First Service Holding Limited
第一服务控股有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2107

2020 Annual Report

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First Service Holding Limited
Annual Report 2020

Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Peiqing (劉培慶)
Mr. Jia Yan (賈岩)
Mr. Jin Chungang (金純剛)
Ms. Zhu Li (朱莉)

Non-executive Directors
Mr. Zhang Peng (張鵬) *(Chairman of the Board)*
Mr. Long Han (龍晗)

Independent Non-executive Directors
Ms. Sun Jing (孫靜)
Ms. Zhu Caiqing (朱彩清)
Mr. Cheng Peng (程鵬)

AUDIT COMMITTEE

Ms. Sun Jing *(Chairman)*
Ms. Zhu Caiqing
Mr. Cheng Peng

REMUNERATION COMMITTEE

Mr. Cheng Peng *(Chairman)*
Mr. Zhang Peng
Ms. Zhu Caiqing

NOMINATION COMMITTEE

Mr. Zhang Peng *(Chairman)*
Ms. Zhu Caiqing
Mr. Cheng Peng

AUTHORISED REPRESENTATIVES

Mr. Liu Peiqing
Ms. Szeto Kar Yee Cynthia (司徒嘉怡)

COMPANY SECRETARY

Ms. Szeto Kar Yee Cynthia
(ACG, ACS)

HEADQUARTERS

3rd Floor, Building 10
Wanguocheng MOMA
No. 1 Xiangheyuan Road, Dongzhimenwai
Dongcheng District
Beijing, PRC

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F., Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

HONG KONG LEGAL ADVISER

Miao & Co. (In association with Han Kun Law Offices)
Rooms 3901-05, 39/F
Edinburgh Tower, The Landmark
15 Queen's Road Central
Hong Kong

INDEPENDENT AUDITOR

KPMG
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance
8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

COMPLIANCE ADVISER

Soochow Securities International Capital Limited
Level 17, Three Pacific Place
1 Queen's Road East
Hong Kong

THE CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Maples Fund Services (Cayman) Limited
PO Box 1093, Boundary Hall
Cricket Square, Grand Cayman, KY1-1102
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANK

China Guangfa Bank, Beijing Dongzhimen Branch
1/F, Tower A
Donghuan Plaza
9 Dongzhong Street, Dongcheng District
Beijing, PRC

COMPANY'S WEBSITE

www.firstservice.hk

COMPANY PROFILE

Overview of First Service Holding (2107.HK)

Founded in 1999, First Service Holding is a green service company that provides property management services, community operation services, building technology consulting, research and development of building technology products, energy operation and maintenance and green living solutions. It positions itself as an operator of full-lifecycle living homes and industry homes with technological living and homelike service and is committed to providing customers with green, healthy and digitally connected living experiences.

First Service Holding has wide presence in large and medium-sized cities across China with business involving residential properties, commercial properties and public properties. The Company is a holder of the certificate of high and new technology enterprise at national level and a council member of China Property Management Institute, with a level one qualification certificate issued by the Ministry of Housing and Urban-Rural Development (MOHURD). It was one of the 2020 Top 100 Property Management Companies in China (2020年中國物業企業百強榜) for its strong performance in comprehensive corporate management and green technology brand building.

First Service Holding was listed on the Main Board of the Stock Exchange with the stock code of 2107 on 22 October 2020.

Property management company with the national level one qualification certificate

High and new technology enterprise at national level

Top 100 Property Management Companies in China

STRATEGY MAP

As of 31 December 2020, the Company had expanded its geographic presence to 72 cities in 21 provinces

COMPANY PROFILE

VISION

It is committed to becoming a unicorn company that offers green property management service

ORIENTATION

It positions itself as an operator of full-lifecycle living homes and industry homes with technological living and homelike service

MISSION

It provides customers with green, healthy and digitally connected living experiences

SLOGAN

Technological Living   Homelike Service

Four-Year Financial Summary

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	**771,799**	624,679	495,531	379,213
Profit before income tax	**123,913**	106,884	72,186	56,319
Profit for the year	**101,851**	83,862	52,941	41,845
Total comprehensive income for the year	**98,288**	83,862	52,941	41,845

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Assets				
Non-current assets	**51,575**	50,361	124,206	60,403
Current assets	**1,160,406**	669,878	553,521	477,968
Total assets	**1,211,981**	720,239	677,727	538,371
Equity and liabilities				
Equity attributable to the equity owners of the Company	**653,751**	243,115	317,712	242,748
Total equity	**674,309**	276,708	343,977	250,730
Non-current liabilities	**995**	566	–	31
Current liabilities	**536,677**	442,965	333,750	287,610
Total liabilities	**537,672**	443,531	333,750	287,641
Total equity and liabilities	**1,211,981**	720,239	677,727	538,371

Major Events and Accolades in 2020

Events in 2020

Fight against pandemic

At the beginning of 2020, the COVID-19 epidemic raised the alarm, and the Company responded fully and actively carried out comprehensive anti-epidemic actions from the perspectives of safety communications, scientific protection and sincere care. Throughout the year, there was not a single case of community-based mass transmission in the communities we served, and the Company insisted on guarding the safety of our customers with the highest standard of actions.

The Company was awarded the title of "Advanced collective against COVID-19 pandemic in Beijing" and won the award of "Elite Science and Technology Award - Excellence in Innovative Epidemic Prevention Practice".

Expansion

In 2020, we successively set foothold in new projects, among others, in Beijing, Henan, Hubei, Hunan, Guangdong and Anhui. We executed 105 contracts in 2020 with total contract value of RMB240 million, covering various forms of projects, such as residential and commercial buildings, government and offices, and industrial parks.

As of 31 December 2020, we had a contracted GFA of up to 37.3 million sq.m., of which 15.7 million sq.m. were contracted with third parties, representing an increase of 61.9% over the previous year and accounting for 42.2% of the total contracted GFA.

As of 31 December 2020, our customer base was expanded to a total number of 79,560 households, representing an increase of 13.8% over the last year, and our customer satisfaction rating increased from 84.7 in 2019 to 88.7.

Major Events and Accolades in 2020

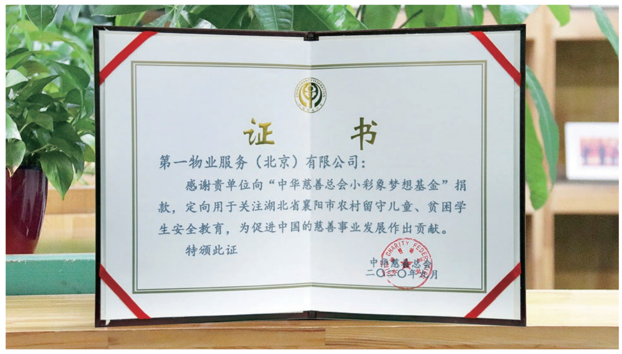
Listing in Hong Kong

On 22 October 2020, First Service Holding was officially listed on the Stock Exchange, representing a remarkable milestone in the development of the Company.

Philanthropy

Adherence to the "MOMA Box Adventure" campaign to care for left-behind children in poverty stricken areas

Since 2014, we have been reaching out to poverty stricken regions every year to bring children there love and hope, visiting dozens of mountainous areas and benefiting thousands of children over the past six years. In 2020, the Company went into the heart of Hubei province and visited the Wujiazhou Primary School in Shihua Town, Xiangyang City, so as to carry out charity, achieving positive social responses and winning an honorary certificate from the China Charity Federation's Little Colourful Elephant Dream Fund.



Organisation of various public welfare events, such as poverty alleviation and aids to farmers, and online charity clinics

We support agriculture through community activities and help fight poverty. During the epidemic, we jointly launched a free online clinic platform with ChunYuYiSheng to provide customers with safe and convenient services for preventing the epidemic.

Major Events and Accolades in 2020

Talent training

Launch of the "Project Manager Training Camp Programme" to gather key project management staff and hone their skills.

Organisation of the "Order Maintenance Manager Training Camp" to provide specific trainings to order maintenance expertise.

Organisation of the "TTT Training and First Gold Lecturer Competition" for exploring our internal potentials and for the betterment of the Company as a whole.

Launch of the "Talented Craftsman Internship Programme" to provide fresh graduates with training programs covering the full cycle of their career, helping them adapt to their new roles more quickly and bring fresh blood into the company.

HONOURS AND AWARDS

In May 2020, the China Index Academy held a conference for the 2020 Top 100 Property Management Companies in China cum the 13th Summit for Top 100 Entrepreneurs in Property Management Industry, during which the Company was ranked among the 2020 Top 100 Property Management Companies in China, was awarded the certificate of 2020 China Property Services Top 100 Enterprises and was honoured as an innovative company in green property management under 2020 China Leading Property Management Companies in terms of Characteristic Service.

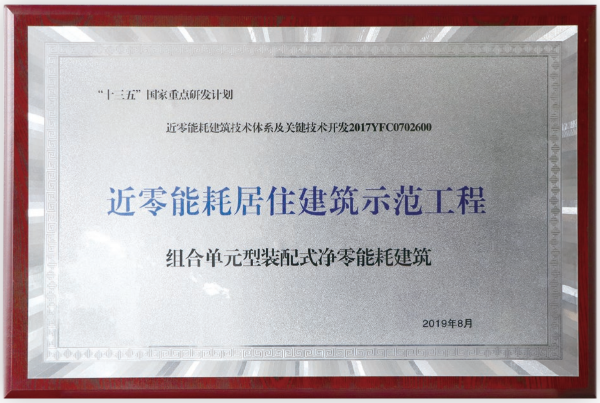
In August 2020, EH Think Tank and Jiahe Jiaye Property Management Research Institute organised the summit on the top 100 property management companies in 2020 in terms of comprehensive strength in Shanghai. We were selected as one of the top 100 property management companies in 2020 in terms of comprehensive strength, one of the top 10 property management companies in 2020 in terms of operation capability and one of the top 50 property management companies in terms of customer satisfaction, thanks to our green property management service and fast-growing, stable and efficient operations.

Major Events and Accolades in 2020

In August 2020, at the 6th Blue Chip Property Top 100 Summit organised by The Economic Observer, eeo.com.cn and Economic Observer Research Institute, we were honored as one of the top 100 blue chip property management companies in 2020 and one of the companies with excellent investment value.

In September 2020, the China Property Management Research Institute and China Real Estate Evaluation Center of E-house China R&D Institute jointly held a press conference on the appraisal of property management companies in terms of comprehensive strength and brand value for 2020. We were selected as one of the 2020 Top 100 Property Management Companies and a 2020 Featured Brand of Property Management Service for green property management.

In December 2020, our self-developed "AIRDINO III" modular net-zero building system received the acceptance as a model project for the National 13th Five-Year Plan. With the goal of net-zero energy consumption, "AIRDINO III" integrates various technologies such as passive architecture technology, modular architecture technology, solar photovoltaic power generation technology and active energy utilisation technology, and features the concepts of healthy architecture and aging-appropriate architecture to promote the development of energy saving and green building to a higher level.



In December 2020, we were honored as one of the top 10 companies in terms of competitiveness in green building design consulting at 2020 China Real Estate General Rating Conference held by Fangcai China and CRED Design Alliance.

In December 2020, EH Think Tank and Jiahe Jiaye jointly held the 2020 China Real Estate Excellent Product Competitiveness Innovation Conference, during which we were honored as one of the top 40 property management companies in China in terms of excellent service and was entitled as one of the top 5 property management companies as we provided excellent benchmarking field service for Taiyuan Dang Dai Zhu MOMΛ.

Chairman's Statement

Dear Stakeholders,

On behalf of the Board, I am pleased to present the annual report with our business review and prospect of our Group for the year ended 31 December 2020.

The year 2020 was an extraordinary year. The successful Listing of our Shares on the Main Board of the Stock Exchange on 22 October 2020 marked a significant milestone for us and laid a solid foundation for our future development. We believe that the Listing enables us to improve our capital strength and corporate governance as well as sharpen our competitive edge.

For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB771.8 million, representing an increase of approximately 23.5% as compared with 2019; a gross profit of approximately RMB267.3 million, representing an increase of approximately 22.9% as compared with 2019; and a profit of approximately RMB101.9 million, representing an increase of approximately 21.5% as compared with 2019.

2020 REVIEW

In 2020, the 13th Five-Year Plan ended with excellent results, laying a solid foundation for the smooth start of the 14th Five-Year Plan. With the rapid advancement of China's urbanisation and people's pursuit of a better life, it has brought along remarkable development to the property management industry. At the same time, as the property management industry has significant market advantages in both the market of new customers and market of existing customers, it has created stable cash flow and higher profit margins, and has also been favoured by the capital market, resulting in the rapid wave of listings of property management companies.

Although the outbreak of COVID-19 rigorously challenged people's lives and social and economic development, at the same time, it has also created room for new market and growth potential for the property industry in areas such as policy support, value positioning, new technology applications, and diversified services, enabling the property management to move gradually from "Backstage" to "Frontline". As a highly responsible property management service provider, we were determined to assume responsibility and leadership in protecting the health and safety of our residents and communities we serve. In recognition of our outstanding performance in fighting against the pandemic, we were awarded the title of "Advanced Collective Against COVID-19 Pandemic" (北京市抗擊新冠疫情先進集體), being the only corporation in Dongcheng district and one of the very few corporations in Beijing city being awarded of such title.

At the later stage of the pandemic, the role of the property management in community services and urban governance has once again been highlighted. Especially in recent years, the transformation of old communities in cities has brought property management into a long-effect mechanism. Property management services have become a requisite of people's better lifestyle and the long-effect mechanism of property management services also represents a broad market for the industry. As an important pillar to the real estate value chain, and in face of the evolving industry dynamics and the emerging needs of our customers, it is imperative to progress with innovation.

Leveraging our distinctive and differentiated competitiveness, First Service is a key market player in the property management industry market. Compared with our fellow industry counterparts, our Company's advantages are mainly reflected in the following four aspects. Firstly, we have an outstanding technology research and development and application capability. We possess significant advantages in the application of green technology scenarios, green energy operations, healthy living products, and the construction and application of intelligent community IoT information platforms. Secondly, we are able to provide a wide range of services including various special service layouts that cover the full property life cycle. Our services include property management, green technology consultation, installation of green living products and systems as well as energy operations. Third, our strong business capabilities have created a unique and independent expansion capability which has enabled us to reach and connect third party markets in an outstanding manner. Fourth, we are well connected with various industry platforms. We have a strong affiliation with our parent and affiliated companies in fields of commerce, offices, education, hotels, catering, elderly homes and entertainment industry. As such, we share our resources and achieve a mutually beneficial environment.

In this challenging year 2020, with the support of the enormous market potential and our own distinctive competitive strength, we witnessed opportunities and experienced rapid growth.

Maintain Strong Momentum in our Group's Business Development

As of 31 December 2020, our total GFA under management amounted to approximately 19.1 million sq.m., representing an increase of approximately 39.4% as compared with 2019 and the total contracted GFA amounted to approximately 37.3 million sq.m., representing an increase of approximately 45.1% as compared with 2019. We have established a nationwide presence covering 72 cities across 21 provinces in China. Since our Listing on 22 October 2020, we have been strategically identifying opportunities in acquiring and investing in property management companies in various places in China. On 10 March 2021, we acquired 80% equity interest in Dalian Yahang Property Management Co., Ltd., a leading industrial park property management service provider in China. As of 10 March 2021, Dalian Yahang Property Management Co., Ltd. managed approximately 150 property management projects with a total GFA under management of approximately 19.0 million sq.m. in Liaoning, Tianjin, Sichuan, Beijing, Shaanxi, Hunan, Hubei, etc.

