group retains the lease liability and the right-of-use asset relating to the head lease in its statement of financial position unless the right-of-use asset meets the definition of investment property in which case the right-of-use asset is accounted for as an investment property and measured using cost model.

During the term of sublease, the Group recognises lease income from the sub-leases and interest expense on the lease liability relating to the head lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for ECLs on the following items:

– Financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, loans receivable and trade and other receivables); and

– Contract assets as defined in HKFRS 15 (see Note 2(n)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all expected cash shortfalls (i.e. the difference between the cash flows due to the Group in accordance with the contract and the cash flows that the Group expects to receive).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

Measurement of ECLs *(continued)*

The expected cash shortfalls are discounted using the following discount rates where the effect of discounting is material:

– Fixed-rate financial assets, loans receivable, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and

– Variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

In measuring ECLs, the Group takes into account reasonable and supportable information that is available without undue cost or effort. This includes information about past events, current conditions and forecasts of future economic conditions.

ECLs are measured on either of the following bases:

– 12-month ECLs: these are losses that are expected to result from possible default events within 12 months after the reporting date; and

– lifetime ECLs: these are losses that are expected to result from all possible default events over the expected lives of the items to which the ECL model applies.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs. ECLs on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecasted general economic conditions at the reporting date.

For all other financial instruments, the Group recognises a loss allowance equal to 12-month ECLs unless there has been a significant increase in the financial instrument's credit risk since initial recognition, in which case the loss allowance is measured at an amount equal to lifetime ECLs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

Significant increases in credit risk

In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial instrument assessed at the reporting date with that assessed at the date of initial recognition. In making this reassessment, the Group considers that a default event occurs when (i) the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or (ii) the financial asset is 90 days past due. 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 since initial recognition:

– Failure to make payments of principal or interest on their contractually due dates;

– An actual or expected significant deterioration in a financial instrument's external or internal credit rating (if available);

– An actual or expected significant deterioration in the operating results of the debtor; and

– Existing or forecast changes in the technological, market, economic or legal environment that have a significant adverse effect on the debtor's ability to meet its obligation to the Group.

Depending on the nature of the financial instruments, the assessment of a significant increase in credit risk is performed on either an individual basis or a collective basis. When the assessment is performed on a collective basis, the financial instruments are grouped based on shared credit risk characteristics, such as past due status and credit risk ratings.

ECLs are remeasured at each reporting date to reflect changes in the financial instruments credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve (recycling).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets (continued)

Basis of calculation of interest income

Interest income recognised in accordance with Note 2(v)(iv) 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 the amortised cost (i.e. the gross carrying amount less loss allowance) of the financial asset.

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– Significant financial difficulties of the debtor;

– Significant decrease in property management and other service fees collection rate;

– A breach of contract, such as a default or delinquency in interest or principal payments;

– It becoming probable that the borrower will enter into bankruptcy or other financial reorganisation;

– Significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– The disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment, including right-of-use assets;

– investment properties;

– intangible assets (other than goodwill);

– goodwill;

– investments in an associate and joint ventures; and

– investment in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, the recoverable amount is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its 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. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal (if measurable) or value in use (if determinable).

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior periods. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (ii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(m) Inventories

Inventories are assets which are held for sale in the ordinary course of business, in the process of production for such sale or in the form of materials or supplies to be consumed in the production process or in the rendering of services.

Inventories are carried at the lower of cost and net realisable value.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs in accordance with the policy set out in Note 2(l)(i) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see Note 2(o)).

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method (see Note 2(v)(iv)).

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(o) Trade and other receivables and loans receivable

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due. If revenue has been recognised before the Group has an unconditional right to receive consideration, the amount is presented as a contract asset (see Note 2(n)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 2(l)(i).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value, and are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method. Borrowing costs are expensed in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(s) Employee benefits

(i) Short-term employee benefits and contributions to defined contribution retirement plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost of non-monetary benefits are accrued in the period in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

Contributions to the PRC local retirement schemes pursuant to the relevant labour rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in a capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is included in the amount recognised in share capital for the shares issued) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when it recognises restructuring costs involving the payment of termination benefits.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous periods.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(u) Provisions and contingent liabilities

Provisions are recognised when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(v) Revenue and other income recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) Basic property management services

The Group recognises revenue in the amount to which the Group has the right to invoice based on the value of performance completed on a monthly basis.

For basic property management service income arising from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of basic property management service fee received. For basic property management service income arising from properties managed under commission basis, where the Group acts as an agent of the property owners, the Group entitles to revenue at a pre-determined percentage or fixed amount of the basic property management service fees the property owners are obligated to pay.

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(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Revenue and other income recognition *(continued)*

(ii) System supply services

Revenue for system supply and installation service is recognised when the customer takes possession of and accepts the products or the installation service is rendered. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

(iii) Other value-added services

Other value-added services mainly include preliminary planning and design consultancy services, property leasing and sales agency services, public area leasing services, high-end services to senior executives of the corporate customers, administration and logistics support services to corporate customers, sales assistance services, sales agent services, office cleaning service, canteen operation services and system supply service. The Group recognises revenue when the services are rendered.

(iv) Finance service and other interest income

Finance service income from micro-lending business and other interest income on loans is measured on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, finance service and other interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e. the original effective interest rate.

(v) Rental income from operating leases

Rental income receivable under operating leases is recognised in profit or loss in equal instalments over the periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the use of the leased asset. Lease incentives granted are recognised in profit or loss as an integral part of the aggregate net lease payments receivable. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(v) Revenue and other income recognition *(continued)*

(vi) Dividends

Dividend income from unlisted investments is recognised when the equity shareholder's right to receive payment is established.

(vii) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognition in other revenue.

(w) Translation of foreign currencies

Foreign currency transactions during the period are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the company initially recognises such non-monetary assets or liabilities. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was measured.

The results of foreign operations are translated into RMB at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items are translated into RMB at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

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(Expressed in Renminbi unless otherwise indicated)

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(x) Related parties

(a) A person, or a close member of that person's family, is related to the Group if that person:

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or the Group's parent.

(b) An entity is related to the Group if any of the following conditions applies:

(i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) Both entities are joint ventures of the same third party.

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

2 SIGNIFICANT ACCOUNTING POLICIES *(continued)*

(y) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various service lines.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 ACCOUNTING JUDGEMENT AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(i) Impairment for trade and loan receivables

The Group estimates impairment losses for trade receivables by using expected credit loss models. Expected credit loss on these trade receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the loss allowance of trade and other receivables in the periods in which such estimate has been changed.

For loans receivable, the measurement of impairment losses requires judgment, in particular, the estimation of the amounts and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

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(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENT AND ESTIMATES *(continued)*

(i) Impairment for trade and loan receivables *(continued)*

The Group's ECL calculations on loans receivable are outputs of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal rating grade model, which assigns probabilities of default to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs; and
- Determination of associations between the forecast economic conditions and the effect on probabilities of default, losses given default and exposures at default.

(ii) Impairment of non-current assets

If circumstances indicate that the carrying amounts of investment properties, property, plant and equipment, intangible assets, interest in an associate and joint ventures and goodwill may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of basic property management services, value-added services, finance service and other services. Further details regarding the Group's principal activities are disclosed in Note 4(b).

Notes to the Consolidated Financial Statements

For the year ended 31 December 2020

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4 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category for the year ended 31 December 2020 and 2019 recognised in the consolidated statement of profit or loss are as follows:

	2020 RMB'000	2019 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Property management services		
Basic property management services		
– Commercial property	1,563,195	1,196,455
– Public and industrial property	327,248	203,437
– Residential property	220,545	176,375
	2,110,988	1,576,267
Value-added services	358,604	203,756
	2,469,592	1,780,023
Other services	511	2,631
	2,470,103	1,782,654
Revenue from other sources		
Finance services income	46,467	50,194
Gross rental income from investment properties	8,517	3,171
	54,984	53,365
	2,525,087	1,836,019

For the year ended 31 December 2020, the revenue from Excellence Real Estate Group Co., Ltd. ("卓越置業集團有限公司") and its subsidiaries (together, the "Excellence Group"), a related party of the Group, accounted for 11.9% (2019: 10.6%) of the Group's revenue. The Group has a large number of customers in addition to Excellence Group, but none of them accounted for 10% or more of the Group's revenue during the year.

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(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(continued)*

(a) Revenue *(continued)*

(ii) Unsatisfied performance obligations

The Group recognises revenue when the services are provided and recognises to which the Group has the rights to invoices and that corresponds directly with the value of performance completed. The Group has elected the practical expedient in paragraph 121 of HKFRS 15 for not to disclose the remaining performance obligations for these types of contracts that had an original expected duration of one year or less or are billed based on performance completed.

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

– Property management services: this segment mainly provides basic property management services or system supply and installation services to property developers, property owners and tenants, and value-added services to such customers, including asset services which includes preliminary property consulting services, second-hand property leasing and sales agency services, asset-light property operation services and space operation services, and corporate services.

– Finance services: this segment mainly provides micro-lending to small and medium enterprises, individual business proprietors and individuals.

– Other services: this segment mainly provides software development and apartment rental services.

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and intangible assets managed directly by the segments excluding prepaid tax, deferred tax assets and certain non-trade receivables due from related parties not attributable to the individual segments. Segment liabilities include bank loans and other borrowings (excluding bank loans borrowed for related parties' use) contract liabilities, trade and other payables, lease liabilities and other financial liability attributable to the operating activities of the individual segments and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associate and joint ventures.

The measure used for reporting segment profit is profit before taxation excluding gain on disposal of a subsidiary, interest income from certain related parties, interests on certain bank loans and unallocated head offices and corporate expenses. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning interest income and expense from cash balances and bank loans and other borrowings managed directly by the segments, depreciation and amortisation, impairment loss on trade and other receivables and loans receivable in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

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4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers, revenue from other sources as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2020 and 2019 is set out below.