Optimisation of Our Core Business Lines

We continued to expand the scale of our existing core business lines so as to widen our source of revenue. In the year 2020, we were involved in 93 green technology consultation service engagements and have obtained operational rights in 27 energy operation projects. We have also witnessed breakthroughs in our energy EPC construction projects which contributed to the steady growth of the scale of our core business lines. We consistently enhanced our quality management and service innovation to provide a comfortable living experience for our customers. We kept abreast with the market development and provided new types of value-added services that focus on the daily needs of our customers such as social community insurances, online education, online clinical services and home sterilisation services.

Upgrade and Improvement of our Research and Development Capabilities

Our research and development capabilities in green technologies enabled us to build comfortable and green communities for the benefit of our customers and society. We enhanced our green technology living system and sped up the installation process of the hardware in the communities we served. As part of our green initiatives, we continued to upgrade our in-house developed AIRDINO system with a focus on low carbon energy operation design to enhance our operational efficiency. In addition, we advanced our intelligence and information technology systems through building our own innovative integrated smart systems that encompass automated screen and technology sharing and access control functions as well as air-conditioning related products. Our dedication to researching and developing green technologies has laid a solid foundation for our Group's development in green living solutions market in the future.

Significant Increase in our Profitability

Leveraging on our in-depth know-how in the industry, we provided high quality services to our customers. Our efforts have been evidenced in our financial results. In year 2020, we recorded a profit (excluding the effect of one-off listing expenses) of approximately RMB119.7 million, representing an increase of approximately 41.5% as compared with 2019 with a net profit margin (excluding the effect of one-off listing expenses) increased by two percentage points to approximately 15.5% as compared with 2019. Our profit attributable to equity shareholders of the Company (excluding the effect of one-off listing expenses) for the year ended 31 December 2020 amounted to approximately RMB112.6 million, representing an increase of approximately 44.4% as compared with 2019.

2021 OUTLOOK

2021 is the first year of the 14th Five-Year Plan. Since the new era, property management industry has maintained a steady growth trend. In 2030, the market size is expected to reach more than RMB2 trillion, representing vast and promising opportunities, with emphasis on developments in terms of quality, technology, platform and lean management. Quality refers to the diversification of the services, wider coverage of services, increase in service types, enhanced service quality and delicacy. Technology refers to the digitalisation of communities, enhanced intelligence of buildings and homes. Platform refers to the continuous connection with internal and external resources so as to provide customers with a wide range of value-added services and to increase our market share. Lean management refers to the need for an efficient management to ensure profit return in the highly competitive property management service industry.

We endeavour to provide customers with digitally connected, green and healthy living experiences. We will continue to implement the following strategies in furtherance of this goal:

Continue to expand the scale of our property management business

We will implement certain business development initiatives to enhance our popularity among property developer clients and expand our market share, including (i) strengthening our existing and establishing new relationships with companies that oversee and manage property development projects, and digital twins service providers that can build visual simulations of property development projects to facilitate effective management, (ii) building relationships with the Internet of Things ("**IoT**") service providers who are often involved in the early stages of developing commercial properties and public facilities, and (iii) ramping up marketing and public relations initiatives in relation to third-party developers by participating in more industry conferences and tender biddings. We also intend to strategically acquire or invest in small- and medium-sized property management companies. As disclosed in the announcement of the Company dated 10 March 2021, the Group has agreed to acquire 80% equity interest in Dalian Yahang Property Management Co., Ltd., a company established under the laws of the PRC and is principally engaged in providing property management services, at a total consideration of RMB93,200,160. As of 10 March 2021, Dalian Yahang Property Management Co., Ltd. managed approximately 150 property management projects with a total GFA under management of approximately 19.0 million sq.m. in Liaoning, Tianjin, Sichuan, Beijing, Shaanxi, Hunan, Hubei, etc. We will continue to identify suitable targets with a focus on our expansion efforts on the Beijing-Tianjin-Hebei Regions, Bohai Sea Regions, Yangtze River Delta, Pearl River Delta Regions and Northwest Regions.

Actively expand energy operation related projects

In 2020, we were engaged in several new energy operation projects, consisting of energy operation projects which cover heat providing areas of over 0.4 million sq.m. and 0.09 million sq.m. in Shangqiu, Henan province and Chengde, Hebei province respectively. We will enhance our business by investing in new energy operation projects, acquiring and upgrading existing energy operation projects and providing maintenance services. We will consider criteria including the nature of property, location, size and investment return in evaluating our potential investments in energy operation projects. We have a preference for first- and second-tier cities and suburban areas, and provide services for residential communities, commercial offices, schools and hospitals, etc. Depending on the needs of particular projects, we tailor our services with a view to obtain long term operation rights.

Upgrade and apply smart digital technology systems

We will enhance our information technology systems and develop our intelligent community to enhance our customers' experience through hardware upgrades so as to strengthen our operational results. Particularly, we will develop and continue to upgrade a multi-functional and user-friendly online platform to enhance the living experiences of our property owners and residents. We will also establish an IoT platform for centralised coordination of security in residential communities and energy data collection. The platform will be supported by hardware upgrades of our access control and surveillance facilities and energy data collection equipment. We also plan to carry out similar software and hardware upgrading initiatives to build an automated car park management system and other security systems. In addition, we will fortify our information technology systems as it is key to our business and administrative functions. We also intend to develop three online platforms to support our employees, senior management officers and customers in their daily interactions with our business.

Continue to research and develop green technologies for commercialisation

We will continue researching and developing green technologies that allow us to build comfortable and green communities and energy system technologies that are conducive to the realisation of the "Four Stabilising Goals". For example, we will study the cross-seasonal energy storage capabilities in connection with ground-source heat pump systems; one of our research projects relates to storing energy in the winter for use in the summer to provide central cooling. We will explore enhancement of our operating efficiencies by operating energy stations through IoT, big data and artificial intelligence technologies. We will also continue to upgrade our AIRDINO systems to refine their existing functions. In addition, as our green initiatives, we will provide all-rounded carbon related consultation services and carbon exploration management services such as carbon emission check, low carbon conservation consultation, integrated energy saving design and operation services.

Continue to attract and nurture talent

We believe the caliber of our employees is critical to the long-term growth of the Group. We implement our hiring and training programs, including the "Talented Leaders Scheme" (將才計劃), the "Talented Apprentice Scheme" (匠才生計劃) and the "Elite Lieutenants Program" (精兵營) to attract and retain our talents. In addition, we will also expand our "Falcon Brigade" (獵鷹別動隊) which was established for recruitment of special talents.

Looking forward, we will continue to focus on promoting comfortable living through technological innovations and strive to provide our customers with digitally connected, green and healthy living experiences in the communities we serve in China. We will seize the opportunities, build and solidity our competitiveness and move forward in accordance with our established strategic direction and pace to achieve fast-growing corporate development with confidence and determination.

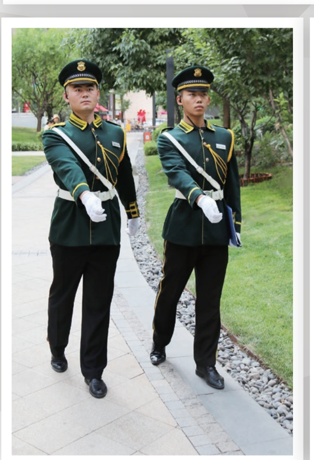
APPRECIATION

The Board would like to express its sincere gratitude to the Shareholders, customers and suppliers of the Company for their continued support and trust. The Board would also like to thank all the employees and management team for implementing our Group's strategies with their professionalism, integrity and dedication.

Zhang Peng
Chairman
22 March 2021

Management Discussion and Analysis






SUMMARY

We witnessed both opportunities and challenges in the year ended 31 December 2020. Although our operations were adversely affected by the outbreak of the 2019 Novel Coronavirus (the "**COVID-19**") in the first half of 2020, we achieved rapid growth during the year ended 31 December 2020. Our revenue increased by 23.5% from RMB624.7 million for the year ended 31 December 2019 to RMB771.8 million for the year ended 31 December 2020, and our profit for the year increased by 21.5% from RMB83.9 million for the year ended 31 December 2019 to RMB101.9 million for the year ended 31 December 2020, primarily due to the growth of our GFA under management from 13.7 million sq.m. as of 31 December 2019 to 19.1 million sq.m. as of 31 December 2020.

2020 Business and Financial Performance Review

We derive our revenue from three business lines, namely (i) property management services, (ii) green living solutions and (iii) value-added services.

Property Management Services

Our property management services consist of cleaning, security, gardening and repair and maintenance services provided to property developers, property owners and residents. For the year ended 31 December 2020, our revenue from property management services amounted to approximately RMB321.6 million, representing an increase of 17.9% compared with the same period in 2019. Such increase was primarily due to the growth of both GFA under management and the total number of projects.

The table below sets forth a breakdown of our total number of property management projects and GFA under management as of the dates indicated and for the periods indicated, by project source:

	As of or for the year ended 31 December					
	2020			2019		
	No. of projects	**GFA under management**		No. of projects	GFA under management	
		sq.m.'000	***%***		*sq.m.'000*	*%*
Modern Land Group	**72**	**10,651**	**55.8**	57	8,734	63.8
Other associates of our controlling shareholders (1)	**7**	**1,230**	**6.4**	9	1,728	12.6
Third-party developers	**52**	**7,197**	**37.8**	28	3,228	23.6
Total	**131**	**19,078**	**100.0**	94	13,690	100.0

Note:

(1) Includes projects sourced from other associates of our controlling shareholders (as defined under the Listing Rules (excluding Modern Land Group), namely Modern Investment Group Co., Ltd. and Super Land Holdings Limited and each of their respective subsidiaries and 30%-controlled companies (as defined under the Listing Rules).

We were also able to increase our contracted GFA sourced from third-party developers at high speed. The table below sets forth a breakdown of the number of our contracted projects, contracted GFA and undelivered GFA as of the dates indicated and for the periods indicated, by project source:

	As of or for the year ended 31 December									
	2020					2019				
	No. of contracted projects	**Contracted GFA**		**Undelivered GFA contracted**		No. of contracted projects	Contracted GFA		Undelivered GFA	
		sq.m.'000	**%**	***sq.m.'000***	**%**		*sq.m.'000*	%	*sq.m.'000*	%
Modern Land Group	**108**	**17,685**	**47.5**	**7,034**	**38.7**	82	12,941	50.3	4,207	35.0
Other associates of our controlling shareholders	**21**	**3,827**	**10.3**	**2,597**	**14.3**	19	3,032	11.8	1,304	10.8
Third-party developers	**103**	**15,742**	**42.2**	**8,545**	**47.0**	64	9,748	37.9	6,520	54.2
Total	**232**	**37,254**	**100.0**	**18,176**	**100.0**	165	25,721	100.0	12,031	100.0

As of 31 December 2020, our contracted GFA amounted to approximately 37.3 million sq. m. sourced from 232 contracted projects, among which 131 contracted projects amounted to approximately 19.1 million sq. m. were already under our management.

Green Living Solutions

We provide green living solutions to property developers, property owners and residents, comprising (i) energy operation services, where we operate energy stations to provide central heating and cooling as an alternative to government-operated centralised heating systems; (ii) green technology consulting and systems installation services, where we design and install energy systems and energy stations to enhance indoor comfort; and (iii) sales of our self-developed AIRDINO systems, which singly combine fresh air ventilation, air conditioning, purification and humidification control capabilities and offer an efficient alternative to the purchase and installation of multiple devices.

The following table sets forth our revenue from green living solutions by service category for the periods indicated:

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	*RMB'000*	%
Energy operation services	**101,918**	**52.7**	88,756	57.4
Systems installation services	**50,361**	**26.0**	34,278	22.2
Green technology consulting services	**27,725**	**14.3**	19,484	12.6
Sales of AIRDINO systems	**13,467**	**7.0**	12,032	7.8
Total	**193,471**	**100.0**	154,550	100.0

Value-added Services

We primarily provide five types of value-added services to non-property owners, property owners and residents, namely (i) sales assistance services, (ii) parking space management services, (iii) home living services, (iv) communal area leasing services, and (v) preliminary planning and design consultancy services.

The following table sets forth our revenue from value-added services by service type for the periods indicated:

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	*RMB'000*	%
Value-added services to non-property owners				
Sales assistance services	**135,214**	**52.7**	91,541	46.4
Preliminary planning and design consultancy services	**4,163**	**1.6**	8,904	4.5
Subtotal	**139,377**	**54.3**	100,445	50.9
Community value-added services				
Parking space management services	**49,782**	**19.4**	46,317	23.5
Home living services	**57,413**	**22.4**	32,253	16.3
Communal area leasing services	**10,106**	**3.9**	18,296	9.3
Subtotal	**117,301**	**45.7**	96,866	49.1
Total	**256,678**	**100.0**	197,311	100.0

Effects of the Outbreak of COVID-19

The global outbreak of COVID-19 brought along unprecedented challenges to the global economy including the property management service industry. In response to the global outbreak of COVID-19, we have implemented various measures for the safety of our staff as well as our customers in the communities we service to prevent transmission of or mitigate exposure to the disease including, among others, setting up control points for temperature screening, regularly cleaning and disinfecting common areas, waste disposal units, elevators and ventilator systems in our properties under management, placing hand sanitisers and disposable gloves in public areas and providing suitable protective gear for our staff.

Although our business was temporarily hampered by the measures adopted by the PRC Government in response to the outbreak of COVID-19 in the first half of 2020 as we experienced temporarily disruption to our operations including (i) delay in delivery of one of our contracted property management project, (ii) temporary suspension of some of our projects including ongoing green technology consulting projects, system installation projects and AIRDINO systems, property development and redevelopment projects and (iii) reduction of our service needs due to temporary closure of sales and leasing office, all our services, projects and systems have resumed full services in the second half of 2020 and we did not encounter any material disruption to our business operations and supply chain, nor any termination of our property management contracts and green living solutions engagements. We also did not experience any labor shortages or interruption to the collection of our property management fees.

Under the leadership of our management and the effort of our staff, our business expanded as we have originally planned in the year ended 31 December 2020, our revenue for the year ended 31 December 2020 increased as compared to the same period in 2019. Overall, we believe that the outbreak of COVID-19 has not resulted in any material adverse effects on our operations and financial performance for the year ended 31 December 2020.

REVENUE

Our revenue increased by 23.5% from RMB624.7 million for the year ended 31 December 2019 to RMB771.8 million for the same period in 2020.

Property Management Services

Revenue generated from our property management services increased by approximately 17.9% from RMB272.8 million for the year ended 31 December 2019 to RMB321.6 million for the same period in 2020. This increase was primarily attributable to (i) the increase in our GFA under management by approximately 39.4% from 13.7 million sq.m. as of 31 December 2019 to 19.1 million sq.m. as of 31 December 2020, resulting from the increase in the number of property management projects from 94 as of 31 December 2019 to 131 as of 31 December 2020.

Green Living Solutions

Revenue generated from our green living solutions increased by approximately 25.2% from RMB154.6 million for the year ended 31 December 2019 to RMB193.5 million for the same period in 2020. This increase was primarily due to (i) the increase in revenue from energy operation services as a result of the increase in GFA under energy operation from 4.8 million sq.m. in 2019 to 6.7 million sq.m. in 2020, and (ii) the increase in revenue generated from our systems installation services as a result of the increase in number of relevant projects from 28 in 2019 to 46 in 2020.

Value-Added Services

Revenue generated from our value-added services increased by approximately 30.1% from RMB197.3 million for the year ended 31 December 2019 to RMB256.7 million for the same period in 2020. This increase was primarily due to (i) the increase in revenue from sales assistance services as a result of the increase in both our GFA under management and the number of projects, and (ii) the increase in revenue from home living services that we actively developed in 2020.

COST OF SALES

Our cost of sales increased by approximately 23.9% from RMB407.2 million for the year ended 31 December 2019 to RMB504.5 million for the same period in 2020. This increase was primarily in line with our business expansion.

GROSS PROFIT AND GROSS PROFIT MARGIN

As a result of the foregoing, our gross profit increased by approximately 22.9% from RMB217.5 million for the year ended 31 December 2019 to RMB267.3 million for the same period in 2020.

Our gross profit margin decreased from 34.8% for the year ended 31 December 2019 to 34.6% for the same period in 2020. This decrease was primarily attributable to the decrease in gross profit margin of our green living solutions and value-added services partially offset by the increase in gross profit margin of our property management services.

Gross profit margin of our property management services increased from 26.8% for the year ended 31 December 2019 to 27.0% for the same period in 2020, which was primarily due to (i) enhanced operational efficiency resulting from improvements in our project management and internal control procedures, and (ii) favorable government policies in respect of tax in 2020, leading to the decrease in our costs.

Gross profit margin of our green living solutions decreased from 34.3% for the year ended 31 December 2019 to 33.8% for the same period in 2020, which was primarily due to the construction of certain sizable projects with relatively low gross profits.

Gross profit margin of our value-added services decreased from 46.3% for the year ended 31 December 2019 to 44.9% for the same period in 2020, which was primarily due to the decrease in revenue generated from our communal areas leasing services and sales assistant services as a result of the outbreak of COVID-19.

OTHER INCOME

Our other income decreased by approximately 20.3% from RMB33.5 million for the year ended 31 December 2019 to RMB26.7 million for the same period in 2020. This decrease was primarily attributable to the decrease in interest income and fair value gain of investment properties.

SELLING EXPENSES

Our selling expenses increased by approximately 18.5% from RMB8.1 million for the year ended 31 December 2019 to RMB9.6 million for the same period in 2020. This increase was primarily because we organised more marketing activities for business expansion.

ADMINISTRATIVE EXPENSES

Our administrative expenses increased by approximately 17.6% from RMB135.8 million for the year ended 31 December 2019 to RMB159.7 million for the same period in 2020, primarily attributable to (i) the increase in listing expenses, and (ii) the increase in legal and professional fee. Our administrative expenses, excluding listing expenses, as a percentage of revenue decreased from 21.6% in 2019 to 17.2% in 2020.

INCOME TAX

Our income tax decreased by approximately 3.9% from RMB23.0 million for the year ended 31 December 2019 to RMB22.1 million for the same period in 2020. This decrease was primarily attributable to the effect of utilisation of tax losses not recognised in previous year.

PROFIT FOR THE YEAR

As a result of the foregoing, our profit for the year increased by 21.5% from RMB83.9 million for the year ended 31 December 2019 to RMB101.9 million for the year ended 31 December 2020.

Profit for the year (excluding the effect of one-off listing expenses) increased by 41.5% from approximately RMB84.6 million for the year ended 31 December 2019 to approximately RMB119.7 million for the year ended 31 December 2020. Net profit margin (excluding the effect of one-off listing expenses) increased by 2 percentage points to approximately 15.5% for the year ended 31 December 2020.

Profit attributable to equity shareholders of the Company (excluding the effect of one-off listing expenses) increased by 44.4% from RMB78.0 million for the year ended 31 December 2019 to RMB112.6 million for the year ended 31 December 2020.

TRADE AND OTHER RECEIVABLES

As of 31 December 2020, trade and other receivables amounted to RMB307.8 million, representing an increase of RMB123.8 million or 67.3% as compared with RMB184.0 million in 2019, primarily due to business expansion and increase of revenue.

TRADE AND OTHER PAYABLES

As of 31 December 2020, trade and other payables amounted to RMB254.0 million, representing an increase of RMB50.0 million or 24.5% as compared with RMB204.0 million in 2019, primarily due to the increase in our purchases attributable to our business expansion.

CAPITAL STRUCTURE

Our total assets increased from RMB720.2 million as of 31 December 2019 to RMB1,212.0 million as of 31 December 2020. Our total liabilities increased from RMB443.5 million as of 31 December 2019 to RMB537.7 million as of 31 December 2020. Liabilities-to-assets ratio decreased from 61.6% as of 31 December 2019 to 44.4% as of 31 December 2020.

The current ratio, being current assets divided by current liabilities as of the respective date, increased from 1.51 as of 31 December 2019 to 2.16 as of 31 December 2020.

LIQUIDITY, CAPITAL RESOURCES AND GEARING RATIO

For the year ended 31 December 2020, we financed our operations primarily through internal resources, bank borrowings and the proceeds from the Global Offering. We mainly utilised our cash on payments on staff costs, purchases for services and materials and other working capital needs. Our cash and cash equivalents increased by 181.3% from RMB260.1 million as of 31 December 2019 to RMB731.7 million as of 31 December 2020, primarily attributable to proceeds from the Global Offering.

Our gearing ratio, being total interest-bearing borrowings divided by total equity, decreased from 0.04 as of 31 December 2019 to nil as of 31 December 2020, primarily because we repaid all bank loans.

CAPITAL EXPENDITURES

Our capital expenditure decreased by 63.8% from RMB10.5 million for the year ended 31 December 2019 to RMB3.8 million for the same period in 2020. Our capital expenditure was used primarily for the purchase of office and other equipment and software. We financed our capital expenditure primarily through our cash flow generated from operating activities.

INDEBTEDNESS

Bank Loans

As of 31 December 2020, all of our bank loans had been repaid (as of 31 December 2019, approximately RMB10 million were repayable within one year or on demand and were secured or guaranteed). As of 31 December 2020, the Group had no banking facility (as of 31 December 2019, bank facilities of the Group totaling RMB10.0 million were not utilised).

CONTINGENT LIABILITIES

As of 31 December 2020, we did not have any material contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of our Group that was likely to have a material and adverse effect on our business, financial condition or results of operations.

FINAL DIVIDEND

The Board has recommended the payment of a final dividend of HK3.97 cents per share for the year ended 31 December 2020, being HKD39.7 million in aggregate. Subject to the approval of the Shareholders at the AGM, the final dividend is expected to be paid on 12 July 2021 to the Shareholders whose names appear on the register of members of the Company on 29 June 2021.

PLEDGE OF ASSETS

As of 31 December 2020, the Group did not have any pledge on its assets.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

As disclosed in the announcement of the Company dated 10 March 2021, the Group has entered into an equity transfer agreement with, among others, Beijing Tonghe Property Management Co., Ltd., pursuant to which, the Group has agreed to acquire 80% equity interest in Dalian Yahang Property Management Co., Ltd., a company established under the laws of the PRC and is principally engaged in providing property management services, at a total consideration of RMB93,200,160. As of 10 March 2021, Dalian Yahang Property Management Co., Ltd. managed approximately 150 property management projects with a total GFA under management of approximately 19.0 million sq.m. in Liaoning, Tianjin, Sichuan, Beijing, Shaanxi, Hunan, Hubei, etc.

Except as disclosed in this annual report, there are no material events subsequent to 31 December 2020 which could have a material impact on our operating and financial performance as of the date of this annual report.

FOREIGN EXCHANGE RISK AND HEDGING

The Group mainly operates in mainland China with most of the transactions denominated and settled in Renminbi. The Group has not hedged its foreign currency exchange risks, but will closely monitor the exposure and will take measures when necessary to make sure the foreign exchange risks are manageable.

MATERIAL ACQUISITIONS AND FUTURE PLANS FOR MAJOR INVESTMENT

During the year ended 31 December 2020, the Group did not conduct any material investments, acquisitions or disposals. In addition, save for the expansion plans as disclosed in the sections headed "Business" and "Future Plans and Use of Proceeds" in the Prospectus, the Group has no specific plan for major investment or acquisition for major capital assets or other businesses. However, the Group will continue to identify new opportunities for business development.

EMPLOYEES

As of 31 December 2020, the Group had a total of 2,355 employees, substantially all of whom were based in China.

Our success depends on our ability to attract, retain and motivate qualified personnel. The remuneration package for our employees generally includes salary and bonuses. We determine employee remuneration based on factors such as qualifications and years of experience. Employees also receive welfare benefits, including medical care, retirement benefits, occupational injury insurance and other miscellaneous items. We make contributions to mandatory social security funds for our employees to provide retirement, medical, work-related injury, maternity and unemployment benefits.

USE OF PROCEEDS

The Company was listed on the Stock Exchange on 22 October 2020. The net proceeds from the Global Offering amounted to approximately HKD571.2 million, which will be applied in compliance with the intended use of proceeds as set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus.

The following table sets forth the status of the use of net proceeds from the Global Offering[1]:

Intended use of proceeds	Percentage of amount of proceeds (%)	Amount of proceeds from the Global Offering	Amount of utilised proceeds as of 31 December 2020 (In HKD millions)	Amount of unutilised proceeds balance as of 31 December 2020	Timeframe for the unutilised proceeds balance
Strategic acquisitions or investments in property management companies	**50.0**	**285.6**	–	285.6	By the end of 2023
Invest in energy operation projects and obtain energy operation rights	**20.0**	**114.2**	–	114.2	By the end of 2023
Research and develop green technologies	**5.0**	**28.6**	–	28.6	By the end of 2023
Upgrade AIRDINO No. 1 and No. 2	**1.0**	**5.7**	–	5.7	By the end of 2023
Upgrade AIRDINO No. 3	**2.0**	**11.4**	–	11.4	By the end of 2023
Research cross-seasonal energy storage capabilities in connection with ground-source heat pump systems	**0.75**	**4.3**	–	4.3	By the end of 2023
Research automated means of operating energy stations through IoT systems, big data and AI technologies	**1.25**	**7.1**	–	7.1	By the end of 2023
Develop our intelligent community and enhance our information technology systems	**10.0**	**57.1**	–	57.1	By the end of 2023
Upgrade our internal systems	**2.8**	**16.0**	–	16.0	By the end of 2023
Develop our intelligent community	**7.2**	**41.1**	–	41.1	By the end of 2023
Attracting and nurturing talent	5.0	**28.6**	–	28.6	–
Expand hiring and recruitment initiatives under our "Talented Leaders Scheme" (將才計劃) and "Talented Apprentice Scheme" (匠才生計劃)	**4.175**	**23.8**	–	23.8	–
Supplement our existing training programs	**0.825**	**4.7**	–	4.7	–
General business operations and working capital	**10.0**	**57.1**	**0.3**	56.8	–
Total	**100.0**	**571.2**	**0.3**	570.9	By the end of 2023

Note:

1. The figures in the table are approximate figures.

ROUNDING

Certain amounts and percentage figures included in this annual report have been subject to rounding adjustments. Any discrepancies in any table between totals and sums of amounts listed therein are due to rounding.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Liu Peiqing (劉培慶), aged 38, is our executive Director, co-chief executive officer and general manager. He was appointed as our Director, co-chief executive officer and general manager on 20 January 2020 and redesignated as our executive Director on 19 May 2020. Mr. Liu is primarily responsible for formulating and implementing the strategic business goals of our Group and overseeing the daily management and overall operation of the property management business of our Group.

Mr. Liu has more than 15 years of experience in the property management industry. Prior to joining our Group, from October 2005 to June 2010, Mr. Liu served as a project manager of GSN (Shanghai) Property Services Co., Ltd. (皆斯內(上海)物業管理服務有限公司), a company primarily engaged in providing property management services in China. During that time, Mr. Liu was mainly responsible for the daily management and operation of property management projects. Mr. Liu joined First Property Management on 1 June 2010 and served as a project manager and deputy general manager until 7 January 2015, where he was responsible for property project management. From 8 January 2015, Mr. Liu has served as the general manager of First Property Management, where he is responsible for the daily operation and management of First Property Management. Mr. Liu has also served as the executive director of First Property Management since 19 December 2015, where he is responsible for formulating and implementing the strategic business goals of First Property Management and overseeing the daily management and overall operation of First Property Management. From 16 July 2015 to 30 April 2020, Mr. Liu served as an executive director of First Assets, where he was responsible for formulating and implementing the strategic business goals and the daily operation and management of First Assets. Mr. Liu also holds directorships and other positions in a number of other subsidiaries of our Company and certain substantial shareholders of our Company.

Mr. Liu completed a vocational course in guesthouse services at Weifang No. 1 Vocational Secondary Professional School (濰坊第一職業中等專業學校) in June 1999 in the PRC. Mr. Liu is currently the executive chairman of the Beijing Real Estate Agents Alliance Property Management Committee (北京市房地產經理人聯盟物業管理委員會) and the deputy chairman of the China Real Estate Agents Alliance Property Management Committee (中經聯盟物業管理專委會). He has also been an executive council member of the China Real Estate Agents Alliance (中經聯盟) since December 2018, and a council member of the China Property Management Institute (中國物業管理協會) since June 2019. Mr. Liu has been serving as a visiting professor in the College of Biochemical Engineering of Beijing Union University (北京聯合大學生物化學工程學院) since March 2016 for a term of five years.

Mr. Jia Yan (賈岩), aged 47, is our executive Director and co-chief executive officer. He was appointed as our Director and co-chief executive officer on 20 January 2020 and redesignated as our executive Director on 19 May 2020. Mr. Jia is primarily responsible for planning and executing major decisions of our Group and overseeing the management and daily operation of the green living solutions business of our Group.

Mr. Jia has had more than 24 years of experience in engineering, construction, energy and real estate industries. The following table shows the relevant experience of Mr. Jia:

Time	Name of employer	Position(s)	Principal business activities of employer	Roles and responsibilities
July 1997 – August 2001	Tianjin Light Industry Design Institute (天津市輕工業設計院)	Assistant engineer	Engineering consulting, management and design	Heating and ventilation engineering design
August 2001 – May 2005	Beijing Zhubang Architecture Design Engineering Co., Ltd. (北京築邦建築裝飾工程有限公司)	Engineer	Engineering construction, management and design	Engineering design
December 2005 – November 2008	Financial Street Holdings Co., Ltd. (金融街控股股份有限公司)	Designer	Construction and development for large commercial office premises	Engineering design
March 2010 – July 2013	Modern Energy Saving Real Estate Co., Ltd. (當代節能置業股份有限公司)	Department manager	Property development	Green construction technology management and mechanical and electrical engineering design management
July 2013 – March 2014	Goldway Construction Group Co., Ltd (金威建設集團有限公司)	Deputy chief engineer	Property development and management	Innovative technology research and development
March 2014 – December 2014	New Momentum (Beijing) Construction Technology Co., Ltd (新動力(北京)建築科技有限公司)	General Manager	Technology promotion services and professional contracting	Technology innovation and electromechanical system management

Mr. Jia served as deputy manager of First Living from 3 December 2014 to 24 May 2017, where he was responsible for managing the operation of First Living. He has served as the general manager and director of First Living since 25 May 2017, where he has been responsible for planning and executing major decisions and overseeing the management and daily operation of First Living. He has subsequently been appointed as the legal representative of First Living since 22 July 2019. Mr. Jia also holds directorships and other positions in a number of other subsidiaries of our Company.

Mr. Jia obtained his undergraduate degree in heating, ventilation and air conditioning engineering from the University of Tianjin (天津大學) in June 1997 in the PRC. Mr. Jia obtained the qualification level of senior engineer (高級工程師) specializing in heating, ventilation and air conditioning from the Evaluation Committee of Senior Professional and Technical Positions of the MOHURD (建設部高級專業技術職務評審委員會) on 29 October 2007. Mr. Jia was the vice chairman of the China Construction Energy Saving Association Passive Ultra-low Energy Consumption Green Building Innovation Alliance (中國建築節能協會被動式超低能耗綠色建築創新聯盟) until 31 December 2017. On 1 September 2017, he was appointed as a member of the Technology Committee of China Industry Technology Innovation Strategic Alliance for Healthy Building (健康建築產業技術創新戰略聯盟技術委員會), and on 3 April 2019, Mr. Jia was elected as a council member of the China Architecture Society Active Construction Academic Committee (中國建築學會主動式建築學術委員會). He was also elected on 20 May 2019 as deputy secretary of the Settlement Committee of China Real Estate Association (中國房地產業協會人居環境委員會).