	Property management services		Finance services		Others		Total	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Disaggregated by timing of revenue recognition								
Over time	2,348,590	1,769,788	46,467	50,194	10,912	5,802	2,405,969	1,825,784
Point in time	121,002	10,389	–	–	–	–	121,002	10,389
Reportable segment revenue	2,469,592	1,780,177	46,467	50,194	10,912	5,802	2,526,971	1,836,173
Inter-segment revenue	–	(154)	–	–	(1,884)	–	(1,884)	(154)
Revenue from external customers	2,469,592	1,780,023	46,467	50,194	9,028	5,802	2,525,087	1,836,019
Reportable segment profit/(loss)	432,560	309,510	23,491	22,519	(6,092)	(19,664)	449,959	312,365
Interest income from bank deposits	1,943	1,076	–	–	25	11	1,968	1,087
Finance costs	(16,103)	(9,763)	(3,181)	(270)	(7,082)	(5,898)	(26,366)	(15,931)
Depreciation and amortisation	(30,565)	(20,009)	(1,368)	(1,264)	(13,231)	(9,056)	(45,164)	(30,329)
Impairment loss on loans receivable	–	–	(7,396)	(6,832)	–	–	(7,396)	(6,832)
Impairment loss on trade and other receivables	(6,902)	(6,793)	–	–	(22)	–	(6,924)	(6,793)
Reportable segment assets	4,366,887	1,561,405	377,477	498,204	175,419	141,253	4,919,783	2,200,862
Additions to non-current segment assets during the year	14,651	7,638	28	19	385	4,199	15,064	11,856
Reportable segment liabilities	1,436,029	866,602	58,718	169,578	125,592	159,813	1,620,339	1,195,993

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4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2020 RMB'000	2019 RMB'000
Revenue		
Reportable segment revenue	2,526,971	1,836,173
Inter-segment revenue	(1,884)	(154)
Consolidated revenue *(Note 4(a))*	2,525,087	1,836,019
Profit		
Reportable segment profit	449,959	312,365
Interest income from related parties	5,840	8,961
Interests on bank loans and other borrowings	(3,169)	(4,551)
Gain on disposal of a subsidiary *(Note 5(b))*	31,539	–
Unallocated head offices and corporate expenses	(7,420)	(28)
Consolidated profit before taxation	476,749	316,747

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	4,919,783	2,200,862
Elimination of inter-segment receivables	(20,000)	(125,480)
	4,899,783	2,075,382
Non-trade receivables due from related parties	–	455,000
Prepaid tax	1,465	2,109
Deferred tax assets	28,666	19,342
Unallocated head office and corporate assets	40	30
Consolidated total assets	4,929,954	2,551,863
Liabilities		
Reportable segment liabilities	1,620,339	1,195,993
Elimination of inter-segment payables	(20,000)	(125,480)
	1,600,339	1,070,513
Bank loans and other borrowings	–	315,000
Non-trade payables due to related parties	–	635,663
Current taxation	57,214	59,319
Deferred tax liabilities	16,079	15,488
Unallocated head office and corporate liabilities	36	5
Consolidated total liabilities	1,673,668	2,095,988

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4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(iii) Geographic information

The major operating entities of the Group are domiciled in mainland China. Accordingly, majority of the Group's revenues were derived in mainland China during year ended 31 December 2020 and 2019.

As at 31 December 2020 and 2019, most of the non-current assets of the Group were located in mainland China.

5 OTHER REVENUE AND NET INCOME/(LOSS)

(a) Other revenue

	Note	2020 RMB'000	2019 RMB'000
Interest income from bank deposits		**1,968**	1,087
Interest income from related parties		**5,480**	8,961
Government grants	(i)	**15,149**	6,792
Others		**373**	627
		22,970	17,467

(b) Other net income/(loss)

	Note	2020 RMB'000	2019 RMB'000
Impairment losses on trade and other receivables	31(a)	**(6,924)**	(6,793)
Impairment losses on loans receivable	31(a)	**(7,396)**	(6,832)
Net gain on investment in wealth management products		**4,304**	3,285
Loss on disposal of loans receivable	(ii)	**–**	(5,458)
Fair value loss on financial asset measured at FVTPL		**(106)**	–
Gain on disposals of property, plant and equipment		**14**	26
Gain on disposal of a subsidiary	32/(iii)	**31,539**	–
Others		**(401)**	–
		21,030	(15,772)

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For the year ended 31 December 2020

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5 OTHER REVENUE AND NET INCOME/(LOSS) *(continued)*

(b) Other net income/(loss) *(continued)*

Notes:

(i) In 2020, the government grants received by the Group are mainly related to subsidies for staff retention, COVID-19 pandemic prevention and taxation benefit of 10% additional deduction on input tax in the industries of living services according to current policy in mainland China.

(ii) During the year ended 31 December 2019, the Group disposed certain loans receivable with the carrying amount of RMB149,978,000 to a third party at a consideration of RMB144,520,000, resulting in a loss on disposal of RMB5,458,000.

(iii) During the year ended 31 December 2020, the Group disposed its entire 95% equity interest in a subsidiary, Shenzhen Zhenglian Haodong Technology Development Co., Ltd. ("Zhenglian Haodong") to Excellence Group for a consideration of RMB9,500,000, which resulted in a gain on disposal of a subsidiary of RMB31,539,000 (Note 32).

6 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after (crediting)/charging:

(a) Finance costs

	2020 RMB'000	2019 RMB'000
Interests on bank loans and other borrowings *(Note 23(c))*	**21,311**	12,137
Interests on lease liabilities *(Note 23(c))*	**8,224**	6,410
Others	**–**	1,935
	29,535	20,482

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6 PROFIT BEFORE TAXATION *(continued)*

(b) Staff costs

	2020 RMB'000	2019 RMB'000
Salaries, wages and other benefits	1,066,376	901,467
Equity-settled share-based payment *(Note 28)*	12,856	–
Contributions to defined contribution scheme *(Note)*	21,722	48,161
	1,100,954	949,628
Included in:		
– Cost of sales	963,153	873,338
– Selling and marketing expenses	8,351	2,077
– Administrative expenses	129,450	74,213
	1,100,954	949,628

Note: Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Due to the impact of an outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain cost of defined contribution scheme during the year ended 31 December 2020.

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(Expressed in Renminbi unless otherwise indicated)

6 PROFIT BEFORE TAXATION *(continued)*

(c) Other items

	Note	2020 RMB'000	2019 RMB'000
Depreciation and amortisation charges			
– Owned property, plant and equipment	12	**9,230**	10,320
– Right-of-use assets in property, plant and equipment	12	**12,018**	8,449
– Leasehold improvements for investment properties	11	**867**	702
– Right-of-use assets in investment properties	11	**10,149**	8,111
– Intangible assets	14	**12,900**	2,747
		45,164	30,329
Variable lease payments not included in the measurement of lease liabilities	13	**36,028**	38,003
Impairment losses			
– trade and other receivables	5	**6,924**	6,793
– loans receivable	5	**7,396**	6,832
		14,320	13,625
Subcontracting costs		**257,058**	56,441
Listing expenses		**26,558**	–
Auditor's remuneration			
– Audit services		**2,580**	–
– Other services		**5,050**	–
		7,630	–
Rental receivables from investment properties less direct outgoings:			
Rentals receivable from investment properties generating rental income		**(8,517)**	(3,171)
Less: direct outgoings from investment properties generating rental income		**5,670**	2,111
Less: direct outgoings from investment properties not generating rental income		**5,346**	6,702
		2,499	5,642

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7 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss:

	Note	2020 RMB'000	2019 RMB'000
Current tax			
Corporate Income Tax	29(a)	129,898	91,662
Deferred tax			
Origination and reversal of temporary differences	29(b)	(9,071)	(8,480)
		120,827	83,182

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2020 RMB'000	2019 RMB'000
Profit before taxation	476,749	316,747
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	121,471	79,187
Tax effect of non-deductible expenses	5,225	3,413
Tax effect of share of results of joint ventures and an associate	(2,140)	(1,472)
Tax effect of non-taxable income	(7,885)	–
Withholding tax on dividend	4,155	–
Tax effect of unused tax losses not recognised	1	2,054
Actual tax expense	120,827	83,182

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

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

The Group's PRC subsidiaries are subject to Corporate Income Tax ("CIT") at a statutory rate of 25% on their respective taxable income during the year.

Withholding taxes are levied on dividend distributions arising from profit of the PRC subsidiaries within the Group earned after 1 January 2008 at the applicable tax rates.

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8 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2020						
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Sub-Total RMB'000	Share-based payments (note) RMB'000	Total RMB'000
Executive directors							
Mr. Li Xiaoping (Chairman)	–	–	–	–	–	7,420	7,420
Ms. Guo Ying (Chief Executive Officer)	–	602	2,004	19	2,625	551	3,176
Non-executive directors							–
Mr. Wang Dou	40	–	–	–	40	–	40
Mr. Wang Yinhu	40	–	–	–	40	–	40
Independent non-executive directors							–
Mr. Huang Mingxiang	40	–	–	–	40	–	40
Mr. Kam Chi Sing	40	–	–	–	40	–	40
Ms. Liu Xiaolan	40	–	–	–	40	–	40
	200	602	2,004	19	2,825	7,971	10,796

	2019				
	Directors' fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
Executive directors					
Mr. Li Xiaoping (Chairman)	–	–	–	–	–
Ms. Guo Ying (Chief Executive Officer)	–	480	470	19	969
	–	480	470	19	969

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8 DIRECTORS' EMOLUMENTS *(continued)*

Mr. Li Xiaoping and Ms. Guo Ying were senior management of the Group and were appointed as executive directors of the Company on 22 May 2020. Ms. Guo Ying received emoluments from the Group in her role as a senior manager and employee before her appointment as an executive director.

Mr. Wang Dou and Mr. Wang Yinhu were appointed as non-executive directors of the Company on 22 May 2020.

Mr. Huang Mingxiang, Mr. Kam Chi Sing and Ms. Liu Xiaolan were appointed as independent non-executive directors of the Company on 28 September 2020.

No emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2020 (2019: nil). In addition, none of the directors waived or agreed to waive any emoluments for the year ended 31 December 2020 (2019: nil)

Note:

These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii) and, in accordance with that policy, includes adjustments to reverse amounts accrued in previous years where grants of equity instruments are forfeited prior to vesting.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and Note 28.

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9 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 2 (2019: 1) are directors whose emolument is disclosed in Note 8. The aggregate of the emoluments in respect of the other 3 (2019: 4) individuals are as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowance and benefits-in-kind	1,711	1,756
Discretionary bonuses	4,551	2,020
Retirement scheme contributions	61	62
Equity-settled share-based payment	1,219	–
	7,542	3,838

The emoluments of the 3 (2019: 4) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2020	2019
HKD500,001 – HKD1,000,000	–	1
HKD1,000,001 – HKD1,500,000	–	3
HKD2,500,001 – HKD3,000,000	3	–

No emoluments were paid by the Group to any of the 3 (2019: 4) highest paid individuals above as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2020 (2019: nil).

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10 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB324,987,000 (2019: RMB178,510,000) and the weighted average of 963,964,356 ordinary shares (2019: 900,000,000 shares) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2020	2019
Issued ordinary shares at 1 January	–	–
Effect of issuance of shares *(note 30(a))*	1,000	1,000
Effect of capitalisation issue *(note 30(a))*	899,999,000	899,999,000
Effect of issuance of new shares upon IPO *(note 30(a))*	63,964,356	–
Weighted average number of ordinary shares at 31 December	963,964,356	900,000,000

The calculation of the basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company on the assumption that the Reorganisation and the capitalisation issue have been effective on 1 January 2019.

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB324,987,000 (2019: RMB178,510,000) and the weighted average number of ordinary shares of 965,522,902 shares (2019: 900,000,000 shares), calculated as follows:

Weighted average number of ordinary shares (diluted)

	2020	2019
Weighted average number of ordinary shares at 31 December	963,964,356	900,000,000
Effect of deemed issue of shares under the Company's share option scheme for HK$1.00 each consideration (note 28)	1,558,546	–
Weighted average number of ordinary shares (diluted) at 31 December	965,522,902	900,000,000

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11 INVESTMENT PROPERTIES

	Leased properties RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:			
At 1 January 2019	12,529	1,274	13,803
Additions	120,961	11,265	132,226
At 31 December 2019 and 1 January and 31 December 2020	**133,490**	**12,539**	**146,029**
Less: accumulated depreciation:			
At 1 January 2019	2,508	218	2,726
Charge for the year	8,111	702	8,813
At 31 December 2019 and 1 January 2020	10,619	920	11,539
Charge for the year	**10,149**	**867**	**11,016**
At 31 December 2020	**20,768**	**1,787**	**22,555**
Net book value:			
At 31 December 2020	**112,722**	**10,752**	**123,474**
At 31 December 2019	122,871	11,619	134,490

Note: The Group leased certain service apartments located in Shenzhen, the PRC, from property owners and subleased to tenants through operating leases to earn rental income. The right-of-use assets of the leases are determined to meet the definition of investment property.

Undiscounted lease payments under operating leases in place at the reporting date will be receivable by the Group in future periods as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**7,889**	4,793
After 1 year but within 2 years	**3,878**	2,657
After 2 year but within 3 years	**3,230**	2,315
After 3 year but within 4 years	**3,141**	1,610
After 4 year but within 5 years	**2,187**	1,476
After 5 years	**1,740**	4,168
	22,065	17,019

As at 31 December 2020, the fair value of the Group's investment properties was approximately RMB139,700,000 (2019: RMB167,200,000) with reference to the valuation performed, using the income approach, by Jones Lang LaSalle Corporate Appraisal and Advisory Limited ("JLL"), an independent qualified professional valuer.

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12 PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold improvement	Office equipment and furniture	Machinery equipment	Motor vehicles	Construction in progress	Sub-total	Right-of-use assets-other leased properties	Total
Cost:									
At 1 January 2019		36,495	21,230	3,946	1,400	1,378	64,449	18,121	82,570
Additions		5,738	4,467	660	109	882	11,856	10,352	22,208
Acquisition of subsidiaries		2,114	229	306	519	–	3,168	–	3,168
Transfer		1,573	–	–	–	(1,573)	–	–	–
Disposals		–	(4,935)	(412)	(55)	–	(5,402)	–	(5,402)
At 31 December 2019		45,920	20,991	4,500	1,973	687	74,071	28,473	102,544
Additions		8,216	4,356	1,146	133	1,213	15,064	21,512	36,576
Disposal of subsidiaries	32	(1,886)	(287)	–	–	–	(2,173)	–	(2,173)
Disposals		(1,394)	(4,085)	(271)	(794)	(303)	(6,847)	–	(6,847)
At 31 December 2020		50,856	20,975	5,375	1,312	1,597	80,115	49,985	130,100
Less: accumulated depreciation:									
At 1 January 2019		12,746	12,425	1,471	938	–	27,580	5,685	33,265
Charge for the year		6,217	3,391	466	246	–	10,320	8,449	18,769
Written back on disposal		–	(4,257)	(326)	(41)	–	(4,624)	–	(4,624)
At 31 December 2019		18,963	11,559	1,611	1,143	–	33,276	14,134	47,410
Charge for the year		5,008	3,198	682	342	–	9,230	12,018	21,248
Disposal of subsidiaries	32	(283)	(119)	–	–	–	(402)	–	(402)
Written back on disposal		(531)	(834)	(259)	(790)	–	(2,414)	–	(2,414)
		–					–		–
At 31 December 2020		23,157	13,804	2,034	695	–	39,690	26,152	65,842
Net book value:									
At 31 December 2020		27,699	7,171	3,341	617	1,597	40,425	23,833	64,258
At 31 December 2019		26,957	9,432	2,889	830	687	40,795	14,339	55,134

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13 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	Note	2020 RMB'000	2019 RMB'000
Properties leased as investment properties, carried at amortised cost	11	112,722	122,871
Properties leased for own use, carried at amortised cost	12	23,833	14,339
		136,555	137,210

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Note	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:			
– Investment properties, carried at depreciated cost		10,149	8,111
– Properties leased for own use, carried at depreciated cost	(i)	12,018	8,449
		22,167	16,560
Interest on lease liabilities	6(a)	8,224	6,410
Expense relating to short-term leases		22,385	13,602
Variable lease payments not including in the measurement of lease liabilities	6(c)/(ii)	36,028	38,003

(i) The Group has obtained the rights to use these properties as its office and dormitory through tenancy agreements. The leases typically run for an initial period of 2 to 5 years.

(ii) During the year ended 31 December 2020, certain property leases contain variable lease payment terms that are linked to revenue generated from the operation of these properties, and majority of lease payments are on the basis of variable lease payment terms with percentages ranging from 50% to 60% (2019: 30% to 70%) of revenue generated. Variable lease payment terms are used for a variety of reasons, including minimising the fixed costs base. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

For the year ended 31 December 2020, a 5% increase in revenue generated from the operation in these properties in the Group with such variable lease contracts would increase total lease payments by approximately RMB1,801,000 (2019: RMB1,900,000).

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14 INTANGIBLE ASSETS

	Uncompleted property management contracts RMB'000	Software RMB'000	Total RMB'000
Cost:			
At 1 January 2019	–	5,127	5,127
Additions	–	2,179	2,179
Acquisition of subsidiaries	63,680	–	63,680
At 31 December 2019 and 1 January 2020	**63,680**	**7,306**	**70,986**
Additions	**–**	**650**	**650**
At 31 December 2020	**63,680**	**7,956**	**71,636**
Less: accumulated amortisation:			
At 1 January 2019	–	1,787	1,787
Charge for the year	1,729	1,018	2,747
At 31 December 2019 and 1 January 2020	**1,729**	**2,805**	**4,534**
Charge for the year	**11,546**	**1,354**	**12,900**
At 31 December 2020	**13,275**	**4,159**	**17,434**
Net book value:			
At 31 December 2020	**50,405**	**3,797**	**54,202**
At 31 December 2019	61,951	4,501	66,452

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14 INTANGIBLE ASSETS *(continued)*

In 2019, to expand the scale of operations in target cities, the Group acquired 60% equity interests of Wuhan Yuyang Property Management Co., Ltd. ("**Wuhan Yuyang**"), 60% equity interests of Zhejiang Gangwan Property Service Co., Ltd. and its subsidiaries (collectively referred to as "**Zhejiang Gangwan Group**") and 70% equity interests of Wuhan Huanmao Property Management Co., Ltd. ("**Wuhan Huanmao**") from independent third parties (the "**Vendors**"), respectively, which are engaged in providing property management service in Hubei and Zhejiang provinces, the PRC, with cash considerations of RMB63,000,000, RMB216,000,000 and RMB77,000,000, respectively.

Uncompleted property management contracts were acquired as part of the above business combinations and identified as intangible assets of RMB63,680,000. They are recognised at their fair value at the date of acquisitions and are subsequently amortised on a straight-line basis over the estimated contract lives. Fair values of these uncompleted property management contracts at the date of acquisitions were determined by the directors of the Company with reference to the valuation performed by JLL, an independent qualified professional valuer. Methods and key assumptions in determining the fair values of uncompleted property management contracts as at acquisition date are disclosed as below:

	Valuation technique	Discount rate (after-tax)	Contracted amortisation period of the intangible assets
Uncompleted property management contracts in Wuhan Yuyang	**Discounted cash flow model**	**15.09%**	**3.5 years**
Uncompleted property management contracts in Zhejiang Gangwan Group	**Discounted cash flow model**	**15.09%**	**6.5 years**
Uncompleted property management contracts in Wuhan Huanmao	**Discounted cash flow model**	**16.01%**	**5.7 years**

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15 GOODWILL

	RMB'000
Cost:	
At 1 January 2019	–
Arising on acquisition of subsidiaries	271,722
At 31 December 2019 and 1 January and 31 December 2020	**271,722**
Carrying value:	
31 December 2020	**271,722**
31 December 2019	271,722

As disclosed in Note 14, the Group acquired certain subsidiaries in 2019 and recognised goodwill of RMB271,722,000, which was attributable mainly to the synergies expected to be achieved in the Group's future business.

Impairment tests for cash-generating units containing goodwill

Management performed impairment testing on goodwill at each reporting date. The recoverable amounts of CGUs of Wuhan Yuyang, Zhejiang Gangwan Group and Wuhan Huanmao business are determined based on the value in use ("VIU") calculation by the directors of the Company with the assistance of an independent valuer, JLL. Their recoverable amounts are based on certain similar key assumptions. The calculation uses pre-tax cashflow projections based on financial budgets approved by management covering a five-year period. Wuhan Huanmao has the projection periods to be in line with the profit guarantee period agreed in the sales and purchase agreement. As at 31 December 2020, management determined the projection period based on expected development trend of the acquirees and industry experience. Cash flows beyond the projection period are extrapolated using the estimated terminal growth rates below. The growth rates do not exceed the long-term average growth rate for the related industry in which the CGUs operate. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry and the CGU itself and macro-environment of the relevant region.

15 GOODWILL *(continued)*

Impairment tests for cash-generating units containing goodwill *(continued)*

For the purpose of impairment testing of goodwill, the forecasted cashflows of the first year are estimated based on the property management contracts on hand and financial budgets approved by the management. Other key assumptions are set out as follows:

As at 31 December 2020

	Wuhan Yuyang	**Zhejiang Gangwan Group**	**Wuhan Huanmao**
Annual growth rate of revenue	**2.0%-7.3%**	**5.0%-7.0%**	**1.5%-9.3%**
Gross margin (% of revenue)	**19.5%-19.9%**	**25.0%**	**40.7%-41.5%**
Long-term growth rate	**2.0%**	**2.0%**	**2.0%**
Pre-tax discount rate	**19.2%**	**19.2%**	**20.1%**

As at 31 December 2019

	Wuhan Yuyang	Zhejiang Gangwan Group	Wuhan Huanmao
Annual growth rate of revenue	1.7%-2.0%	5.0%-9.0%	4.4%-8.3%
Gross margin (% of revenue)	17.5%-18.2%	29.0%	38.9%-46.5%
Long-term growth rate	2.0%	2.0%	2.0%
Pre-tax discount rate	19.1%	19.1%	19.9%

In 2020, the Group adjusted the above key assumptions in determination of the VIU of CGUs to reflect the uncertainties caused by the COVID-19 pandemic.