Mr. Jin Chungang (金純剛), aged 43, is our executive Director and deputy general manager. He was appointed as our Director and deputy general manager on 20 January 2020 and redesignated as our executive Director on 19 May 2020, where he is responsible for assisting the general manager in implementing the strategic business goals of our Group and regional market expansion, and supervising the overall regional operation.

Mr. Jin has had more than 15 years of experience in the property management business. Prior to joining our Group, from September 2006 to February 2009, Mr. Jin served as a manager of the order maintenance department of Beijing Luneng Property Service Co., Ltd. (北京魯能物業服務有限責任公司), a company primarily engaged in property management services. During that time, Mr. Jin was responsible for maintaining the operation and discipline of the company. From 17 February 2009 to 7 January 2015, Mr. Jin served as the project manager of First Property Management, where he was responsible for operating and managing property management projects and business development of First Property Management. From 8 January 2015, Mr. Jin has served as the deputy general manager of First Property Management, where he is responsible for assisting the general manager in the daily management of First Property Management. From 7 August 2016, Mr. Jin has also served as an executive director of First Property Management, where he is responsible for formulating and executing the strategic business goals of First Property Management. Mr. Jin also holds directorships and other positions in a number of other subsidiaries of our Company.

Mr. Jin graduated from Party School of Liaoning Provincial Party Committee (中共遼寧省委黨校) majoring in economic management through distance learning by way of correspondence education in December 2004 in the PRC.

Ms. Zhu Li (朱莉), aged 43, is our executive Director and chief financial officer. She was appointed as our Director and chief financial officer on 20 January 2020 and redesignated as our executive Director on 19 May 2020, where she is responsible for overseeing the financial operations and tax planning of our Group.

Ms. Zhu has had more than 13 years of experience of handling financial matters for companies. She joined First Property Management on 26 March 2008 and served as a financial manager until 20 August 2019, where she was responsible for managing the financial operations and preparing and executing the financial budget plans of First Property Management. From 21 August 2019 to 24 December 2019, Ms. Zhu served as an executive director and a general manager of finance of First Assets, where she was primarily responsible for strategic planning and financial management of First Assets. From 25 December 2019 to 30 April 2020, Ms. Zhu served as a non-executive director of First Assets, where she was responsible for the strategic planning of First Assets. From 25 December 2019, she has served as the chief financial officer and executive director of First Property Management, where she is responsible for the overall financial management and strategic planning of First Property Management.

From 8 October 2019 to 18 December 2019, Ms. Zhu served as a non-executive director of First MOMA Sports Culture Development (Beijing) Co., Ltd (第一摩碼體育文化發展(北京)股份有限公司) (stock code: 872128), a company primarily engaged in preschool education services and fitness services, and Bigger Eco Technology (Xi'an) Co., Ltd (倍格創業生態科技(西安)股份有限公司) (stock code: 873162) from 10 October 2019 to 23 April 2020, a company primarily engaged in providing integrated solutions for office space for small and medium-sized enterprises, both of which are listed on the NEEQ, and where she was responsible for providing advice for the companies' strategy formulation.

Ms. Zhu graduated from Qinghai University (青海大學) via self-taught higher education examinations majoring in accounting in December 2005 in the PRC. She obtained Intermediate Qualification Level in Accounting (會計中級資格) from Beijing Human Resources and Social Security Bureau (北京市人力資源和社會保障局) on 27 October 2013 in the PRC. She is now a part-time graduate student at University of International Business and Economics (對外經濟貿易大學) for certified management accountant qualification.

Non-executive Directors

Mr. Zhang Peng (張鵬), aged 46, is our non-executive Director and the chairman of our Board. He was appointed as our Director and the chairman of our Board on 20 January 2020 and redesignated as our non-executive Director on 19 May 2020. Mr. Zhang Peng is primarily responsible for formulating and leading the overall development strategies and business plans of our Group.

Mr. Zhang Peng has had more than 19 years of experience in the real estate and property development industry. Prior to joining our Group, Mr. Zhang Peng served as the director of human resources, vice president and chief operating officer of Modern Land (China) Co., Limited (當代置業(中國)有限公司) (stock code: 1107), a company principally engaged in commercial and residential real estate property business and listed on the Stock Exchange, from November 2001 to 26 January 2014. From 27 January 2014, Mr. Zhang Peng serves as the executive director and president of Modern Land (China) Co., Limited (當代置業(中國)有限公司), where he is responsible for the overall management and operation of the company. From 18 July 2007 to 18 December 2015, Mr. Zhang Peng served as an executive director of First Property Management, where he was responsible for the overall management and operation of First Property Management, and has been the chairman of the board and non-executive director since 19 December 2015, where he is responsible for the significant decision-making of First Property Management. Mr. Zhang Peng has been the chairman of the board and non-executive director of First Living since 31 March 2017, where he is responsible for the company's strategic planning. Mr. Zhang Peng has also served as the executive director and manager of First Assets (an associated corporation of the Group) since August 2009, where he is responsible for strategic decision-making and overall operation management of First Assets.

Mr. Zhang Peng is the chairman of the board and non-executive director of First MOMA Sports Culture Development (Beijing) Co., Ltd (第一摩碼體育文化發展(北京)股份有限公司) (stock code: 872128) since 19 December 2016, a company primarily engaged in preschool education services and fitness services, and Bigger Eco Technology (Xi'an) Co., Ltd (倍格創業生態科技(西安)股份有限公司) (stock code: 873162) since 28 December 2017, a company primarily engaged in providing integrated solutions for office space for small and medium-sized enterprises, both of which are listed on the NEEQ, and where he is responsible for the strategic planning of the companies. Mr. Zhang Peng is also a director of certain substantial shareholders of the Company.

Mr. Zhang Peng obtained his bachelor's degree in law from Northwest Second Nationalities College (西北第二民族學院) (now known as North Minzu University (北方民族大學)) in July 1997 in the PRC. Mr. Zhang currently serves as the representative of the 16th People's Congress of Dongcheng District, Beijing (北京市東城區第十六屆人大代表), the honorary vice chairman of the eighth council of the China Real Estate Association (中國房地產業協會第八屆理事會), the chairman of the Settlement Committee of China Real Estate Association (中國房地產業協會人居環境委員會), the vice chairman of the China Real Estate Chamber of Commerce (全聯房地產商會), the vice chairman of the National Real Estate Agents Alliance (全經聯), the chairman of the Full Decoration Council of China Real Estate Chamber of Commerce (全聯房地產商會全裝修產業分會), a rotating chairman of the City Renewal and Existing Building Remodeling Branch of China Real Estate Chamber of Commerce (全聯房地產商會城市更新和既有建築改造分會), the vice-chairman of the Digital City Council of China Real Estate Chamber of Commerce (全聯房地產商會數字城市分會), the honorary chairman of the Beijing Residential Property Industry Association (北京住宅房地產業商會) and distinguished professor of Xi'an University (西安文理學院). Mr. Zhang Peng also served as the 12th rotating chairman of China Real Estate Agents Alliance (中經聯盟) from December 2018 to December 2019.

Mr. Long Han (龍晗), aged 33, was appointed as our Director on 20 January 2020 and redesignated as our non-executive Director on 19 May 2020. Mr. Long is primarily responsible for formulating and leading the overall development strategies and business plans of our Group.

Mr. Long has more than 11 years of experience in the property management industry. Mr. Long served as the director of information operations center and deputy general manager of First Property Management from 2 August 2010 to 30 September 2015, where he was responsible for building and implementing the information operations system and the daily management of First Property Management. Mr. Long has served as a deputy general manager of Beijing Lvjian Power Commerce Operations and Management Co., Ltd. (北京綠建動力商業運營管理有限公司) since 1 October 2015, a company principally engaged in professional contracting, enterprise management and equipment maintenance, where he is responsible for the daily operation and management and implementing management decisions of the company. Mr. Long has been appointed as the non-executive director of First Property Management since 19 December 2015, where he is responsible for guiding major strategies of First Property Management. Mr. Long has been appointed as an executive director of First Assets since 16 July 2015, where he is responsible for formulating and implementing the strategic business objectives of First Assets and the daily operation and management of First Assets. Mr. Long also holds directorships and other positions in a number of other subsidiaries of our Company and certain substantial shareholders of the Company.

Mr. Long is a non-executive director of First MOMA Sports Culture Development (Beijing) Co., Ltd (第一摩碼體育文化發展(北京)股份有限公司) (stock code: 872128) since 19 December 2016, a company primarily engaged in preschool education services and fitness services, and Bigger Eco Technology (Xi'an) Co., Ltd (倍格創業生態科技(西安)股份有限公司) (stock code: 873162) since 28 December 2017, a company primarily engaged in providing integrated solutions for office space for small and medium-sized enterprises, both of which are listed on the NEEQ, and where he is responsible for providing advice for the companies' strategy formulation. Mr. Long obtained his bachelor's degree in information management and information systems from Beijing Union University (北京聯合大學) in July 2010 in the PRC.

Independent Non-executive Directors

Ms. Sun Jing (孫靜), aged 43, was appointed as our independent non-executive Director on 21 July 2020.

Ms. Sun has over 20 years of experience in handling financial matters of companies. She is the co-founder of Beijing Mars Technology Co., Ltd. (北京瑪泰科技有限公司), a company primarily engaged in providing internet information and technology services, since 12 February 2019, where she is responsible for the financial management and operation and overseeing the investment and financing matters of the company. From July 2001 to October 2004, she worked at Great Wall Broadband Network Service Co., Ltd. (長城寬帶網路服務有限公司), a company primarily engaged in providing broadband services. From August 2005 to October 2007, she worked at SAP (Beijing) Software System Co., Ltd. (思愛普(北京)軟件系統有限公司), a company primarily engaged in providing software and technology solutions. From December 2007 to May 2012, she worked at Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司), a company primarily engaged in personal computer businesses. From September 2012 to April 2016, she worked at Beijing Lianjia Real Estate Agency Co., Ltd. (北京鏈家房地產經紀有限公司), a company primarily engaged in real estate agency businesses. From May 2016 to June 2017, she worked at Beijing Ziroom Life Enterprise Management Co., Ltd. (北京自如生活企業管理有限公司), a company primarily engaged in providing residential products and services.

Ms. Sun obtained her master's degree in accounting from Central University of Finance and Economics (中央財經大學) through distance learning by way of correspondence education in the PRC in January 2008. Ms. Sun obtained her bachelor's degree in financial accounting education from Hebei Normal University of Vocational Technology (河北職業技術師範學院) (now known as Hebei Normal University of Science & Technology (河北科技師範學院)) in the PRC in June 2001. She is a non-practicing member of the Beijing Institute of Certified Public Accountants (北京註冊會計師協會) since 7 September 2010.

Ms. Zhu Caiqing (朱彩清), aged 52, was appointed as our independent non-executive Director on 21 July 2020.

Ms. Zhu has over 18 years of experience in real estate industry. From April 2003 to January 2009 and from January 2009 to June 2011, Ms. Zhu served as the manager of the secretariat office of and the manager of the settlement pilot department of the Settlement Committee of Chinese Real Estate Research Association (中國房地產研究會人居環境委員會) (now known as Settlement Committee of China Real Estate Association (中國房地產業協會人居環境委員會)), respectively, a committee promoting outstanding local and overseas scientific research of settlement environment and the application thereof. Since July 2011, Ms. Zhu has been promoted as the secretary general, where she is responsible for the daily operation and financial performance of the committee.

Ms. Zhu obtained her master's degree in public administration from Xinjiang University (新疆大學) in June 2015 in the PRC. She graduated from College of Correspondence of Party School of the Central Committee of the Communist Party of China (中共中央黨校函授學院) majoring in economic management through distance learning by way of correspondence education in December 1997 in the PRC. She was granted the certification of deputy researcher by the MOHURD on 28 December 2018.

Mr. Cheng Peng (程鵬), aged 47, was appointed as our independent non-executive Director on 21 July 2020.

Mr. Cheng has over 10 years of experience in property management services field. He has been the deputy professor of the department of property management of the school of economic management of Beijing Forestry University (北京林業大學) since July 2011 and started to serve as head of the department from September 2012. From July 1998 to July 2009, he worked as a lecturer and then a deputy professor at the college of management science and information engineering of Jilin University of Finance and Economics (吉林財經大學). From July 2009 to July 2011, he conducted post-doctoral research in management science and engineering at the Graduate School of Chinese Academy of Sciences (中國科學院研究生院) (now known as University of Chinese Academy of Sciences (中國科學院大學)).

Mr. Cheng obtained his bachelor's degree in economic information management from Changchun College of Taxation (長春稅務學院) (now known as Jilin University of Finance and Economics (吉林財經大學)) in the PRC in July 1998. He obtained his master's degree in business administration from Jilin University (吉林大學) in the PRC in June 2005. He obtained his doctor's degree in management science and engineering from Jilin University (吉林大學) in the PRC in June 2009. Mr. Cheng has been a member of the Specialised Committee of Real Estate Market Services of the Science Technology Committee of MOHURD (住房和城鄉建設部科學技術委員會房地產市場服務專業委員會) since 17 September 2019. He has been the deputy secretary of the Chinese Association for Science of Science and S&T Policy (中國科學學與科技政策研究會) since 30 March 2018. He also currently serves as the vice chairman of the Specialised Committee of Industry-University-Research of China Property Management Institute (中國物業管理協會產學研專業委員會).

SENIOR MANAGEMENT

Mr. Pan Fengwei (潘鳳偉), aged 39, was appointed as our deputy general manager on 20 January 2020. Mr. Pan is responsible for managing the business line of green living solutions of our Group.

Mr. Pan has had more than 15 years of experience in the engineering, construction and energy conserving industry. Prior to joining our Group, from July 2006 to June 2011, Mr. Pan served as a heating ventilation designer of Beijing Jinwanzhong Air-conditioning Refrigeration Equipment Co., Ltd. (北京金萬眾空調製冷設備有限責任公司), a company primarily engaged in designing, producing and selling centralised air-conditioning systems for industrial corporations. During that time, Mr. Pan was responsible for centralized air-conditioning engineering design. Mr. Pan then served as a department manager of New Momentum (Beijing) Construction Technology Co., Ltd. (新動力(北京)建築科技有限公司), a company primarily engaged in construction technology services, from June 2011 to December 2014. During that time, Mr. Pan was responsible for design management. Mr. Pan joined First Living as deputy manager on 3 December 2014, where he was responsible for the daily operation of First Living, and has been appointed as the deputy general manager and executive director since 25 May 2017, where he is responsible for the operation and management of First Living.

Mr. Pan obtained his bachelor's degree in building environment and equipment engineering from Tianjin College of Commerce (天津商學院) (now known as Tianjin University of Commerce (天津商業大學)) in June 2006 in the PRC. Mr. Pan obtained registered qualification certificate of associate constructor (二級建造師) in mechanical and electrical engineering from Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) on 4 January 2011. He also obtained intermediate specialised technique qualification in refrigeration and air conditioning (製冷空調中級專業技術資格) from Beijing Intermediate Specialised Technique Qualification Evaluation Committee (北京市中級專業技術資格評審委員會) on 29 August 2011.

Mr. Li Qingchang (李慶昌), aged 43, was appointed as our deputy general manager on 20 January 2020. Mr. Li is responsible for managing merger and acquisition transactions of the property management business of our Group including carrying out negotiation, conducting valuation and designing transaction structure.