Details of the headroom calculated based on the recoverable amounts deducting the carrying amount of and goodwill allocated for each CGU as at 31 December 2020 are set out as follows:

	2020 RMB'000	2019 RMB'000
Wuhan Yuyang	**9,656**	5,662
Zhejiang Gangwan Group	**15,578**	16,321
Wuhan Huanmao	**1,795**	3,270
	27,029	25,253

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15 GOODWILL *(continued)*

Impairment tests for cash-generating units containing goodwill *(continued)*

Management have undertaken sensitivity analysis on the impairment test of goodwill. The following table sets out the hypothetical changes to annual growth rate, long-term growth rate and pre-tax discount rate that would, in isolation, have removed the remaining headroom respectively as at 31 December 2020:

As at 31 December 2020

	Wuhan Yuyang	Zhejiang Gangwan Group	Wuhan Huanmao
Decrease in annual growth rate	2.37%	0.13%	0.16%
Decrease in long-term growth rate	2.20%	1.08%	0.60%
Increase in pre-tax discount rate	1.76%	0.78%	0.36%

As at 31 December 2019

	Wuhan Yuyang	Zhejiang Gangwan Group	Wuhan Huanmao
Decrease in annual growth rate	1.43%	1.43%	0.26%
Decrease in long-term growth rate	1.26%	1.06%	0.90%
Increase in pre-tax discount rate	1.04%	0.81%	0.58%

By reference to the recoverable amounts determined by directors of the Company with assistance of JLL, an independent qualified professional valuer, as at each reporting date, the directors of the Company determined that no impairment on goodwill was required as at 31 December 2020. With regard to the assessment of the VIU of the CGUs, the directors of the Company believe that any reasonably possible change in any of the above key assumptions would not cause the carrying value, including goodwill, of the CGUs to exceed the recoverable amounts.

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16 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Excellence Commercial Property Management Group Limited	BVI	US$50,000	100%	–	–	Investment holding
Excellence (Hong Kong) Commercial Property Services Co., Limited	Hong Kong ("HK")	HKD10,000	100%	100%	–	Investment holding
Shenzhen Dongrunze Investment Consulting Co., Ltd. 深圳東潤澤投資顧問有限公司*(a)(b)*	PRC	HKD10,000,000	100%	–	100%	Investment holding
Shenzhen Yuanxi Investment Consulting Co., Ltd. ("Yuanxi Investment") 深圳市元熙投資諮詢有限公司*(a)(c)*	PRC	RMB48,000,000	100%	–	100%	Investment holding
Shenzhen Excellence Property Management Co., Ltd. ("Excellence Property Management") 深圳市卓越物業管理有限責任公司*(a)*	PRC	RMB49,950,000	100%	–	100%	Property management services
Shenzhen Shenghengda Electrical Equipment Co., Ltd. ("Shenghengda EE") 深圳市盛恒達機電設備有限公司*(a)*	PRC	RMB50,000,000	100%	–	100%	Electrical and mechanical installation engineering; Construction of intelligent building engineering

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16 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Proportion of ownership interest: Group's effective interest	Proportion of ownership interest: Held by the Company	Proportion of ownership interest: Held by a subsidiary	Principal activities
Shenzhen Zhuopin Business Service Co., Ltd. (former name: Shenzhen Excellence Business Service Co., Ltd.) 深圳市卓品商務服務有限公司 (曾用名：深圳市卓越商務服務有限公司) *(a)*	PRC	RMB10,000,000	100%	–	100%	Air ticket booking hotel booking services; hotel management consulting
Shenzhen Zhuoyi Environmental Service Co., Ltd. 深圳市卓壹環境服務有限公司*(a)*	PRC	–	100%	–	100%	Cleaning services disinfection services, landscaping maintenance
Shenzhen Excellence Real Estate Consulting Co., Ltd. 深圳市卓越地產顧問有限公司*(a)*	PRC	RMB2,000,000	100%	–	100%	Apartment leasing and community value-added services
Shenzhen Excellence Operation Management Co., Ltd. 深圳市卓越運營管理有限公司*(a)*	PRC	RMB20,000,000	100%	–	100%	Investment holding
Shenzhen Excellence Dabaihui Property Management Co., Ltd 深圳市卓越大百匯物業管理有限公司*(a)*	PRC	RMB3,000,000	100%	–	51%	Property management
Shenzhen Zhuotou Micro-lending Co., Ltd. ("Shenzhen Zhuotou") 深圳市卓投小額貸款有限責任公司*(a)*	PRC	RMB300,000,000	100%	–	100%	Specializing in micro-lending business in the Shenzhen

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16 INVESTMENTS IN SUBSIDIARIES *(continued)*

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. *(continued)*

			Proportion of ownership interest			
Name of company	Place of incorporation and business	Particulars of issued and paid up capital and debt securities	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Shenzhen Excellence Apartment Management Service Co., Ltd. 深圳市卓越公寓管理服務有限公司*(a)*	PRC	–	100%	–	100%	Property management
Shenzhen Zhuoxin Property Management Co., Ltd. 深圳市卓鑫物業管理有限公司*(a)*	PRC	–	100%	–	100%	Property management
Wuhan Huanmao Property Management Co., Ltd. 武漢環貿物業管理有限公司*(a)*	PRC	RMB5,000,000	70%	–	70%	Property management
Wuhan Yuyang Property Management Co., Ltd. ("Wuhan Yuyang") 武漢市雨陽物業管理有限公司*(a)*	PRC	RMB10,010,000	60%	–	60%	Property management
Zhejiang Gangwan Property Service Co., Ltd. 浙江港灣物業服務有限公司*(a)*	PRC	RMB40,000,000	60%	–	60%	Property management
Zhejiang Mige Security Service Co., Ltd. (浙江米格保安服務有限公司) *(a)*	PRC	RMB10,000,000	60%	–	60%	Security service

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16 INVESTMENTS IN SUBSIDIARIES *(continued)*

Notes:

All companies comprising the Group have adopted 31 December as their financial year end date.

(a) The official names of these entities are in Chinese. The English names are for identification purpose only.

(b) The entity was established in the PRC as a wholly-foreign-owned enterprise.

(c) In May 2020, Jiaxin, the former non-controlling interests, reduced its equity interests of 20% and 0.1% in Yuanxi Investment and Excellence Property Management, respectively. After the reduction, Yuanxi Investment and Excellence Property Management became the wholly-owned subsidiaries of the Group.

The following table lists out the information relating to Zhejiang Gangwan Group, which has material non-controlling interests. The summarised financial information presented below represents the amounts before any intercompany elimination.

	As at or for the year ended 31 December 2020 RMB'000	As at or for the period from acquisition date to 31 December 2019 RMB'000
NCI percentage	40%	40%
Current assets	158,031	93,915
Non-current assets	13,935	15,487
Current liabilities	(52,308)	(29,175)
Non-current liabilities	(3,031)	(3,627)
Net assets	116,627	76,600
Carrying amount of NCI	47,993	32,107
Revenue	328,400	125,833
Profit for the year	39,716	14,047
Total comprehensive income	39,716	14,047
Profit allocated to NCI	15,886	5,619
Net cash generated from operating activities	41,301	37,519
Net cash used in investing activities	(30,875)	(22,434)
Net cash generating from financing activities	–	–

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17 INTEREST IN AN ASSOCIATE

The following list contains an associate of the Group, which is an unlisted corporate entity, whose quoted market price is not available:

			Effective interest held by the Group		
Name of associate	Place of incorporation and business	Registered capital/ paid-in capital	As at 31 December 2020	As at 31 December 2019	Principal activity
Suzhou Industrial Park Comprehensive Insurance Property Management Limited 蘇州工業園區綜保物業管理有限公司*	PRC	RMB10,000,000/ RMB10,000,000	30%	30%	Property management

* This PRC entity is a limited liability company. The English translation of the company name is for reference only. The official name of this company is in Chinese.

	2020 RMB'000	2019 RMB'000
Carrying amount of the associate	4,871	3,060
Amounts of the Group's share of the associate		
Profit for the year	1,212	887
Other comprehensive income	–	–
Total comprehensive income	1,212	887

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18 INTEREST IN JOINT VENTURES

Details of the Group's interest in joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of associate	Place of incorporation and business	Registered capital/ paid-in capital	Effective interest held by the Group As at 31 December 2020	Effective interest held by the Group As at 31 December 2019	Principal activity
Henan Huangjin Property Management Co., Ltd. ("Henan Huangjin") 河南黃錦物業管理有限公司*(i)(ii)*	PRC	RMB50,660,000/ RMB5,006,600	49%	49%	Property management services
Qingdao Huiyun Industry Service Co., Ltd. ("Qingdao Huiyun") 青島慧雲產業服務有限公司*(i)(ii)*	PRC	RMB20,000,000/ RMB3,000,000	43%	43%	Property management services
Jinan Likong Excellent Property Management Co., Ltd. ("Jinan Likong") 濟南曆控卓越物業管理有限公司*(i)(ii)*	PRC	RMB3,000,000/ RMB3,000,000	58%	–	Property management services

(i) These PRC entities are a limited liability company. The English translation of the company name is for reference only. The official names of these companies are in Chinese.

(ii) According to the Articles of Association, the joint venture agreement in relation to Huangjin, Qingdao Huiyun and Jinan Likong requires unanimous consent from both investors for all relevant activities. Huangjin, Qingdao Huiyun and Jinan Likong are therefore classified as a joint venture of the Group.

	2020 RMB'000	2019 RMB'000
Aggregate carrying amounts of individually immaterial joint ventures	46,429	36,809
Aggregate amounts of the Group's share of the joint ventures		
Profit for the year	7,346	5,001
Other comprehensive income	–	–
Total comprehensive income	7,346	5,001

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19 OTHER FINANCIAL ASSETS

	2020 RMB'000	2019 RMB'000
Non-current		
Contingent consideration receivable *(i)*	**2,118**	2,224
Current		
Investments in wealth management products, unlisted *(ii)*	**48,177**	123,842

(i) Receivables from third parties are contingent consideration receivables recognised according to the profit guarantee arrangement signed with the vendors for acquisition of equity interests in Zhejiang Gangwan Group as part of business combination and are subsequently measured at fair value through profit or loss. The fair value was measured with reference to the valuation performed by JLL, an independent qualified professional valuer. The fair value measurement is classified as level 3 financial instruments in the fair value hierarchy. The valuations of these financial assets are derived from valuations models which require a number of inputs and assumptions which are not observable from market data and which are significant to the entire measurement.

(ii) As at 31 December 2020, the wealth management products are non-principal guaranteed investments with floating rate of return and redeemable on demand, which are measured at FVTPL.

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20 TRADE AND OTHER RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Trade receivables	(i)		
– related parties		**88,138**	86,961
– third parties		**410,515**	326,181
		498,653	413,142
Less: loss allowance		**(37,732)**	(31,458)
		460,921	381,684
Other receivables, net of loss allowance			
– related parties		**6,678**	6,294
– third parties		**20,908**	29,020
		27,586	35,314
Amounts due from related parties	(ii)	**–**	455,000
Amount due from a joint venture	(iii)	**–**	15,272
Financial assets measured at amortised cost		**488,507**	887,270
Deposits and prepayments	(iv)	**72,491**	42,201
		560,998	929,471

Notes:

(i) Trade receivables are primarily related to revenue recognised from the provision of basic property management services and value-added services.

(ii) As at 31 December 2019, the amounts due from related parties include loans of RMB455,000,000 which were unsecured and interest-bearing from 4.12% to 7.51% per annum and were repaid during the year.

(iii) As at 31 December 2019, amount due from a joint venture represents declared dividend receivable which was settled in 2020.

(iv) As at 31 December 2020 and 2019, deposit and prepayments mainly represented prepayment for future project cooperation, prepaid tax and deposits for lease arrangements.

20 TRADE AND OTHER RECEIVABLES *(continued)*

(a) Ageing analysis

As at 31 December 2020, the ageing analysis of trade receivables (net of loss allowance) based on the date of revenue recognition, is as follows:

	2020 RMB'000	2019 RMB'000
Within 6 months	411,416	335,050
6 months to 1 year	29,482	23,510
1 to 2 years	16,274	18,688
2 to 3 years	3,749	4,436
	460,921	381,684

Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in Note 31(a).

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see Note 2(l)(i)).

21 LOANS RECEIVABLE

	2020 RMB'000	2019 RMB'000
Unguaranteed and unsecured	84,633	134,616
Guaranteed and unsecured	125,010	115,610
Unguaranteed and secured	77,727	131,614
Guaranteed and secured	97,600	18,198
Gross loans receivable	384,970	400,038
Less: loss allowance	(16,434)	(9,038)
	368,536	391,000

Notes:

(i) As at 31 December 2020, loans provided by the Group to third parties from micro-lending business are interest bearing at rates ranging from 3.60% to 28.80% (2019: 14.04% to 28.80%) per annum, and recoverable within one year.

(ii) As at 31 December 2019, the loan receivable of RMB18,198,000 was guaranteed by a related party and the guarantee provided by a related party has been released in 2020.

(iii) The details of the credit risk arising from the loans receivable are set out in Note 31(a).

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21 LOANS RECEIVABLE *(continued)*

As at 31 December 2020, the aging analysis of loans receivable based on due date and credit quality (Note 31(a)) is set out below:

	As at 31 December 2020			
	Stage 1 RMB'000	**Stage 2 RMB'000**	**Stage 3 RMB'000**	**Total RMB'000**
Current (not past due)	**365,893**	**–**	**–**	**365,893**
Overdue over 1 month but within 3 months	**–**	**2,600**	**–**	**2,600**
Overdue over 3 months but within 6 months	**–**	**–**	**4,477**	**4,477**
Overdue over 6 months but within one year	**–**	**–**	**12,000**	**12,000**
Subtotal	**365,893**	**2,600**	**16,477**	**384,970**
Less: loss allowance	**(11,226)**	**(265)**	**(4,943)**	**(16,434)**
Total	**354,667**	**2,335**	**11,534**	**368,536**

	As at 31 December 2019			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Current (not past due)	400,038	–	–	400,038
Less: loss allowance	(9,038)	–	–	(9,038)
Total	391,000	–	–	391,000

Notes:

(i) Overdue loans represent loans receivable, of which the whole or part of the principal or interest was overdue for one day or more.

(ii) As at 31 December 2020, loans receivable classified at Stage 2 of RMB2,600,000 and at Stage 3 of RMB3,000,000 were guaranteed and secured by properties held by customers and loans receivable of RMB13,477,000 classified at Stage 3 were unguaranteed and secured by properties held by customers.

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22 RESTRICTED DEPOSITS

	Note	2020 RMB'000	2019 RMB'000
Cash collected on behalf of the property owners' associations *(i)*	26	**17,852**	51,718
Housing maintenance funds received *(ii)*	26	**19,550**	16,394
Other restricted deposits		**1,194**	993
		38,596	69,105

Notes:

(i) The Group has collected cash on behalf of the property owners' associations in its property services business. Since the property owners' associations often face difficulties in opening their own bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.

(ii) Housing maintenance funds received mainly represent the cash deposits in banks as housing maintenance funds which were owned by the property owners but were deposited in the bank accounts in the name of the Group.

23 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2020 RMB'000	2019 RMB'000
Cash in hand	**177**	247
Cash at banks and other financial institutions *(Note)*	**3,313,955**	446,856
	3,314,132	447,103

Note: At 31 December 2020, cash at banks of HKD3,366,348,000 (equivalent to RMB2,833,118,000) mainly are IPO proceeds received (2019: nil).

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23 CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of profit before taxation to cash generated from operations:

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		476,749	316,747
Adjustments for:			
Bank interest income	5	(1,968)	(1,087)
Interest income from related parties	5	(5,480)	(8,961)
Depreciation and amortisation	6(c)	45,164	30,329
Gain on disposal of a subsidiary	5	(31,539)	–
Share of profits of an associate	17	(1,212)	(887)
Share of profits less losses of joint ventures	18	(7,346)	(5,001)
Finance costs	6(a)	29,535	20,482
Net gain on investment in wealth management products	5	(4,304)	(3,285)
Fair value loss on financial asset measured at FVTPL	5	106	–
Net gain on disposal of property, plant and equipment	5	(14)	(26)
Impairment losses on loans receivable	6(c)	7,396	6,832
Impairment losses on trade and other receivables	6(c)	6,924	6,793
Equity-settled share-based payment	28	12,856	–
Changes in working capital:			
Decrease/(increase) in loans receivable		15,068	(104,363)
Increase in trade and other receivables		(118,518)	(83,356)
Increase in inventories		(2,310)	–
Increase in contract liabilities		18,190	17,958
Increase in trade and other payables		95,565	61,344
Decrease in restricted deposits		30,509	5,521
Cash generated from operations		565,371	259,040

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23 CASH AND CASH EQUIVALENTS *(continued)*

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowing RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000	Interest payable RMB'000	Total RMB'000
At 1 January 2019	150,000	22,651	373,326	163	546,140
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	465,000	–	–	–	465,000
Repayment of bank and other borrowings	(150,000)	–	–	–	(150,000)
Advances from related parties	–	–	1,356,970	–	1,356,970
Repayment of advances from related parties	–	–	(1,094,633)	–	(1,094,633)
Capital element of lease rentals paid	–	(20,827)	–	–	(20,827)
Interest element of lease rentals paid	–	(6,410)	–	–	(6,410)
Interest paid	–	–	–	(8,507)	(8,507)
Total changes from financing cash flows	315,000	(27,237)	262,337	(8,507)	541,593
Other changes:					
Interest expense *(Note 6(a))*	–	6,410	–	12,137	18,547
Increase in lease liabilities from entering into new leases during the year	–	142,582	–	–	142,582
Total other changes	–	148,992	–	12,137	161,129

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23 CASH AND CASH EQUIVALENTS *(continued)*

(c) Reconciliation of liabilities arising from financing activities: *(continued)*

	Bank loans and other borrowings RMB'000	Lease liabilities RMB'000	Amounts due to related parties RMB'000	Interest payable RMB'000	Total RMB'000
At 31 December 2019 and 1 January 2020	465,000	144,406	635,663	3,793	1,248,862
Changes from financing cash flows:					
Proceeds from bank loans and other borrowings	496,780	–	–	–	496,780
Repayment of bank and other borrowings	(587,840)	–	–	–	(587,840)
Advances from related parties	–	–	104,300	–	104,300
Repayment of advances from related parties	–	–	(719,240)	–	(719,240)
Capital element of lease rentals paid	–	(16,240)	–	–	(16,240)
Interest element of lease rentals paid	–	(8,224)	–	–	(8,224)
Interest paid	–	–	–	(24,433)	(24,433)
Total changes from financing cash flows	(91,060)	(24,464)	(614,940)	(24,433)	(754,897)
Other changes:					
Interest expense *(Note 6(a))*	–	8,224	–	21,311	29,535
Increase in lease liabilities from entering into new leases during the year	–	21,512	–	–	21,512
Disposal of a subsidiary	–	–	(20,723)	–	(20,723)
Total other changes	–	29,736	(20,723)	21,311	30,324
At 31 December 2020	373,940	149,678	–	671	524,289

23 CASH AND CASH EQUIVALENTS *(continued)*

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2020 RMB'000	2019 RMB'000
Within operating cash flows	58,413	51,605
Within financing cash flows	24,464	27,237
	82,877	78,842

These amounts relate to the following:

	2020 RMB'000	2019 RMB'000
Lease rentals paid	82,877	78,842

24 BANK LOANS AND OTHER BORROWINGS

As at 31 December 2020, bank loans and other borrowings were as follows:

	2020 RMB'000	2019 RMB'000
Bank loans		
– Unsecured and unguaranteed *(i)*	342,150	15,000
– Unsecured and guaranteed *(ii)*	–	50,000
– Secured and unguaranteed *(ii)*	–	300,000
– Secured and guaranteed *(ii)*	–	100,000
	342,150	465,000
Other borrowings		
– Unsecured and unguaranteed *(iii)*	31,790	–
	373,940	465,000

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24 BANK LOANS AND OTHER BORROWINGS *(continued)*

As at 31 December 2020, bank loans and other borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year and included in current liabilities	193,790	465,000
After 1 year and included in non-current liabilities:		
After 1 year but within 2 years	12,000	–
After 2 years but within 5 years	168,150	–
	180,150	–
	373,940	465,000

Notes:

(i) As at 31 December 2020, the unsecured and unguaranteed bank loans are interest – bearing from 4.35% to 5.66% per annum.

(ii) These loans were guaranteed by and/or secured by assets of Mr. Li Wa, the controlling shareholder of the Group, and Excellence Group, a related party of the Group. All these loans were settled before the Listing.

(iii) As at 31 December 2020, other borrowings with principal amount of RMB31,790,000 were borrowed from an independent third party for micro-lending business, which were unsecured and interest-bearing at 9.90% per annum and repayable within three months after the loan agreements signed.

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25 CONTRACT LIABILITIES

	2020 RMB'000	2019 RMB'000
Property management services	81,628	63,438

Movements in contract liabilities are as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	63,438	45,480
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(58,950)	(38,604)
Acquisitions of subsidiaries	–	4,710
Increase in contract liabilities as a result of receiving property management services in advance	77,140	51,852
At 31 December	81,628	63,438

The Group entered into certain property management agreements with its related parties to provide basic property management services and value-added services and received advance payments of RMB17,327,000 (2019: RMB6,876,000) from its related parties as at 31 December 2020.

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26 TRADE AND OTHER PAYABLES

	Note	2020 RMB'000	2019 RMB'000
Current			
Trade payables	(a)		
– related parties		36,432	32,299
– third parties		156,152	99,735
		192,584	132,034
Other payables			
– related parties		19,828	46,912
– third parties		95,113	83,584
		114,941	130,496
Amounts due to related parties	(b)	–	635,663
Dividend payable to a former non-controlling interest		–	104,740
Dividend payable to non-controlling interests		5,388	–
Cash collected on behalf of property owners' association	22	17,852	51,718
Housing maintenance funds held on behalf of property owners	22	19,550	16,394
Interest payable		671	3,793
Financial liabilities measured at amortised cost		350,986	1,074,838
Advance related to consideration for proposed disposal of a subsidiary	(c)	300,000	–
Accrued payroll and other benefits		148,062	118,235
Deposits	(d)	82,733	76,172
Accrued charges		11,068	6,555
		892,849	1,275,800
Non-current			
Other payables	(e)	102,280	72,537

26 TRADE AND OTHER PAYABLES *(continued)*

Notes:

(a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers and payables relating to car parks leasing.