Mr. Li has more than 17 years of experience in the property management industry. From January 2004 to February 2006, Mr. Li worked at Kiu Lok Property Services Co., Ltd (北京僑樂物業管理服務有限公司), a company principally engaged in property management services. From March 2006 to February 2007, Mr. Li served as the manager of customer services of Beijing Sunshine Hundred Property Management Services Co., Ltd (北京陽光壹佰物業服務有限公司), a company principally engaged in property management services, where he was responsible for customer relationship management. Mr. Li has been appointed as a deputy general manager of First Property Management since 6 July 2009, where he is responsible for managing merger and acquisition transactions of First Property Management. Mr. Li also holds directorships and other positions in a number of other subsidiaries of our Company.

Mr. Li obtained his associate's degree in real estate operation management through night school from Capital University of Economics and Business (首都經濟貿易大學) in July 2003 in the PRC. Mr. Li obtained the qualification certificate of certified property manager (物業管理師資格) from Beijing Human Resources and Social Security Bureau (北京市人力資源和社會保障局) on 11 May 2011 in the PRC. Mr. Li obtained the certificate of excellent property manager of 2017 from China Association for Professional Managers (中國職業經理人協會) in November 2017 in the PRC. Mr. Li obtained the Certificate of Beijing Property Management Project Manager (北京市物業項目負責人) from Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會) for the period from March 2011 to December 2017 in the PRC.

Ms. Niu Jiao (牛嬌), aged 41, was appointed as the secretary of our Board on 20 January 2020. She is mainly responsible for overseeing the financing and securities affairs, investor relations, market value management and listing compliance management of our Group.

Ms. Niu has over 14 years of experience in administration and compliance matters and industry research. From July 2007 to April 2010, Ms. Niu served as an industry analyst of the Beijing representative office of The Freedonia Group Inc. (美國弗裡多尼亞集團公司北京代表處), a market research company, where she was responsible for drafting industry research reports. Ms. Niu was the head of human resources and administration department and general manager assistant of Tianjin Tenio Architecture and Engineering Co., Ltd (天津天友建築設計股份有限公司), a company listed on the NEEQ with stock code 430183 and principally engaged in construction design and consultation, from January 2011 to January 2015. During that time, Ms. Niu was responsible for strategic planning, designing shareholding structure and managing human resources. Ms. Niu served as deputy director of human resources center of First Property Management from 27 March 2015 to 18 December 2015, where she was responsible for equity management and investor relations management, and has been appointed as the secretary of the board of directors since 19 December 2015, where she is responsible for the corporate governance, capital operations, equity management, investor relations management and information disclosure of First Property Management. Ms. Niu also served as a supervisor of First Living from 25 May 2017 to 18 December 2019, where she was responsible for auditing the financial statements and reports of First Living and monitoring the performance of the directors and senior management of First Living.

Ms. Niu obtained her bachelor's degree in packaging engineering from Xi'an University of Technology (西安理工大學) in July 2002, and obtained her master's degree in management science and engineering from Beijing University of Chemical Technology (北京化工大學) in June 2007 in the PRC. Ms. Niu has obtained board secretary qualification certificates from the Shenzhen Stock Exchange in October 2016 and the Shanghai Stock Exchange in September 2017, respectively.

Company Secretary

Ms. Szeto Kar Yee Cynthia (司徒嘉怡) has been appointed as our company secretary with effect from the Listing. Ms. Szeto is a Chartered Secretary, a Chartered Governance Professional and an associate member of the Hong Kong Institute of Chartered Secretaries and the Chartered Governance Institute (formerly known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom. She obtained a bachelor's degree of Arts in Language Studies with Business from The Hong Kong Polytechnic University in November 2004 and a master's degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2012. Ms. Szeto has more than 11 years of experience in the company secretarial field. She works in the listing services department of TMF Hong Kong Limited and is responsible for providing corporate secretarial and compliance services to listed company clients.

Corporate Governance Report

The Board is pleased to present the corporate governance report of the Company for 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 its corporate value and accountability. The Company has adopted the CG Code as its own code of governance. The Company has complied with all the applicable code provisions set out in the CG Code during the Relevant Period. The Company will continue to review and monitor its own corporate governance practices to ensure compliance with the CG Code.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility of 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 (together, 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 execute their duties in good faith, in compliance with applicable laws and regulations and in a manner consistent with the interests of the Company and the Shareholders at all times.

The Company has maintained appropriate liability insurance for legal proceedings against Directors and will review the coverage of the insurance annually.

Board Composition

As at the date of this annual report, the Board comprises four executive Directors, two non-executive Directors and three independent non-executive Directors as follows:

Executive Directors:
Mr. Liu Peiqing
Mr. Jia Yan
Mr. Jin Chungang
Ms. Zhu Li

Non-Executive Directors:
Mr. Zhang Peng *(Chairman)*
Mr. Long Han

Independent Non-Executive Directors:
Ms. Sun Jing
Ms. Zhu Caiqing
Mr. Cheng Peng

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

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

The Company has also complied with the requirement of Rule 3.10A of the Listing Rules in relation 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 has reviewed their independence based on the criteria set out in Rule 3.13 of the Listing Rules and considers each of them to be independent.

Board Diversity Policy

In order to enhance the effectiveness of the Board and to maintain the high standard of corporate governance, the Company has adopted our Board Diversity Policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity of the Board. Pursuant to the board diversity policy, the Company seeks to achieve board diversity through the consideration of a number of factors when selecting the candidates to the Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural and education 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 the Board.

A summary of the board diversity policy is set out as follows:

The Board comprises nine members, including one female executive Director and two female independent non-executive Directors. Pursuant to the Board Diversity Policy, we aim to maintain at least a 20% female representation in the Board and the composition of the Board satisfies this target gender ratio. Nevertheless, in recognising the particular importance of gender diversity, we confirm that the Nomination Committee will use its best efforts to identify and recommend suitable female candidates to the Board for its consideration. We will implement policies to ensure that there is gender diversity when recruiting staff at the mid to senior level so that we will have a pipeline of female senior management and potential successors to the Board. Furthermore, we will implement comprehensive programs aimed at identifying and training our female staff who display leadership and potential, with the goal of promoting them to the senior management or the Board.

Our Directors have a balanced mix of knowledge and skills, including overall management and strategic development, human resources, information technology, accounting and financial management, risk management, corporate governance and evaluation of properties and assets. They obtained degrees in various majors including law, business administration, accounting, heating, ventilation and air conditioning engineering, information management and information systems and public administration. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of the Board. Furthermore, the Board has a wide range of age, ranging from 33 to 52 years old. Taking into account our existing business model and specific needs as well as the different background of our Directors, the composition of the Board satisfies our Board Diversity Policy.

The Nomination Committee is responsible for ensuring the diversity of the Board members. The Nomination Committee reviews the Board Diversity Policy from time to time to ensure its continued effectiveness and the Company discloses in the corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

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

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

As regards the CG Code provision requiring directors to disclose the number and nature of offices held in public companies or organisations 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 are 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 for Directors to provide updated information on the latest developments 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 all Directors to seek continuous professional development to develop and refresh their knowledge and skills. The company secretary of the Company updates and provides written training materials on the roles, functions and duties of Directors from time to time.

According to information provided by the Directors, a summary of training received by the Directors during the year ended 31 December 2020 is as follows:

Name of Director	Nature of Continuous Professional Development Courses
Mr. Liu Peiqing	A,B,C,D
Mr. Jia Yan	A,B,C,D
Mr. Jin Chungang	A,B,C,D
Ms. Zhu Li	A,B,C,D
Mr. Zhang Peng	A,B,C,D
Mr. Long Han	A,B,C,D
Ms. Sun Jing	A,B,C,D
Ms. Zhu Caiqing	A,B,C,D
Mr. Cheng Peng	A,B,C,D

Notes:

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

B: delivering talks at seminars and/or conferences and/or forums

C: training organised by the Company, delivered by the Company's Hong Kong legal advisor and attended by all Directors (Mr. Zhang Peng, Mr. Liu Peiqing, Mr. Jia Yan, Mr. Jin Chungang, Ms. Zhu Li, Mr. Long Han, Ms. Sun Jing, Ms. Zhu Caiqing and Mr. Cheng Peng) in relation to corporate business

D: reading materials relating to different types of topics, including corporate governance, directors' duties, Listing Rules, and other relevant laws

Chairman and Chief Executive Officers

According to the code provision A.2.1 of the CG Code, the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Mr. Zhang Peng serves as the Chairman and Mr. Liu Peiqing and Mr. Jia Yan serve as co-chief executive officers with clear distinction in responsibilities for the two separate positions. The Chairman is responsible for providing strategic advice and guidance on the development of the Group, while the co-chief executive officers are responsible for the day-to-day operations of the Group.

Appointment and Re-election of Directors

Each of our executive Directors has entered into a service contract with the Company, and the Company has issued a letter of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors and each of our independent non-executive Directors are for an initial fixed term of three years commencing from 28 September 2020. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with our Articles of Association and the applicable Listing Rules.

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

According to the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third) shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he/she retires and shall be eligible for re-election thereat.

Procedures and processes for the appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the composition of the Board and making recommendations to the Board on the appointment, re-election and succession plans of the Directors.

Board Meetings

The Company will adopt the practice of regularly holding Board meetings at least four times a year at approximately quarterly intervals. Notices of not 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 or Board committee meetings, reasonable notice is given by the Company. The notices including the agenda and related Board papers are dispatched 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 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 open for inspection by all Directors.

During the Relevant Period, the Board held four Board meetings and no general meeting was held. The attendance of individual Directors at the Board meetings is set out in the table below:

Director	Number of Meetings Attended/Eligible to Attend
Mr. Liu Peiqing	4/4
Mr. Jia Yan	4/4
Mr. Jin Chungang	4/4
Ms. Zhu Li	4/4
Mr. Zhang Peng	4/4
Mr. Long Han	4/4
Ms. Sun Jing	4/4
Ms. Zhu Caiqing	4/4
Mr. Cheng Peng	4/4

Model Code for Securities Transactions by Directors

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions. After making specific enquiry to all Directors, the Directors have confirmed that they have fully complied with the required standard 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. The Directors may, at the Company's expense, seek independent professional advice when performing their duties. They are also encouraged to independently consult with the senior management of the Company.

The day-to-day management, administration and operation of the Group are delegated to 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 Function

The Board confirms that corporate governance is a collective responsibility of Directors and their corporate governance duties include:

(a) to review and monitor the Company's policies and practices in compliance 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 policies and practices on corporate governance and make recommendations and report relevant matters to the Board;

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

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

During the Relevant Period, the Board has performed and carried out the said corporate governance function.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises independent non-executive Directors Ms. Sun Jing, Ms. Zhu Caiqing and Mr. Cheng Peng. Ms. Sun Jing is the chairman of the Audit Committee.

The main duties of the Audit Committee are as follows:

1. to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor, approve the remuneration and terms of engagement of the external auditor, and deal with any questions of its resignation or dismissal;

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

3. to review the systems of financial controls, risk management and internal control of the Company and discuss the risk management and internal control system with the management to ensure that the management has performed its duty to establish an effective system.

During the Relevant Period, the Audit Committee held one meeting. The attendance at the meeting is set out in the table below:

Director	Number of Meetings Attended/Eligible to Attend
Ms. Sun Jing	1/1
Ms. Zhu Caiqing	1/1
Mr. Cheng Peng	1/1

At the meeting, the Audit Committee:

- reviewed the annual results and relevant financial reports of the Group for the year ended 31 December 2020;

- reviewed the report published by the Auditor in relation to the Group's financial results for the year ended 31 December 2020; and

- reviewed the financial reporting system, risk management and internal control systems of the Group and made recommendations to the Board and matters raised by the Auditor that need attention.

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

Nomination Committee

The Nomination Committee currently comprises non-executive Director Mr. Zhang Peng and independent non-executive Directors Ms. Zhu Caiqing and Mr. Cheng Peng. Mr. Zhang Peng is the chairman of the Nomination Committee.

The main duties of the Nomination Committee are as follows:

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

2. to formulate a policy of selection and nomination of Directors and the procedures for the sourcing of suitably qualified Director for consideration of the Board and implement such plan and procedures approved;

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

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

5. to make recommendations to the Board on the appointment or reappointment of Directors and succession planning for Directors, in particular the chairman and the chief executive; and

6. to review the Board Diversity Policy.

Nomination Policy

The Nomination Committee shall recommend to the Board for the appointment of a Director including an independent non-executive Director in accordance with the following nomination procedures and selection criteria:

Nomination Procedures

1. The Nomination Committee and/or the Board may select candidates for directorship from various channels, including but not limited to internal promotion, re-designation, referral by other members of the management and external recruitment agents.

2. The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of a new Director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship.

3. The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.

4. For any person that is nominated by a Shareholder for election as a Director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out below to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to Shareholders in respect of the proposed election of a Director at the general meeting of the Company.

Selection Criteria

The Nomination Committee shall consider the following criteria in evaluating and selecting candidates for directorships:

1. Characters including integrity, honesty and fairness;

2. Backgrounds and qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business operations and corporate strategies;

3. Commitment to understanding the Company and its industry, willingness to devote adequate time to discharge duties as a Board member and abilities to assist the Board in fulfilling its responsibilities;

4. Requirement for the Board to have a sufficient number of independent non-executive Directors in accordance with the Listing Rules and assessment of the independence of the candidates;

5. The Board Diversity Policy and any measurable objectives adopted by the Nomination Committee for achieving diversity on the Board. Diversity of the Board will be considered from a number of perspectives, including but not limited to gender, skills, age, cultural and educational background, industry experience, technical and professional experience and/or qualifications, knowledge, ethnicity, length of services and time to be devoted as a Director; and

6. Such other factors relating to the Company's business model and specific needs from time to time, and the contribution that the selected candidates will bring to the Board.

During the Relevant Period, the Nomination Committee held one meeting. The attendance at the meeting is set out in the table below:

Director	Number of Meetings Attended/Eligible to Attend
Mr. Zhang Peng	1/1
Ms. Zhu Caiqing	1/1
Mr. Cheng Peng	1/1

At the meeting, the Nomination Committee:

- reviewed the structure, size, and composition of the Board;
- assessed the independence of independent non-executive Directors;
- considered the candidates of retiring Directors for re-election;
- reviewed the Board Diversity Policy and the progress on implementing the said policy.

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

Remuneration Committee

The Remuneration Committee currently comprises independent non-executive Directors Mr. Cheng Peng and Ms. Zhu Caiqing and non-executive Director Mr. Zhang Peng. Mr. Cheng Peng is the chairman of the Remuneration Committee.

The main 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 formulate the policy of executive Directors' remuneration, evaluate performance of the executive Directors and approve terms of service contracts of executive Directors; and

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

During the Relevant Period, the Remuneration Committee held one meeting. The attendance at the meeting is set out in the table below:

Director	Number of Meetings Attended/Eligible to Attend
Mr. Cheng Peng	1/1
Mr. Zhang Peng	1/1
Ms. Zhu Caiqing	1/1

At the meeting, the Remuneration Committee:

- reviewed the remuneration packages of the Directors and senior management of the Company for 2020; and

- reviewed and made recommendations to the Board on the remuneration policy and structure relating to the Directors and senior management of the Company for 2021.

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

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

Details of the remunerations of the Directors for the year ended 31 December 2020 are set out in note 7 to the consolidated financial statements and the details of the remuneration of senior management by band are set out below:

Remuneration Band *(RMB)*	**Number of Individuals**
0-1,000,000	6
1,000,001-2,000,000	1

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

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

The management has provided necessary explanation and information to the Board so as to enable the Board to make an informed assessment of the financial statements of the Company which were put to the Board for approval. The Company has provided monthly updates on the performance and prospects of the Company to all members of the Board.