(b) As at 31 December 2019, the balance represented interest-free loans of RMB635,663,000 from related parties and were settled during the year.

(c) In May 2020, the Group entered into a framework agreement with a related party to transfer 100% equity interests in Shenzhen Zhuotou, a subsidiary of the Group principally engaged in micro-lending business, and received an advance payment of RMB300,000,000 for the proposed transfer. The final consideration for the transfer will be determined with reference to the valuation performed by an independent external valuer on the date of transfer. The transfer is expected to be completed in 2021 after the 3-year transfer restrictive period for the disposal of Shenzhen Zhoutou, subject to the substantial approval of the relevant authorities and fulfilment of certain requirements. The advance received was interest-free.

(d) Deposits mainly represent miscellaneous decoration deposits received from property owners and tenants during the decoration period.

(e) The payables represent a put option ("NCI Put Option") written to the non-controlling interests of Zhejiang Gangwan Group, a subsidiary of the Group, upon the acquisition. In 2019, the Group acquired certain subsidiaries and wrote a put option to the vendors of Zhejiang Gangwan Group, who is currently the non-controlling interests and owned 40% equity interests in Zhejiang Gangwan Group. In accordance with the terms of the NCI Put Option, the non-controlling interests have the right to sell its remaining 40% interests in Zhejiang Gangwan Group to the Group at the agreed price-earning ratio after three years from the acquisition date if Zhejiang Gangwan Group meets certain profit targets. The present value of the estimated amount that may become payable is initially recognised as other liability with a corresponding charge directly to other reserves within equity. In accordance with the accounting policy set out in note 2(f)(iii), the amount is subsequently accrete to the estimated amount to be paid up to the date of exercise of the put option and the change of remeasurement of the amount is recorded into other reserve.

As at 31 December 2020, the ageing analysis of trade payables, based on invoice date is as follows:

	2020	2019
	RMB'000	RMB'000
Within 1 month	**118,069**	59,906
1 to 3 months	**30,931**	26,669
3 to 6 months	**4,979**	9,238
6 to 12 months	**10,101**	8,238
Over 12 months	**28,504**	27,983
	192,584	132,034

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27 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at each reporting date:

	2020		2019	
	Present value of the minimum lease payments RMB'000	**Total minimum lease payments RMB'000**	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	**17,509**	**25,089**	10,910	18,532
After 1 year but within 2 years	**15,725**	**22,418**	9,416	16,422
After 2 years but within 5 years	**24,322**	**41,070**	22,079	40,389
After 5 years	**92,122**	**115,440**	102,001	132,041
	132,169	**178,928**	133,496	188,852
	149,678	**204,017**	144,406	207,384
Less: total future interest expenses		**(54,339)**		(62,978)
Present value of lease liabilities		**149,678**		144,406

At 31 December 2020, the above balance included lease liabilities in respect of certain leasehold properties leased from related parties of the Group of RMB6,818,000 (2019: RMB6,067,000).

28 PRE-IPO SHARE OPTION SCHEME

The Company has a Pre-IPO Share Option Scheme whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of HK$1 per grant to subscribe for shares of the Company. On 9 September 2020, a total number of 28,200,000 ordinary share options were granted under the Pre-IPO Share Option Scheme. The options will fully vest after three years from the Listing Date or, as the case may be, the first anniversary date of the employment commencement date of the relevant grantees and are then exercisable within a period of 5 years from the date of grant. The exercise price per share is HK$5.36. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

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28 PRE-IPO SHARE OPTION SCHEME *(continued)*

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors:		– 33.33% exercisable after the publication of annual report of the Company for the year ended 31 December 2021 – 33.33% exercisable after the publication of annual report of the Company for the year ended 31 December 2022 – 33.34% exercisable after the publication of annual report of the Company for the year ended 31 December 2023	
– on 9 September 2020	17,400,498		5 years
Options granted to employees:		– 33.33% exercisable after the publication of annual report of the Company for the year ended 31 December 2021 – 33.33% exercisable after the publication of annual report of the Company for the year ended 31 December 2022 – 33.34% exercisable after the publication of annual report of the Company for the year ended 31 December 2023	
– on 9 September 2020	10,799,502		5 years
Total share options granted	28,200,000		

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28 PRE-IPO SHARE OPTION SCHEME *(continued)*

(b) The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price HK$	Number of options
At 1 January 2020		–
Granted during the year	5.36	28,200,000
Outstanding at 31 December 2020		28,200,000
Exercisable at 31 December 2020	–	–

The options outstanding at 31 December 2020 have an exercise price of HK$5.36 and a weighted average remaining contractual life of 4.6 years.

The fair value of the share options granted was RMB106,290,000 (HK$3.77 each), of which the Group recognised share option expense of RMB12,856,000 during the year ended 31 December 2020.

(c) Fair value of share options and assumptions

The fair value of services received in return for share options granted is measured by reference to the fair value of share options granted. The estimate of the fair value of the share options granted is measured based on a binomial lattice model. The contractual life of the share option is used as an input into this model. Expectations of early exercise are incorporated into the binomial lattice model.

Fair value of share options and assumptions

Share price	HK$7.63
Exercise price	HK$5.36
Expected volatility (expressed as weighted average volatility used in the modelling under binomial lattice model)	45.93%
Option life (expressed as weighted average life used in the modelling under binomial lattice model)	5 years
Expected dividends	0%
Risk-free interest rate	0.3085%

Share options were granted under a service condition. This condition has not been taken into account in the grant date fair value measurement of the services received. There were no market conditions associated with the share option grants.

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29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represent:

	2020 RMB'000	2019 RMB'000
Corporate Income Tax		
Prepaid tax	1,465	2,109
Current taxation	(57,214)	(59,319)
	(55,749)	(57,210)
The movement of Corporate Income Tax are as follows:		
At 1 January	(57,210)	(31,662)
Charged to profit or loss	(129,898)	(91,662)
Acquisitions of subsidiaries	–	(8,251)
Payments during the year	131,359	74,365
At 31 December	(55,749)	(57,210)

(b) Deferred tax recognised:

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

		Deferred tax arising from							
	Note	Impairment loss on receivables RMB'000	Unused tax losses RMB'000	Right-of-use assets RMB'000	Accrued expenses RMB'000	Uncompleted property management contracts RMB'000	Withholding tax RMB'000	Others RMB'000	Total RMB'000
At 1 January 2019		7,773	2,416	242	863	–	–	–	11,294
Acquisition of subsidiaries		–	–	–	–	(15,920)	–	–	(15,920)
Credited to profit or loss		2,835	2,079	2,101	1,033	432	–	–	8,480
At 31 December 2019 and 1 January 2020		10,608	4,495	2,343	1,896	(15,488)	–	–	3,854
Credited/(charged) to profit or loss		3,580	227	2,368	3,985	2,887	(4,155)	179	9,071
Disposal of a subsidiary	32	–	–	–	(159)	–	–	(179)	(338)
At 31 December 2020		14,188	4,722	4,711	5,722	(12,601)	(4,155)	–	12,587

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29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(b) Deferred tax recognised: *(continued)*

(ii) Reconciliation to the consolidated statement of financial position

	2020 RMB'000	2019 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial positions	28,666	19,342
Net deferred tax liabilities recognised in the consolidated statements of financial positions	(16,079)	(15,488)
	12,587	3,854

(c) Deferred tax assets and liabilities not recognised

(i) Deferred tax assets have not been recognised in respect of the following items:

	2020 RMB'000	2019 RMB'000
Unused tax losses		
– the PRC	50	31,844

The Group has not recognised deferred tax assets in respect of unused tax losses of subsidiaries as it is not probable that sufficient future taxable profits will be available against which unused tax losses can be utilised.

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29 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

(c) Deferred tax assets and liabilities not recognised *(continued)*

(i) Deferred tax assets have not been recognised in respect of the following items: (continued)

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at 31 December 2020 will expire in the following years:

	2020 RMB'000	2019 RMB'000
2020	–	1,593
2021	–	5,971
2022	36	5,460
2023	6	10,604
2024	6	8,216
2025	2	–
	50	31,844

The unused tax losses can be carried forward to offset against taxable profits of subsequent years for up to five years from the year in which they arose.

(ii) The Corporate Income Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends, distributed by a PRC-resident enterprise to its immediate holding company outside the PRC for profits generated and undistributed profits generated. According to the China-Hong Kong tax arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the "**beneficial owner**" and holds 25% or more of a PRC enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2020, the Group did not provide for deferred tax liabilities on profits generated by certain of its PRC subsidiaries amounting to RMB10,254,000 (2019: nil) since the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

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30 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised share capital

On 13 January 2020, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. The authorised share capital of the Company is HKD380,000 divided into 38,000,000 shares of a par value of HK$0.01 each. Pursuant to the shareholders' resolutions of the Company dated 28 September 2020, the authorised share capital of the Company is increased from HKD380,000 divided into 38,000,000 shares of a par value of HK$0.01 each to HKD50,000,000 divided into 5,000,000,000 shares with the par value of HK$0.01 each.

Issued share capital

	2020		
Ordinary shares of HK$0.01 each, issued:	**No. of shares**	**HK$**	**RMB**
At 13 January 2020 (date of incorporation)	–	–	–
Issuance of shares *(i)*	1,000	10	9
Capitalisation issue *(ii)*	899,999,000	8,999,990	7,729,000
Issuance of ordinary shares upon IPO *(iii)*	300,000,000	3,000,000	2,576,591
Exercise of overallotment option *(iv)*	22,490,000	224,900	190,760
At 31 December 2020	1,222,490,000	12,224,900	10,496,360

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(a) Share capital *(continued)*

Issued share capital (continued)

Note:

(i) After the incorporation, 799 Shares were allotted and issued to Urban Hero, a BVI company indirectly wholly-owned by Mr. Li Wa, the controlling shareholder, 70 Shares were allotted and issued to Autumn Riches Limited, a BVI company wholly owned by Mr. Li Yuan, and 131 Shares were allotted and issued to Ever Rainbow Holdings Limited, a BVI company wholly owned by Ms. Xiao Xingping, respectively. Each issued share is with a par value of HK$0.01 each. Upon the completion of such allotment and issue, the Company became owned as to 79.9% by Mr. Li Wa, 7.0% by Mr. Li Yuan and 13.1% by Ms. Xiao Xingping respectively.

(ii) Capitalisation issue

On 28 September 2020, 899,999,000 shares were issued by way of capitalisation with a par value HK$0.01 each, the corresponding share capital amount was HK$8,999,990 (equivalent to approximately RMB7,729,000).