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

The statement by the Auditor regarding its reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on page 78 of this annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining a sound internal control and risk management system of the Group to protect the interests of the Group and Shareholders, and regularly reviewing and supervising the effectiveness of the internal management and risk management system to ensure its effectiveness and sufficiency. Such systems are designed to manage and mitigate risks inherent in the Group's business faced by the Group to an acceptable level, but not eliminating the risk of failure to achieve business objectives, and can only provide reasonable assurance against material misstatement, loss or fraud.

The Group has established an internal control organisation system with well-formed organisational structure, clear rights and responsibilities, clear division of labor and well-equipped personnel in accordance with relevant laws and regulations and the needs for business management and risk management, and it is clearly stipulated that the Audit Centre is responsible for performing internal audit functions, overseeing the risk management and internal control systems of the Group on an on-going basis and reviewing the effectiveness of the systems annually. The review covers all material controls, including financial, operational and compliance controls.

The Audit Centre oversees the continuous improvement and enhancement of the management in the areas of risk management and internal control and submits the relevant review reports for the risk management and internal control systems of the Company to the Audit Committee. The Audit Committee reviews the risk management and internal controls systems of the Company. The Board shall take ultimate responsibility for the sound and effective implementation of the Company's risk management and internal control systems and be responsible for reviewing their effectiveness.

The Group's internal control management focuses on the four major areas, respectively system building, atmosphere creation, routine auditing and control testing, continuously auditing operations, monitoring the implementation of standards, maintaining the control environment, conducting fraud investigations, promoting a culture of integrity and safeguarding the "Five Don't" principles.

The Audit Centre monitors the internal governance of the Company and provides independent assurances as to the adequacy and effectiveness of the Company's risk management and internal control systems. The senior executive in charge of the Audit Centre reports directly to the Audit Committee. The internal audit reports on control effectiveness are submitted to the Audit Committee in line with agreed audit plan approved by the Board. The Audit Centre carried out analyses and independent appraisals of the adequacy and effectiveness of the risk management and internal control systems of the Company twice during the year and reported the findings to the management of the Company and the Audit Committee. The senior executives in charge of the Audit Centre attended meeting of the Audit Committee to explain the internal audit findings and responded to queries from members of the Audit Committee.

The Company has followed internal guidelines to ensure that inside information is released to the public in a fair and timely manner in accordance with applicable laws and regulations. The senior management of the Group's investor relations, corporate affairs and financial control functions are delegated the responsibility to monitor and oversee compliance with appropriate procedures in the disclosure of inside information. Only relevant senior management is entitled to inside information on a "need-to-know" basis at all times. Relevant personnel and other relevant professionals are required to maintain the confidentiality of such inside information before it is publicly disclosed. The Company has also implemented other relevant procedures, such as pre-approval of trading in the Company's securities by Directors and designated members of management, notification to Directors and employees of regular blackout periods and restrictions on trading in securities, and identification of items by code, to prevent possible improper handling of inside information within the Group.

The Company has adopted arrangements to assist employees and other stakeholders in raising concerns about possible frauds in financial reporting, internal control and other matters in confidentiality. The Audit Committee regularly reviews these arrangements and ensures that appropriate arrangements are in place for fair and independent investigations of these matters and for taking appropriate follow-up actions.

During the year ended 31 December 2020 and up to the date of this annual report, the Audit Committee conducted a review of the effectiveness of the Company's risk management and internal control systems. During the year ended 31 December 2020, there were no significant matters relating to risk management and internal control systems that required the attention and action from the Company.

The Board believes that, in the absence of any evidence to the contrary, the system of internal controls maintained by the Group throughout the Reporting Period provides reasonable assurance against material financial misstatements or loss, and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risks.

The Board believes that the existing risk management and internal control system is sufficient and effective. The Board has also reviewed the resources, qualifications and experience of the staff of the Company's accounting and financial reporting function, and their training programs and budget, and is satisfied with the adequacy of the above aspects.

AUDITOR'S REMUNERATION

The remuneration for audit service provided by the auditor to the Company during the Relevant Period was approximately as follows:

Type of Services	**Amount** *(RMB)*
Annual audit service	1,415,000

COMPANY SECRETARY

Ms. Szeto Kar Yee Cynthia, assistant manager of TMF Hong Kong Limited, a global corporate service provider, serves as the company secretary of the Company. Her primary contact person at the Company is Ms. Niu Jiao, secretary of the Board.

Ms. Szeto Kar Yee Cynthia has undertaken not less than 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules during the year ended 31 December 2020.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS RELATIONS

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

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The Chairman of the Company and the chairmen of the Board Committees will attend the annual general meeting to answer shareholders' questions. The Auditor will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and contents of the Auditor's report, accounting policies and Auditor's independence.

To promote effective communication, the Company adopts the shareholder communication policy aimed to establish relations and communication between the Company and Shareholders and maintains a website at www.firstservice.hk, where up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are available for public access.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, the Company will propose a separate resolution for each issue at general meetings, including the election of individual Directors.

All resolutions proposed at general meetings will be voted on 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 AND PUTTING FORWARD PROPOSALS AT AN EXTRAORDINARY GENERAL MEETING

According to the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any one or more members holding together, as at the date of deposit of the requisition, shares representing not less than one-tenth of the paid up capital of the Company which carry the right of voting at general meetings of the Company. The written requisition shall be deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to set up such a principal office, the registered office of the Company, specifying the major matters of the meeting and signed by the requisitionist(s). If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them 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 email their enquiries to the Investor Relation Department of the Company at diyifuwu@firstservice.hk.

CHANGE IN CONSTITUTIONAL DOCUMENTS

On 25 September 2020, the Company adopted the amended and restated Memorandum and Articles of Association which became effective on the Listing Date. There was no change in the Memorandum and Articles of Association during the Relevant Period.

Directors' Report

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

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 20 January 2020, as an exempted company with limited liability under the Companies Law. The Shares were listed on the Main Board of the Stock Exchange on 22 October 2020.

PRINCIPAL ACTIVITIES

The Group primarily provides property management services and green living solutions that cover the full property life-cycle in China. Details of the principal activities of the principal subsidiaries are set out in note 14 to the consolidated financial statements.

BUSINESS REVIEW

The business review and performance analysis of the Group for the year ended 31 December 2020 is set out in the section headed "Chairman's Statement" from pages 16 to 21 and "Management Discussion and Analysis" from pages 22 to 31 of this annual report.

FUTURE DEVELOPMENT FOR 2021

In the year 2021, the Group will continue to pursue the following business strategies: (i) continue to expand the scale of our property management business; (ii) actively expand energy operation related projects; (iii) upgrade and apply smart digital technology systems; (iv) continue to research and develop green technologies for commercialisation; and (v) continue to attract and nurture our talents. Further discussion of the Group's future business development is set out in the section headed "Chairman's Statement" on pages 16 to 21 of this annual report which constitutes part of this directors' report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group primarily provides property management services and green living solutions in China and is subject to laws and regulations regarding environmental protection. During the year ended 31 December 2020, the Group has complied with relevant laws and regulations in its business operation. Details of such are set out in the Environmental, Social and Governance Report of the Company for the year ended 31 December 2020 to be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.firstservice.hk) pursuant to the Listing Rules.

IMPORTANT RELATIONSHIPS

Relationship with Customers

Our customer base is large and diverse, which primarily consists of property developers, property owners and residents. While catering to all stages of the property life cycle, we strive to provide our customers with digitally connected, green and healthy living experiences in residential and non-residential properties. Revenue derived from our five largest customers accounted for 24.6% of our total revenue for the year ended 31 December 2020.

Relationship with Suppliers

Our suppliers are primarily subcontractors for our services and the assembly of our AIRDINO systems, as well as suppliers of utilities and human resources companies. For the year ended 31 December 2020, the total purchases from our five largest suppliers in aggregate accounted for 27.2% of our total purchase.

Relationship with Employees

We believe our employees' professionalism, expertise and experience contribute to our growth. Our human resources department manages, trains and hires employees. We offer competitive compensation packages and systematic training programs and development programs across all levels, including our "Talented Apprentice Scheme", "Elite Lieutenants Program", "Elite Program" and "Talented Leaders Scheme" to attract and retain our key employees. We aim at creating a merit-based incentive mechanism for hard-working and open communication atmosphere. We contribute to social insurance, including pension fund, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing provision funds for our employees. We also provide personal injury insurance for our employees, and accidental injury insurance for interns and post-retirement employees. Moreover, we have adopted a Share Option Scheme for incentivising qualified employees. For more information of our Share Option Scheme, please refer to the section headed "Share Option Scheme" in this directors' report.

CERTIFICATES, LICENSES AND PERMITS AND COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2020, we had obtained all material certificates, licenses and permits from relevant regulatory authorities necessary for our business operations, which were all in force. For more details regarding our compliance with relevant laws and regulations, please refer to the Environmental, Social and Governance Report of the Company.

LITIGATION

During the year ended 31 December 2020, the Company was not involved in any material litigation or arbitration, and no material litigation or claim to the Directors' knowledge is pending or threatening against the Company.

MATERIAL RISK FACTORS AND UNCERTAINTIES

The results and business operation of the Group are subject to certain material risk factors and uncertainties that the Group faces and key mitigations that the Group adopts are summarised as follows:

Material Risk Factors and Uncertainties	Mitigation Measures
Our reliance on connected parties	
A substantial portion of our revenue was generated from services provided to, and projects sourced from, connected parties, Modern Land Group and other associates of our controlling Shareholders. We expect this situation will continue. However, we do not have control over the Modern Land Group and other associates of our controlling Shareholders. Therefore, we may lose such business opportunities and our revenue source, and we may not be able to procure service engagements from alternative sources to make up for the shortfall in a timely manner or on favorable terms, or that we will continue to be successful in efforts to diversify our customer base.	In line with our Group's business expansion, we proactively and continuously expand the scale of our property management business through multiple channels. As of 31 December 2020, our total contracted GFA amounted to approximately 37.3 million sq.m., among which approximately 42.2% of the total contracted GFA were contracted with third-party developers. Meanwhile, we also proactively and cautiously identify suitable cooperation and acquisition targets with a view to further expand our business. In March 2021, our Group entered into an equity transfer agreement with Beijing Tonghe Property Management Co., Ltd., to acquire Dalian Yahang Property Management Co., Ltd., which had contracted GFA of 19.0 million sq. m.. In the future, we will further reduce our reliance on connected parties through our continued efforts in business expansion and acquisitions.
Uncertainty in anticipating or controlling costs in providing property management services	
Our property management services are primarily provided under the lump sum basis revenue model. If we fail to accurately anticipate our actual costs prior to negotiating and entering into our property management contracts, and our fees are insufficient to sustain our profit margins, we would not be entitled to collect additional amounts from our customers. Therefore, we may need to cut our costs to reduce the shortfall of working capital, which may negatively affect the quality of our property management services.	We continuously refine our project operation standardisation model based on our years of operational experience in the industry so that our cost estimates on property management services become increasingly accurate. In terms of operation cost control, we have established comprehensive internal control systems to monitor the risk of cost overrun of our operational projects. We estimate the revenue and expenditure of the projects under management based on the standardised model annually, prepare annual, quarterly and monthly budgets for each project, manage revenues and costs of our projects under management dynamically, strictly monitor each expense so as to prevent extra budget cost. Our management believes that the establishment of an accurate and standardised model with highly effective internal control system will ensure the accuracy of our costs estimates, guarantee profits of our projects, and avoid the negative impact of cutting costs or reducing service qualify as a result of insufficient operation funds.

Material Risk Factors and Uncertainties	Mitigation Measures
Risks related to our future acquisitions	
We may not be able to complete the acquisitions on terms favorable or acceptable to us or in a timely manner, or at all. Risks related to our future acquisition include but not limited to (i) potential ongoing financial obligations and unforeseen or hidden liabilities; (ii) inability to apply our business model or standardised internal policies and procedures on our acquired targets, and (iii) failure to achieve the intended objectives, benefits or revenue-enhancing opportunities.	In relation to our future acquisitions, we adopt a cautious approach. For each potential acquisition project, we will carry out detailed and comprehensive due diligence investigation at the early stage, including without limitation, on financial, legal and business aspects. For each of the identified controllable potential risks, including potential financial risks or contingent liabilities, we will enter into protective provisions with the contracting party to protect the interests of our Group (including the target company). In addition, we emphasise on the importance of integration and business synergy after completion of the acquisition. We reach principal consensus with the original management of the target company on the operation and management arrangements after completion of the acquisition of the target company. Leveraging on our strong brand name recognition, management and operational standardisation, together with the resources possessed by the target company, the target company will integrate with our Group, bringing along mutually beneficial and harmonious development of our Group. We also incentivise our management through performance incentive measures to ensure realisation of the expected profit returns of our acquisitions.

Material Risk Factors and Uncertainties	Mitigation Measures
Risks related to the outbreak of novel coronavirus	
The outbreak of novel coronavirus caused a worldwide health crisis adversely affecting the PRC and global economy and financial markets. It has negatively impacted, and may also continue to negatively impact, our business operations and earnings. To the extent that the continuing outbreak leads to higher unemployment rates and exacerbates the global economy, we may experience negative impacts on our provision of value-added services and green living solutions. Moreover, should the outbreak result in our having to quarantine afflicted employees, we could suffer labor shortages that impact the efficiency of our business operations and financial performance.	We witnessed both opportunities and challenges during the pandemic. Although our business was temporarily hampered by the measures adopted by the PRC Government in response to the outbreak of the pandemic during the early stage of the outbreak in 2020, our business activities resumed quickly towards the mid and later stage of the outbreak. At the same time, our outstanding performance in the prevention of the pandemic was highly regarded by our residents. Our payment collection rate quickly increased and has achieved our pre-set performance targets. The outbreak of the pandemic has also brought along new opportunities for our value-added services. We introduced new types of services that focus on the daily needs of our customers such as direct delivery of fresh fruits, home sterilisation services and online clinical services, bringing in new source of revenue. With respect to our green living solutions business line, although a few projects were slightly delayed in the first half of 2020 due to the outbreak of the pandemic, they have resumed normal operation in the second half of 2020. Further, as a result of the outbreak of the pandemic, there has been a general increase in demand for healthy living environment, which has led to a good development opportunity for our Group. Meanwhile, the outbreak of the pandemic has given various departments of our Group an invaluable experience. We have established service quality through the process and standardised system, in preparation for future unforeseeable events. In terms of our staff management, we adopted a combination of work from home and work in office to ensure the health and safety of our staff. We have also sped up our recruitment process to ensure sufficient manpower for each position in case of any possible manpower storage issues.

SUBSEQUENT EVENTS

Detailed information of important events affecting the Group that have occurred subsequent to the year ended 31 December 2020 and up to the date of this annual report is stated in note 32 to the consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS

The Group's profit for the year ended 31 December 2020 and the summary of the Company's and the Group's affairs as at 31 December 2020 are set out in the consolidated financial statements on pages 81 to 152 of this annual report.

Property, Plant and Equipment

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

Final Dividend

The Board has recommended the payment of a final dividend of HK3.97 cents per Share for the year ended 31 December 2020. Subject to the approval of the Shareholders at the AGM, the final dividend is expected to be paid on 12 July 2021 to the Shareholders whose names appear on the register of members of the Company on 29 June 2021.

Dividend Policy

The Company considers stable and sustainable returns to our Shareholders to be its goal. The recommendation of the payment of dividend is subject to the absolute discretion of our Board, and any declaration of final dividend for the year will be subject to the approval of our Shareholders. The declaration and payment of future dividends will be subject to various factors, including but not limited to our results of operations, financial performance, profitability, business development, prospects, capital requirements, economic outlook and interests of our Shareholders. Any declaration and payment as well as the amount of the dividend will be subject to our constitutional documents and the Companies Law, including the approval of our Shareholders.

Distributable Reserves

As of 31 December 2020, the distributable reserves of the Group amounted to approximately RMB114.8 million.

Reserves

Changes to the reserves of the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity in this annual report.

Share Capital

Details of movements in the share capital of the Company for the year ended 31 December 2020 and as at 31 December 2020 are set out in note 25 to the consolidated financial statements.

Borrowings and other Loans

Details of borrowings and other loans of the Group as at 31 December 2020 are set out in note 21 to the consolidated financial statements.

Charge on Assets

There was no charge on the Group's assets as at 31 December 2020.

Charitable Donation

For the year ended 31 December 2020, the Group made approximately RMB35,000 of charitable donations and donated clothings as well as learning tools to those in need.

Financial Summary

A summary of the published results and of the assets and liabilities of the Group for the last four financial years is set out on page 7 of this annual report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, except for the Global Offering, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the listed securities of the Company.

SHARE OPTION SCHEME

On 25 September 2020, the then Shareholders approved and adopted the Share Option Scheme. The purpose of the Share Option Scheme is to provide our Company with a means of incentivising any director or any employee or officer of any member of our Group who in the sole discretion of our Board has contributed or will contribute to our Group (the "**Eligible Person**") and retaining any employee or officer of any member of our Group (the "**Employees**"), which will link the value of our Company with the interests of the Eligible Persons, enabling the Eligible Persons and our Company to develop together and promoting our Company's corporate culture.

Subject to earlier termination by our Company in general meeting or by our Board, the share option scheme shall be valid and effective for a period of ten years commencing on 25 September 2020. As of 31 December 2020, no option had been granted or agreed to be granted, and thus no option had been exercised, cancelled or lapsed under the share option scheme. As a result, the total number of Shares available for grant under the Share Option Scheme was 100,000,000 Shares, representing 10% of the total Shares in issue as of the Listing Date and the date of this annual report.

DIRECTORS

The Directors during the year ended 31 December 2020 and up to the date of this annual report were:

Non-executive Directors
Mr. Zhang Peng *(Chairman)*
Mr. Long Han

Executive Directors
Mr. Liu Peiqing *(Co-chief executive officer and general manager)*
Mr. Jia Yan *(Co-chief executive officer)*
Mr. Jin Chungang
Ms. Zhu Li

Independent non-executive Directors
Ms. Sun Jing
Ms. Zhu Caiqing
Mr. Cheng Peng

In accordance with the Articles of Association, all existing Directors shall retire from office and will offer themselves for re-election at the forthcoming AGM.

The biographical details of the Directors and senior management of the Company are set out in the section headed "Directors and Senior Management" in this annual report.

Directors' Service Contracts and Letters of Appointment

Each of our executive Directors has entered into a service contract with our Company, and we have issued a letter of appointment to each of our non-executive Directors and each of our independent non-executive Directors. The service contracts with each of our executive Directors and the letters of appointment with each of our non-executive Directors and our independent non-executive Directors are for an initial fixed term of three years commencing from 28 September 2020. The service contracts and the letters of appointment are subject to termination in accordance with their respective terms.

The service contracts may be renewed in accordance with the Articles of Association and the applicable Listing Rules. None of our Directors proposed for re-election at the AGM has a service contract with members of our Group that is not determinable by our Group within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence of Independent Non-executive Directors

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors (being Ms. Sun Jing, Ms. Zhu Caiqing and Mr. Cheng Peng), and the Company considers such Directors to be independent during the year ended 31 December 2020.

Directors' and Controlling Shareholders' Interests in Transactions, Arrangements or Contracts of Significance

Other than the related party transactions disclosed in note 29 to the consolidated financial statements and the connected transactions as disclosed in the section headed "Connected Transactions" in this directors' report, no Director had either direct or indirect material interest in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party, and there was no transaction, arrangement or contract of significance between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries, subsisted at the end of, or at any time during the year ended 31 December 2020.

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2020, the interests and short positions of the Directors and the chief executives 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 were as follows:

1. Interests in the Company

Name of Director	Nature of Interest	Number of Shares held(6)	Approximate percentage of shareholding interest(1)
Zhang Peng(5)	Beneficial owner	4,947,500	0.49%
	Interest in controlled corporation(2)	170,777,250	17.08%
Liu Peiqing	Beneficial owner	222,500	0.02%
	Interest in controlled corporation(3)	10,511,250	1.05%
Long Han	Interest in controlled corporation(4)	10,511,250	1.05%
Zhu Li	Beneficial owner	87,500	0.01%

Notes:

(1) The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at 31 December 2020.

(2) The Shares are registered under the name of Hao Fung, which is wholly owned by Mr. Zhang Peng. Accordingly, Mr. Zhang Peng is deemed to be interested in all the Shares held by Hao Fung.

(3) The Shares are registered under the name of Liu Pei Qing Management, which is wholly owned by Mr. Liu Peiqing. Accordingly, Mr. Liu Peiqing is deemed to be interested in all the Shares held by Liu Pei Qing Management.

(4) The Shares are registered under the name of Long Han Management, which is wholly owned by Mr. Long Han. Accordingly, Mr. Long Han is deemed to be interested in all the Shares held by Long Han Management.

(5) Mr. Zhang Peng, together with Mr. Zhang Lei, being parties acting in concert, were interested in 571,283,750 Shares, representing approximately 57.12% of the number of the Company's issued Shares as at 31 December 2020.

(6) All interests stated are long positions.

2. Interests in associated corporations of the Company

Name of Director	Name of associated corporation	Nature of interest	Amount of share capital held	Approximate percentage of shareholding interest(1)
Zhang Peng	First Living(1)	Beneficial owner	RMB1,317,397	3.8%
Jia Yan	First Living(1)	Beneficial owner	RMB1,221,853	3.5%

Note:

(1) First Living is a non-wholly owned subsidiary of our Company and thus an associated corporation of our Company.

Save as disclosed above, as at 31 December 2020, none of the Directors or the chief executives 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 have 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 pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2020, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of Shares(8)	Approximate percentage of interest in the Company(1)
Zhang Lei(2)	Interest in controlled corporation	395,559,000	39.56%
Yu Jinmei(3)	Interest of spouse	395,559,000	39.56%
Glorious Group(2)	Beneficial owner	331,776,750	33.18%
Cedar Group(2)	Beneficial owner	63,782,250	6.38%
Wang Yujuan(4)	Interest of spouse	175,724,750	17.57%
Hao Fung(5)	Beneficial owner	170,777,250	17.08%

Name of Shareholder	Nature of Interest	Number of Shares[8]	Approximate percentage of interest in the Company[1]
CDH Griffin[6]	Interest in controlled corporation	86,424,000	8.64%
East Oak[6]	Interest in controlled corporation	86,424,000	8.64%
Access Star[6]	Interest in controlled corporation	86,424,000	8.64%
Ningbo Huiyong[6]	Interest in controlled corporation	86,424,000	8.64%
Ningbo Chunyong[6]	Interest in controlled corporation	86,424,000	8.64%
Ningbo Runyong[6]	Interest in controlled corporation	86,424,000	8.64%
Ningbo Weijun[6]	Interest in controlled corporation	86,424,000	8.64%
Ningbo Xubo[6]	Interest in controlled corporation	86,424,000	8.64%
Ningbo Penghui[6]	Interest in controlled corporation	86,424,000	8.64%
Tianjin Haoyong[6]	Interest in controlled corporation	86,424,000	8.64%
Tianjin Weiyuan[6]	Interest in controlled corporation	86,424,000	8.64%
Tianjin Taiding[6]	Interest in controlled corporation	86,424,000	8.64%
Dinghui Investment[6]	Interest in controlled corporation	86,424,000	8.64%
Shanghai CDH Yaojia[6]	Beneficial owner	86,424,000	8.64%
Hangzhou Dinghui[7]	Interest in controlled corporation	86,424,000	8.64%

Notes:

(1) The percentage represents the number of ordinary Shares interested divided by the number of the Company's issued Shares as at 31 December 2020.

(2) Each of Glorious Group and Cedar Group is wholly-owned by Mr. Zhang Lei. Therefore, Mr. Zhang Lei is deemed under the SFO to be interested in 331,776,750 Shares and 63,782,250 Shares held by Glorious Group and Cedar Group, respectively. Mr. Zhang Peng, together with Mr. Zhang Lei, being parties acting in concert, were interested in 571,283,750 Shares, representing approximately 57.12% of the number of the Company's issued Shares as at 31 December 2020.

(3) Ms. Yu Jinmei, the spouse of Mr. Zhang Lei, is deemed under the SFO to be interested in these 395,559,000 Shares in which Mr. Zhang Lei is interested.

(4) Ms. Wang Yujuan, the spouse of Mr. Zhang Peng, is deemed under the SFO to be interested in these 175,724,750 Shares in which Mr. Zhang Peng is interested.

(5) Hao Fung is wholly-owned by Mr. Zhang Peng. Therefore, Mr. Zhang Peng is deemed under the SFO to be interested in these 170,777,250 Shares held by Hao Fung.

(6) Dinghui Equity Investment Management (Tianjin) Company Limited (鼎暉股權投資管理(天津)有限公司) ("**Dinghui Investment**") is the general partner of Shanghai CDH Yaojia. Dinghui Investment is owned as to 85.4% by Tianjin Taiding Investment Co., Ltd. (天津泰鼎投資有限公司) ("**Tianjin Taiding**"). Tianjin Taiding is owned as to 45% and 55% by Tianjin Weiyuan Investment Management Co., Ltd. (天津維遠投資管理有限公司) ("**Tianjin Weiyuan**") and Tianjin Haoyong Investment Management Co., Ltd. (天津浩永投資管理有限公司) ("**Tianjin Haoyong**"), respectively. Tianjin Weiyuan is wholly-owned by Ningbo Economic and Technological Development Zone Penghui Investment Consulting Co., Ltd. (寧波經濟技術開發區鵬暉投資諮詢有限公司) ("**Ningbo Penghui**"). Ningbo Penghui is wholly owned by Ningbo Economic and Technological Development Zone Xubo Investment Consulting Co., Ltd. (寧波經濟技術開發區旭博投資諮詢有限公司) ("**Ningbo Xubo**"). Ningbo Xubo is wholly owned by Ningbo Economic and Technological Development Zone Weijun Investment Consulting Co., Ltd. (寧波經濟技術開發區維均投資諮詢有限公司) ("**Ningbo Weijun**"). Ningbo Weijun is wholly-owned by Access Star Company Limited ("**Access Star**"). Tianjin Haoyong is wholly-owned by Ningbo Economic and Technological Development Zone Runyong Investment Consulting Co., Ltd. (寧波經濟技術開發區潤永投資諮詢有限公司) ("**Ningbo Runyong**"). Ningbo Runyong is wholly-owned by Ningbo Economic and Technological Development Zone Chunyong Investment Consulting Co., Ltd. (寧波經濟技術開發區淳永投資諮詢有限公司) ("**Ningbo Chunyong**"). Ningbo Chunyong is wholly-owned by Ningbo Economic and Technological Development Zone Huiyong Investment Consulting Co., Ltd. (寧波經濟技術開發區匯永投資諮詢有限公司) ("**Ningbo Huiyong**"), which is wholly-owned by East Oak Company Limited ("**East Oak**"). Each of Access Star and East Oak is owned as to 85% by CDH Griffin Holdings Company Limited ("**CDH Griffin**"). Therefore, Dinghui Investment, Tianjin Taiding, Tianjin Weiyuan, Tianjin Haoyong, Ningbo Runyong, Ningbo Chunyong, Ningbo Huiyong, Ningbo Penghui, Ningbo Xubo, Ningbo Weijun, East Oak, Access Star and CDH Griffin are deemed under the SFO to be interested in these 86,424,000 Shares held by Shanghai CDH Yaojia.

(7) Hangzhou Dinghui New Trend Equity Investment Partnership (Limited Partnership) (杭州鼎暉新趨勢股權投資合夥企業(有限合夥)) ("**Hangzhou Dinghui**") is a limited partner of Shanghai CDH Yaojia. Shanghai CDH Yaojia is owned as to 99.90% by Hangzhou Dinghui. Therefore, Hangzhou Dinghui is deemed under the SFO to be interested in these 86,424,000 Shares held by Shanghai CDH Yaojia.

(8) All interests stated are long positions.

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 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.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS

There is no arrangement for pre-emptive rights under the Articles of Association, although there are no restrictions against such rights under the laws in the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to 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.

EMOLUMENT POLICY

Our Directors believe that our continued success depends on the efforts of our senior management team and other key employees with their key connections and industry expertise. We offer competitive compensation packages and systematic training programs and development programs across all levels, to attract and retain our key employees. We also aim at creating a merit-based incentive mechanism for hard-working and open communication atmosphere. We contribute to social insurance, including pension fund, medical insurance, unemployment insurance, work-related injury insurance and maternity insurance, and housing provision funds for our employees. We also provide our employees with personal injury insurances, and accidental injury insurances for our interns and post-retirement employees. Moreover, we have adopted a Share Option Scheme for incentivising qualified employees. For more information of our Share Option Scheme, please refer to the section headed "Share Option Scheme" in this directors' report. Our Group has established the Remuneration Committee to establish and review the policy and structure of the remuneration for our Directors and senior management and make recommendations on employee benefit arrangement. In general, our Group determines the emolument payable to our Directors based on each Director's time commitment and responsibilities, salaries paid by comparable companies as well as the employment conditions elsewhere in our Group.

EMPLOYEE BENEFITS

Particulars of the employee benefits of the Group are set out in note 5 to the consolidated financial statements.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained minimum public float of 25% as required under the Listing Rules during the Relevant Period.

RIGHTS TO ACQUIRE THE COMPANY'S SECURITIES AND EQUITY-LINKED AGREEMENTS

Other than disclosed under the section headed "Share Option Scheme" in this directors' report, the Company, or any of its holding companies or subsidiaries, or any of its fellow subsidiaries, have not entered into any arrangement to enable the Directors or chief executives of the Company or their respective associates to subscribe for securities of the Company or any of its associated corporations as defined in the SFO or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, nor did the Company enter into any equity-linked agreement.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Each of our controlling Shareholders and Directors confirms that he/she/it or his/her/its respective close associates was not interested in a business, apart from the business of our Group, which competes or is likely to compete, directly or indirectly, with our business, which would require disclosure under Rule 8.10 of the Listing Rules, during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Every Director, auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director, auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his/her favour, or in which he/she is acquitted. Subject to the Companies Law, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability. Such provisions were in force throughout the year ended 31 December 2020 and are currently in force. The Company has arranged for appropriate insurance cover for Directors' liabilities in respect of legal actions that may be brought against the Directors.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange on 22 October 2020, with a total of 250,000,000 Shares being issued. Based on the final offer price of HKD2.40 per Share, the net proceeds from the Global Offering received by the Company, after deduction of underwriting fees and commission, and other expenses payable by the Company in connection with the Global Offering are approximately HKD571.2 million. Details of the Group's use of proceeds from the Global Offering as at 31 December 2020 are set out in the section headed "Management Discussion and Analysis – Use of Proceeds" in this annual report.