(iii) Issuance of ordinary shares upon IPO

On 19 October 2020, upon its listing on the Hong Kong Stock Exchange, the Company issued 300,000,000 new ordinary shares with a par value HK$0.01 each at HK$10.68 per share for a total cash consideration of HK$3,204,000,000 (equivalent to approximately RMB2,751,595,000). The corresponding share capital amount was approximately RMB2,576,000 and share premium arising from the issuance was approximately RMB2,683,788,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB65,231,000 were treated as a deduction against the share premium arising from the issuance.

(iv) Exercise of the over-allotment option

On 11 November 2020, the over-allotment option has been partially exercised by the investors and the Company allotted and issued 22,490,000 additional shares with a par value HK$0.01 each at HK$10.68 per share for a total cash consideration of HK$240,193,200 (equivalent to approximately RMB203,732,000). The corresponding share capital amount was approximately RMB191,000 and share premium arising from the issuance was approximately RMB198,880,000, net of the share issuance costs. The share issuance costs paid and payable mainly include share underwriting commissions and other related costs, which are incremental costs directly attributable to the issuance of the new shares. These costs amounting to RMB4,661,000 were treated as a deduction against the share premium arising from the issuance.

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(b) Movements in components of equity of the Company

Details of the changes in the Company's individual components of equity are set out below:

	Share capital RMB'000	Share premium RMB'000	Share option reserves RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
Balance at 13 January 2020 (date of incorporation)	–	–	–	–	–	–
Total comprehensive income for the period	–	–	–	(61,391)	(8,555)	(69,946)
Issuance of shares upon establishment *(Note 30(a)) (Note)**	–	80,049	–	–	–	80,049
Capitalisation issue	7,729	(7,729)	–	–	–	–
Issue of ordinary shares upon IPO, net of issuing costs	2,767	2,877,316	–	–	–	2,880,083
Pre-IPO equity-settled share-based payment *(Note 28)*	–	–	12,856	–	–	12,856
Balance at 31 December 2020	10,496	2,949,636	12,856	(61,391)	(8,555)	2,903,042

* As the amount of share capital is less than RMB1,000, it is represented as nil for the presentation purpose.

Note: As part of the Reorganisation, the Company acquired the entire equity interests in Shenzhen Dongrunze, which was settled by means of issuing new shares to the then equity shareholder of Shenzhen Dongrunze, an entity controlled by Mr. Li Wa. The difference between net assets acquired and issued share capital of the Company is recorded as share premium.

(c) Nature and purpose of reserves

(i) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to their reserves must be made before distribution of a dividend to equity holders.

For the companies concerned, statutory reserves can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the registered capital of the respective companies.

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(c) Nature and purpose of reserves *(continued)*

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the PRC. The reserve is dealt with in accordance with the accounting policies set out in Note 2(w).

(iii) Other reserves

Other reserves mainly comprise the following:

(i) adjustment of other reserves arising from the acquisition of Zhenglian Haodong under business combination under common control;

(ii) recognition of NCI Put Option arising from the acquisition of Zhejiang Gangwan Group and the subsequent change of the carrying amount from the remeasurement at the end of each reporting period (Note 26(e)); and

(iii) adjustment of other reserves arising from the Reorganisation

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30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(d) Dividends

Dividends payable to equity shareholders of the Company attributable to the year ended 31 December 2020:

	2020 RMB'000
Final dividend proposed after the consolidated statement of financial position date of HK9.51 cents per ordinary share	98,234

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

There was no dividend payable to equity shareholders of the Company attributable to the previous financial year approved and paid during the year.

In May 2020, Shenzhen Dongrunze declared dividend of RMB353,718,000 to Oriental Rich, the then equity shareholder of Shenzhen Dongrunze, an entity controlled by Mr. Li Wa. The above declared dividend was paid in May 2020.

In 2019, Yuanxi Investment and Excellence Property Management (subsidiaries of the Group) declared dividends of RMB104,740,000 to Shenzhen Jiaxin Industrial, a former non-controlling interest of the Group, which was owned by majority shareholders of the Company, Mr. Li Yuan and Ms. Xiao Xingping and the dividends were paid in May 2020.

30 CAPITAL, RESERVES AND DIVIDENDS *(continued)*

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the number of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As at 31 December 2020, asset-liability ratio of the Group is follows:

	2020	2019
	RMB'000	RMB'000
Asset-liability ratio	**34%**	82%

Other than a subsidiary engaged in micro-lending activities which has imposed registered capital of RMB300 million, the Group is not subject to other externally imposed capital requirements throughout the year.

31 FINANCIAL RISK MANAGEMENT

Exposure to credit, liquidity, interest rate, currency and fair value risks arise in the normal course of the Group's business.

Financial assets of the Group include cash and cash equivalents, restricted deposits, financial assets measured at FVTPL, trade and other receivables and loans receivable. Financial liabilities of the Group include bank loans and other borrowings and trade and other payables.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

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31 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank and restricted deposits, trade and other receivables and loans receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The cash at bank and restricted deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risk from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

Trade and other receivables

In respect of trade receivables, the Group measures loss allowances at an amount equal to lifetime ECLs. The Group considers that a default event occurs when significant decrease in property management and other service fee collection rate and estimates the expected loss rate for the Reporting periods. For trade receivables relating to property management fee due from certain large customers, the receivables are normally settled within 1 to 3 months. The Group has no concentrations of credit risk in view of its large number of customers. For different customer types, such as, large group customers, commercial tenants and residential customers, the Group measures loss allowances by each type and considers different payment behaviours and different credit terms granted to each type of customers.

When assessing the recoverable amounts of trade receivables as at 31 December 2020, the uncertainty has significantly increased due to the unclarity as to the development of the COVID-19 pandemic and business recovery. However, the Group closely monitors the settlement status of trade receivables and chases the collection of property management fee timely. Based on the above following actions taken, the Group considers that there is no significant change to the ECL assessment due to COVID-19.

In respect of amounts due from related parties and other receivables, regular review and follow-up actions are carried out on long-aged receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. The specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

The Group expects that the credit risk associated with other receivables due from certain entities (including the non-trade amounts due from the entities controlled by Mr. Li Wa, other non-trade amounts due from Excellence Group and other receivables due from other related parties) is considered to be low, since these entities have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from these entities are immaterial and considered them to have low credit risk, and thus the loss allowance is immaterial.

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31 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The following table provides information about the Group's exposure to credit risk and ECLs for trade and other receivables as at 31 December 2020:

At 31 December 2020	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Trade receivables – Non-residential properties			
Within 6 months	2%	404,499	8,234
6 months to 1 year	3%	29,526	945
1 to 2 years	26%	15,113	3,896
2 to 3 years	63%	4,219	2,670
Over 3 years	100%	7,525	7,525
		460,882	23,270
Trade receivables – Residential properties			
Within 1 year	12%	18,279	2,227
1 to 2 years	23%	6,530	1,473
2 to 3 years	48%	4,199	1,999
Over 3 years	100%	8,763	8,763
		37,771	14,462
		498,653	37,732
Other receivables	9%	30,172	2,586
		528,825	40,318

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For the year ended 31 December 2020

(Expressed in Renminbi unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

At 31 December 2019	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Trade receivables – Non-residential properties			
Within 6 months	3%	333,812	8,568
6 months to 1 year	3%	18,958	552
1 to 2 years	24%	15,644	3,801
2 to 3 years	36%	4,385	1,576
Over 3 years	100%	4,063	4,063
		376,862	18,560
Trade receivables – Residential properties			
Within 1 year	13%	17,064	2,154
1 to 2 years	33%	10,160	3,315
2 to 3 years	45%	2,950	1,323
Over 3 years	100%	6,106	6,106
		36,280	12,898
		413,142	31,458
Other receivables	0.38%	507,522	1,936
		920,664	33,394

Expected loss rates are based on actual loss experience over the past 4 years. These rates are adjusted to reflect differences between economic conditions during the reporting periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In addition to the credit risk management policy stated above, the Group considers the probability of default upon initial recognition of assets and considers whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of each reporting period with the risk of default as at the date of initial recognition. It considers reasonable and supportive forward-looking information that is available. Details of indicators are disclosed in Note 2(l)(i).

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31 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The movement in the allowance for impairment of trade and other receivables during the year, including both specific and collective loss components, is as follows:

Impairment of trade and other receivables

	2020 RMB'000	2019 RMB'000
At 1 January	33,394	26,601
Impairment loss recognised	6,924	6,793
At 31 December	**40,318**	33,394

Loans receivable

In respect of loans receivable, the Group has established relevant mechanism to cover credit risk in key operational phases of micro-lending business, including pre-lending evaluations, credit approval, and post-lending monitoring. The Group conducts customer acceptance and due diligence by business and marketing department and risk management department in pre-lending evaluations. In the credit approval phase, all loan applications are subject to the assessment and approval of the Group's deputy general manager, general manager or loan assessment committee, depending on the amount of the loans. To manage the credit risk, the Group also requests customers to provide eligible assets as collateral or requests qualified guarantee institutions to provide guarantees for the customers. During the post-lending monitoring, the Group keeps monitor the repayment of interests to detect any potential risks by evaluating various aspects, including but not limited to the customers' operational and financial conditions, status of collaterals and other sources of repayment.

At the end of each reporting period, based on the credit quality, loans receivable are categorised into three stages by the Group:

Stage 1

Loans receivable have not experienced a significant increase in credit risk since origination and impairment is recognised on the basis of 12 months expected credit losses (12-month ECLs).

Stage 2

Loans receivable have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses (Lifetime ECLs non credit-impaired).

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(Expressed in Renminbi unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT *(continued)*

(a) Credit risk *(continued)*

Loans receivable (continued)

Stage 3

Loans receivable are in default and considered credit impaired (Lifetime ECLs credit-impaired).

The Group applies the ECL model to measure the impairment loss of the loans receivable by considering the probabilities of default, losses given default, exposures at default and forward-looking information (e.g. impact of COVID-19, development in macroeconomic environment and etc.).

The following table provides information about the Group's exposure to credit risk and ECLs for loans receivable as at 31 December 2020:

At 31 December 2020	Expected loss rate	Gross carrying amount	Loss allowance
Loans receivable			
– Stage 1	3%	365,893	11,226
– Stage 2	10%	2,600	265
– Stage 3	30%	16,477	4,943
		384,970	16,434

At 31 December 2019	Expected loss rate	Gross carrying amount	Loss allowance
Loans receivable			
– Stage 1	2.3%	400,038	9,038

The movement in the allowance for impairment of loans receivable during the year is as follows:

Impairment of loans receivable

	2020 RMB'000	2019 RMB'000
At 1 January	9,038	4,490
Impairment loss recognised	7,396	6,832
Disposal	–	(2,284)
At 31 December	16,434	9,038

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(Expressed in Renminbi unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2020					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans and other borrowings	207,551	20,678	170,648	–	398,877	373,940
Lease liabilities	25,089	22,418	41,070	115,440	204,017	149,678
Trade and other payables (excluding deposits, accrued payroll and other benefits, accrued charges and other payables relating to NCI Put Option)	350,986	–	–	–	350,986	350,986
	583,626	43,096	211,718	115,440	953,880	874,604

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(Expressed in Renminbi unless otherwise indicated)

31 FINANCIAL RISK MANAGEMENT *(continued)*

(b) Liquidity risk *(continued)*

	As at 31 December 2019					
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	Carrying amount at 31 December RMB'000
Bank loans and other borrowings	480,558	–	–	–	480,558	465,000
Lease liabilities	18,532	16,422	40,389	132,041	207,384	144,406
Trade and other payables (excluding deposits, accrued payroll and other benefits, accrued charges and other payables relating to NCI Put Option)	1,074,838	–	–	–	1,074,838	1,074,838
	1,573,928	16,422	40,389	132,041	1,762,780	1,684,244

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk arises primarily from lease liabilities and bank loans and other borrowings. The Group's interest rate profile as monitored by management is set out in (i) below.

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31 FINANCIAL RISK MANAGEMENT *(continued)*

(c) Interest rate risk *(continued)*

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the Reporting periods.

	2020		2019	
	Effective interest rate %	RMB'000	Effective interest rate %	RMB'000
Fixed rate borrowings:				
Lease liabilities	5.66%	149,678	5.66%	144,406
Bank loans and other borrowings	4.35%-9.90%	373,940	4.10%-7.50%	365,000
		523,618		509,406
Variable rate borrowings:				
Bank loans	–	–	5.45%	100,000
Total borrowings		523,618		609,406

(ii) Sensitivity analysis

At 31 December 2020, there is no interest rate risk arising from variable rate borrowing. As at 31 December 2019, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained profits by approximately RMB750,000.

In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax (and retained profits) and other components of consolidated equity is estimated as an annualised impact on interest expense or income of such a change in interest rates.

(d) Currency risk

The functional currency of the Group's subsidiaries in mainland China is RMB. Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The cash held by the Company and Hong Kong subsidiary are denominated in Hong Kong dollar ("**HKD**") and the functional currency of these entities are HKD. The Group considers the risk of movements in exchange rates to be insignificant.

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31 FINANCIAL RISK MANAGEMENT *(continued)*

(e) Fair value measurement

(i) Fair value hierarchy

HKFRS 13, Fair value measurement, requires the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

– Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date

– Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available

– Level 3 valuations: Fair value measured using significant unobservable inputs

	2020			2019		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Recurring fair value measurements						
Assets:						
– Wealth management products *(Note 19) (Note)*	–	–	48,177	–	–	123,842
– Receivables due from a third party *(Note 19)*	–	–	2,118	–	–	2,224

Note: For wealth management products issued by banks that are measured at fair value through profit and loss, the fair value is determined by calculating based on the discounted cash flow method.

31 FINANCIAL RISK MANAGEMENT *(continued)*

(e) Fair value measurement *(continued)*

(i) Fair value hierarchy (continued)

The main level 3 inputs used by the Group for wealth management products are the expected rates of return. At 31 December 2020, if the expected rate of return of the investment in wealth management products held by the Group had been 1% higher/lower, the Group's profit after tax and retained profits would have been RMB361,000 (2019: RMB929,000) higher/lower.

The main level 3 inputs used by the Group for receivables due from a third party are revenue growth rates during the profit guaranteed period. At 31 December 2020, if the revenue growth rates during the profit guaranteed period had been 1% higher/lower, the Group' s profit after tax and retained profits would have been RMB463,000 (2019: RMB462,000) lower/higher respectively.

(f) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at cost or amortised cost are not materially different from their fair values at 31 December 2019 and 2020.

32 DISPOSAL OF A SUBSIDIARY

On 21 April 2020, the Group entered into a share purchase agreement with a subsidiary of Excellence Real Estate Group Co.,Ltd. and its subsidiaries (together, the "**Excellence Group**"), which is a related party of the Group, to dispose of its entire 95% equity interests in Shenzhen Zhenglian Haodong Technology Development Co., Ltd. ("**Zhenglian Haodong**"), a non-wholly owned subsidiary of the Group, for a consideration of RMB9,500,000. Zhenglian Haodong was principally engaged in provision of software development and technical support.

The net loss of Zhenglian Haodong for the year ended 31 December 2019 was RMB8,188,000 and the net gain for the year in 2020 before disposal was RMB179,000, which were included in the financial statements of the Group.

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32 DISPOSAL OF A SUBSIDIARY *(continued)*

The net assets of the disposed subsidiary at the disposal date are set out as below:

	Note	RMB'000
Cash and cash equivalents		5,167
Trade and other receivables		925
Property, plant and equipment	12	1,771
Deferred tax assets	29(b)	338
Trade and other payables		(31,378)
Net liabilities		(23,177)
Non-controlling interest		1,138
Net liabilities attributable to the Group		(22,039)
Gain on disposal of the subsidiary:		
Considerations received		9,500
Less: net liabilities attributable to the Group disposal of		22,039
Gain on disposal of the subsidiary	5(b)	31,539
Net cash outflow arising on disposal:		
Consideration received, satisfied in cash *(Note)*		–
Less: cash and cash equivalents disposed of		(5,167)
Net cash outflow		(5,167)

Note: The considerations were settled by off-setting with the amount due to the respective related party.

33 COMMITMENTS

Capital commitments outstanding not provided for in the financial statements were as follows:

	2020 RMB'000	2019 RMB'000
Contracted for and authorised but not contracted for	15,001	900

As at 31 December 2020, capital commitments mainly represented capital expenditure for purchase of software and improvement of IT system.

34 RELATED PARTY TRANSACTIONS

(a) Significant related party transactions

During the year ended 31 December 2020, the Group entered into significant related parties transactions with Excellence Group, its associates and joint ventures and other related parties controlled, jointly controlled or significant influenced by Mr. Li Wa, the Controlling Shareholder.

The particulars of significant transactions between the Group and the above related parties during the year are as follows:

	2020 RMB'000	2019 RMB'000
Basic property management services income		
– Excellence Group	68,151	88,232
– Other related parties	2,223	4,052
Value added services income		
– Excellence Group	232,560	106,070
– Other related parties	5,805	4,001
Payment of lease liabilities		
– Excellence Group	2,608	1,670
– Other related parties	203	420
Interest expenses charged on lease liabilities		
– Excellence Group	335	297
– Other related parties	18	24
Acquisition of right-of-use assets		
– Excellence Group	1,863	3,095
– Other related parties	1,274	–
Loans lent to related parties		
– Other related parties	–	455,000
Loans repaid by related parties		
– Other related parties	455,000	–

Notes to the Consolidated Financial Statements

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(Expressed in Renminbi unless otherwise indicated)

34 RELATED PARTY TRANSACTIONS *(continued)*

(a) Significant related party transactions *(continued)*

	2020 RMB'000	2019 RMB'000
Interest income		
– Other related parties	5,840	8,961
Expense relating to variable lease payments		
– Excellence Group	31,115	33,206
– Other related parties	2,872	2,067
Cost relating to procurement, maintenance and other services		
– Excellence Group	1,200	2,420
– Other related parties	11,686	25,991
Advances from a related party for proposed disposal of a subsidiary		
– Excellence Group	300,000	–

All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 8 and certain of the highest paid employees as disclosed in Note 9, is as follows:

	2020 RMB'000	2019 RMB'000
Salaries, allowances and benefits in kind	3,658	3,519
Discretionary bonuses	8,338	790
Retirement scheme contributions	113	132
Equity-settled share-based payment	9,901	–
	22,010	4,441

Total remuneration is included in "staff costs" (see Note 6(b)).

34 RELATED PARTY TRANSACTIONS *(continued)*

(c) Balances with related parties

Balances with related parties are set out in notes 20, 25, 26 and 27 to the consolidated financial statement.

(d) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions" in the Directors' Report, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

35 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2020 RMB'000
Non-current assets	
Investment in a subsidiary	77,533
Current assets	
Other receivables	8,228
Cash and cash equivalents	2,825,110
	2,833,338
Current liabilities	
Other payables	7,829
Net current assets	2,825,509
Total assets less current liabilities and net assets	2,903,042
Share capital	10,496
Reserves	2,892,546
TOTAL EQUITY	2,903,042

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For the year ended 31 December 2020

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36 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the board of the directors proposed a final dividend. Further details are disclosed in note 30(d).

37 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the ultimate controlling party and the immediate parent of the Group is Mr. Li Wa and Urban Hero respectively.

38 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE REPORTING PERIODS

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, *Insurance contracts*, which are not yet effective for the year ended 31 December 2020 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1 January 2022

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Four-Year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2017	2018	2019	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	947,287	1,223,186	1,836,019	2,525,087
Cost of sales	(713,817)	(928,947)	(1,402,573)	(1,861,275)
Gross profit	233,470	294,239	433,446	663,812
Other revenue	3,835	3,197	17,467	22,970
Other net income/(loss)	(161)	(7,060)	(15,772)	21,030
Selling and marketing expenses	(6,306)	(8,217)	(7,024)	(15,419)
Administrative expenses	(47,435)	(76,691)	(96,776)	(194,667)
Profit from operations	183,403	205,468	331,341	497,726
Finance costs	(414)	(1,303)	(20,482)	(29,535)
Share of profit of an associate	767	859	887	1,212
Share of profits less losses of joint ventures	344	6,246	5,001	7,346
Profit before taxation	184,100	211,270	316,747	476,749
Income tax	(47,707)	(54,711)	(83,182)	(120,827)
Profit for the year	136,393	156,559	233,565	355,922
Attributable to:				
Equity shareholders of the Company	109,075	125,773	178,510	324,987
Non-controlling interests	27,318	30,786	55,055	30,935
Profit for the year	136,393	156,559	233,565	355,922
Other comprehensive income for the year (after tax and reclassification adjustments)				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	–	20	10	(55,621)
Total comprehensive income for the year	136,393	156,579	233,575	300,301
Attributable to:				
Equity shareholders of the Company	109,075	125,789	178,518	269,366
Non-controlling interests	27,318	30,790	55,057	30,935
Total comprehensive income for the year	136,393	156,579	233,575	300,301
Earnings per share (RMB cents)				
Basic	N/A	N/A	19.8	33.7
Diluted	N/A	N/A	19.8	33.6

Four-Year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December			
	2017	2018	2019	**2020**
	RMB'000	RMB'000	RMB'000	**RMB'000**
Assets				
Non-current assets	99,666	115,443	589,233	**595,740**
Current assets	898,610	1,265,330	1,962,630	**4,334,214**
Total assets	998,276	1,380,773	2,551,863	**4,929,954**
Equity and liabilities				
Total equity	214,238	362,787	455,875	**3,256,286**
Non-current liabilities	13,759	16,083	221,521	**430,678**
Current liabilities	770,279	1,001,903	1,874,467	**1,242,990**
Total liabilities	784,038	1,017,986	2,095,988	**1,673,668**
Total equity and liabilities	998,276	1,380,773	2,551,863	**4,929,954**