CONNECTED TRANSACTIONS

From the Listing Date to the year ended 31 December 2020, our Group has entered into various non-exempt continuing connected transactions with the following connected persons of the Company:

- Modern Land, which was ultimately owned as to 66.11% by Mr. Zhang Lei, is an associate of Mr. Zhang Lei and our connected person.
- Modern Land Group, comprising Modern Land and its subsidiaries.
- Modern Investment Group Co., Ltd. ("**Modern Investment**") which was ultimately and wholly-owned by Mr. Zhang Lei and his daughter, Ms. Zhang Xinyu and hence an associate of Mr. Zhang Lei and our connected person.
- Modern Investment and its subsidiaries and 30%-controlled companies (as defined under the Listing Rules) (collectively, the "**Modern Investment Group**").
- Super Land Holdings Limited ("**Super Land**"), which was ultimately and wholly-owned by a discretionary family trust, of which Mr. Zhang Lei, his family members and certain other individuals are beneficiaries, and hence an associate of Mr. Zhang Lei and our connected person.
- Super Land and the joint ventures and associates (as defined under the IFRS) that Super Land had invested in through the Modern Land Group (collectively, the "**Super Land Group**").
- First Living, our non-wholly owned subsidiary, which is owned as to (i) 72.1% by our Company, (ii) 8.1% by New Momentum (Beijing) Construction Technology Co., Ltd. ("**New Momentum**") and Zhihui Hongye Investment (Beijing) Co., Ltd. ("**Zhihui Hongye**"), and (iii) 3.8% by Mr. Zhang Lei. New Momentum and Zhihui Hongye are ultimately owned by Mr. Zhang Lei, and First Living is therefore a connected subsidiary under to Rule 14A.16(1) of the Listing Rules.
- The First Living Group comprises of First Living and its subsidiaries, including without limitation (i) First MOMA Human Environment Architectural Engineering Co., Ltd. (ii) Anhui MOMA Human Environmental Technology Co., Ltd. and (iii) Beijing MOMA Human Environment Technology Co., Ltd..

Master Energy Operation Services Agreement with First Living

We entered into a master energy operation service agreement on 28 September 2020 with First Living (the "**First Living Master Energy Operation Services Agreement**"), pursuant to which we will procure energy operation services from the First Living Group, where it operates energy stations to provide central heating and central cooling. The service fees would be determined by the parties in a fair and reasonable manner, having regard to the scale of the energy operation services provided by the First Living Group, fair market and local authorities' energy unit prices and energy station operating costs. The terms and conditions offered by the First Living Group to our Group shall not be less favourable than to those of the same type of energy operation services offered by an independent third party.

The First Living Master Energy Operation Services Agreement has become effective from the Listing Date and is valid until 31 December 2022.

The annual caps for the First Living Master Energy Operation Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB14.0 million, RMB22.0 million and RMB30.0 million, respectively. The aggregate transaction amount incurred in accordance with the First Living Master Energy Operation Services Agreement for the year ended 31 December 2020 was approximately RMB11.9 million.

Master Maintenance Services Agreement with Modern Investment

We entered into a master maintenance service agreement on 28 September 2020 with Modern Investment (the "**Modern Investment Master Maintenance Services Agreement**"), pursuant to which we will procure maintenance services from the Modern Investment Group, which comprise mainly of elevator system and other ad hoc maintenance services. The Modern Investment Master Maintenance Services Agreement has become effective from the Listing Date and is valid until 31 December 2022.

Reasons for entering into the Modern Investment Master Maintenance Services Agreement include: (i) relevant members of the Modern Investment Group possess the necessary qualifications and expertise to provide the required maintenance services to our Group and (ii) such services have been provided to our Group for long term and are of good quality.

The annual caps for the Modern Investment Master Maintenance Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB10.0 million, RMB10.0 million and RMB10.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Investment Master Maintenance Services Agreement for the year ended 31 December 2020 was approximately RMB9.6 million.

Master Lease Agreement with Modern Investment

We entered into a master lease agreement on 28 September 2020 with Modern Investment (the "**Modern Investment Master Lease Agreement**"), pursuant to which members of the Group will enter into individual lease agreements with members of the Modern Investment Group setting out specific terms and conditions such as relevant property, rental fees and rental period.

The Modern Investment Master Lease Agreement has become effective from the Listing Date and is valid until 31 December 2022.

The annual caps for the Modern Investment Master Lease Agreement for the years ended/ending 31 December 2020, 2021 and 2022 are RMB5.0 million, RMB5.0 million and RMB5.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Investment Master Lease Agreement for the year ended 31 December 2020 was approximately RMB2.8 million.

Master Software and Services Agreement with Modern Investment

We entered into a master software and services agreement on 28 September 2020 with Modern Investment (the "**Modern Investment Master Software and Services Agreement**"), pursuant to which members of the Modern Investment Group will purchase the license for the use of various modules of the software system, according to their business needs and our Group will also provide supporting services to members of the Modern Investment Group at an annual fee.

The Modern Investment Master Software and Services Agreement will become effective from the Listing Date and is valid until 31 December 2022.

It was expected that as their business grows, members of the Modern Investment Group may need to purchase licenses for the use of more modules to enable more sophisticated functionalities. They also require regular supporting services for the software system.

The annual caps for the Modern Investment Master Software and Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB4.0 million, RMB4.0 million and RMB4.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Investment Master Software and Services Agreement for the year ended 31 December 2020 was RMB4.0 million.

Master Software and Services Agreement with First Living

We entered into a master software and services agreement on 28 September 2020 with First Living (the "**First Living Master Software and Services Agreement**"), pursuant to which members of the First Living Group will purchase the license for the use of various modules of our office management software system, according to their business needs and our Group will also provide supporting services to members of the First Living Group at an annual fee.

The First Living Master Software and Services Agreement will become effective from the Listing Date and is valid until 31 December 2022.

The annual caps for the First Living Master Software and Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB1.0 million, RMB1.0 million and RMB1.0 million, respectively. The aggregate transaction amount incurred in accordance with the First Living Master Software and Services Agreement for the year ended 31 December 2020 was RMB1.0 million.

Master Property Management Agreement with Modern Land

We entered into a master property management agreement on 4 December 2019 with Modern Land (the "**Modern Land Master Property Management Agreement**"), pursuant to which our Group will provide property management services, energy operation services and value-added services, including parking space management services and sales assistance services to the Modern Land Group.

The Modern Land Master Property Management Agreement has become effective on 1 January 2020 and is valid until 31 December 2022.

Property management services, energy operation services and value-added services are among our principal businesses. The transactions contemplated under the Modern Land Master Property Management Agreement will ensure a stable source of revenue during its term.

The annual caps for the Modern Land Master Property Management Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB115.0 million, RMB120.0 million and RMB125.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Land Master Property Management Agreement for the year ended 31 December 2020 was approximately RMB111.3 million.

Master Property Management Agreement with Modern Investment

We entered into a master property management agreement on 28 September 2020 with Modern Investment (the "**Modern Investment Master Property Management Agreement**"), pursuant to which our Group agreed to provide property management services, energy operation services and value-added services, including communal area leasing services to the Modern Investment Group.

The Modern Investment Master Property Management Agreement has become effective from the Listing Date and is valid until 31 December 2022.

Property management services, energy operation services and value-added services are among our principal businesses. The transactions contemplated under the Modern Investment Master Property Management Agreement will ensure a stable source of revenue during its term.

The annual caps for the Modern Investment Master Property Management Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB20.0 million, RMB23.0 million and RMB26.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Investment Master Property Management Agreement for the year ended 31 December 2020 was approximately RMB12.9 million.

Master Property Management Agreement with Super Land

We entered into a master property management agreement on 28 September 2020 with Super Land (the "**Super Land Master Property Management Agreement**"), pursuant to which our Group agreed to provide property management services and value-added services, including parking space management services and sales assistance services to the Super Land Group.

The Super Land Master Property Management Agreement has become effective from the Listing Date and is valid until 31 December 2022.

Property management services and value-added services are among our principal businesses. The transactions contemplated under the Super Land Master Property Management Agreement will ensure a stable source of revenue during its term.

The annual caps for the Super Land Master Property Management Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB44.0 million, RMB50.0 million and RMB54.0 million, respectively. The aggregate transaction amount incurred in accordance with the Super Land Master Property Management Agreement for the year ended 31 December 2020 was approximately RMB37.9 million.

Master Contracting Services Agreement with Modern Land

We entered into a master contracting services agreement on 4 December 2019 with Modern Land (the "**Modern Land Master Contracting Services Agreement**"), pursuant to which our Group would provide systems installation services to the Modern Land Group.

The Modern Land Master Contracting Services Agreement has become effective on 1 January 2020 and is valid until 31 December 2022.

The transactions contemplated under the Modern Land Master Contracting Services Agreement will ensure a stable source of revenue during its term.

The annual caps for the Modern Land Master Contracting Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB30.0 million, RMB31.0 million and RMB32.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Land Master Contracting Services Agreement for the year ended 31 December 2020 was approximately RMB28.4 million.

Master Contracting Services Agreement with Modern Investment

We entered into a master contracting services agreement on 28 September 2020 with Modern Investment (the "**Modern Investment Master Contracting Services Agreement**"), pursuant to which our Group would provide systems installation services to the Modern Investment Group.

The Modern Investment Master Contracting Services Agreement has become effective from the Listing Date and is valid until 31 December 2022.

The transactions contemplated under the Modern Investment Master Contracting Services Agreement will ensure a stable source of revenue during its term.

The annual caps for the Modern Investment Master Contracting Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB0.5 million, RMB0.5 million and RMB0.5 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Investment Master Contracting Services Agreement for the year ended 31 December 2020 was approximately RMB0.47 million.

Master Contracting Services Agreement with Super Land

We entered into a master contracting services agreement on 28 September 2020 with Super Land (the "**Super Land Master Contracting Services Agreement**"), pursuant to which our Group would provide systems installation services to the Super Land Group.

The Super Land Master Contracting Services Agreement has become effective from the Listing Date and is valid until 31 December 2022.

The transactions contemplated under the Super Land Master Contracting Services Agreement will ensure a stable source of revenue during its term.

The annual caps for the Super Land Master Contracting Services Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB5.0 million, RMB31.0 million and RMB33.0 million, respectively. The aggregate transaction amount incurred in accordance with the Super Land Master Contracting Services Agreement for the year ended 31 December 2020 was approximately RMB4.8 million.

Master Energy-conservation Advisory Agreement with Modern Land

We entered into a master energy-conservation advisory agreement on 4 December 2019 with Modern Land (the "**Modern Land Master Energy-conservation Advisory Agreement**"), pursuant to which our Group would supply AIRDINO systems, and provide green technology consulting services to the Modern Land Group.

The Modern Land Master Energy-conservation Advisory Agreement has become effective on 1 January 2020 and is valid until 31 December 2022.

The transactions contemplated under the Modern Land Master Energy-conservation Advisory Agreement will ensure a stable source of revenue during the term of the agreement.

The annual caps for the Modern Land Master Energy-conservation Advisory Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB30.0 million, RMB31.0 million and RMB32.0 million, respectively. The aggregate transaction amount incurred in accordance with the Modern Land Master Energy-conservation Advisory Agreement for the year ended 31 December 2020 was approximately RMB25.0 million.

Master Energy-conservation Advisory Agreement with Super Land

We entered into a master energy-conservation advisory agreement on 28 September 2020 with Super Land ("**Super Land Master Energy-conservation Advisory Agreement**"), pursuant to which our Group will supply AIRDINO systems, and provide green technology consulting services to the Super Land Group.

The Super Land Master Energy-conservation Advisory Agreement has become effective on the Listing Date and is valid until 31 December 2022.

The transactions contemplated under the Super Land Master Energy-conservation Advisory Agreement will ensure a stable source of revenue during the term of the agreement.

The annual caps for the Super Land Master Energy-conservation Advisory Agreement for the years ended/ending 31 December 2020, 2021 and 2022 amounted to RMB12.0 million, RMB14.0 million and RMB15.0 million, respectively. The aggregate transaction amount incurred in accordance with the Super Land Master Energy-conservation Advisory Agreement for the year ended 31 December 2020 was approximately RMB11.9 million.

Confirmation from the independent non-executive Directors

The independent non-executive Directors have reviewed and confirmed that the above continuing connected transactions have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the relevant agreement governing them and on terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Confirmations from the auditors

The Auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2020 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 Auditor has issued its letter to the Board containing its findings and conclusions in respect of the continuing connected transactions as set out above in accordance with Rule 14A.56 of the Listing Rules. A copy of the Auditor's letter has been provided by the Company to the Stock Exchange which stated that:

a) nothing has come to the attention of the auditor that causes the auditor to believe that the above continuing connected transactions have not been approved by the Board;

b) for transactions involving the provision of goods or services by the Group, nothing has come to the attention of the Auditor that causes the Auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group;

c) nothing has come to the attention of the Auditor that causes the Auditor to believe that the above continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

d) with respect to the aggregate amount of the above continuing connected transactions, nothing has come to the attention of the Auditor that causes the Auditor to believe that the continuing connected transactions disclosed above have exceeded the annual cap as set by the Company.

During the year ended 31 December 2020, save as disclosed above, no related party transactions disclosed in note 29 to the consolidated financial statements constituted a connected transaction or continuing connected transaction which should be disclosed pursuant to the Listing Rules. The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions and continuing connected transactions entered into by the Group during the year under review.

ANNUAL GENERAL MEETING

The AGM will be held on 21 June 2021. A notice convening the AGM and all other relevant documents will be published and dispatched to the Shareholders in the manner required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

In order to determine the entitlement to attend and vote at the AGM, the register of members will be closed from 16 June 2021 to 21 June 2021, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the AGM, unregistered holders of the Shares shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 15 June 2021.

For determining the entitlement of the Shareholders to receive the final dividend, the register of members of the Company will also be closed from 25 June 2021 to 29 June 2021 (both dates inclusive). To be eligible to receive the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar in Hong Kong, Tricor Investor Services Limited, at 54th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on 24 June 2021.

CORPORATE GOVERNANCE

The Company's corporate governance principles and practices are set out in the Corporate Governance Report from pages 40 to 53 of this annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and discussed the Group's risk management, internal controls and financial reporting matters with the management. The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020.

AUDITOR

The financial statements for the year ended 31 December 2020 have been audited by KPMG who shall retire at the AGM and, being eligible, will offer itself for re-appointment. A resolution will be proposed at the AGM to re-appoint KPMG as the Auditor.

Save as otherwise stated, all references above to other sections, reports or notes in this annual report form part of this directors' report.

On behalf of the Board
Zhang Peng
Chairman
22 March 2021

Independent Auditor's Report

To the shareholders of First Service Holding Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of First Service Holding Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 81 to 87, which comprise the consolidated statement of financial position as at 31 December 2020, 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**") 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 Hong Kong Institute of Certified Public Accountants ("**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 MATTER

Key audit matter is the matter that, in our professional judgement, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Expected credit loss allowance of trade receivables

Refer to accounting policy Note 1(k), Note 20 and Note 26(a) to the consolidated financial statements.

The Key Audit Matter

As at 31 December 2020, the Group's gross trade receivables from third parties and an allowance for expected credit losses ("**ECLs**") amounted to RMB184.2 million and RMB47.9 million, respectively.

The Group's trade receivables comprised mainly receivables from property owners and property developers.

Management measured the loss allowance at an amount equal to lifetime ECL of the trade receivables based on the loss patterns for different customers, aging of trade receivables and loss rate. Such measurement also takes into account current market conditions and forward-looking information.

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

How the matter was addressed in our audit

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

- obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal controls credit control, segmentation of trade receivables, aging analysis review, estimation of expected credit losses and making related allowances;
- evaluating the Group's policy for estimating the credit loss allowance with reference to the requirements of the prevailing accounting standard;
- obtaining an understanding on the key data and assumptions of the expected credit loss model adopted by management, including the basis of segmentation of trade receivables based on credit loss characteristics, historical default data and assumptions involved in management' estimated loss rate;
- assessing the appropriateness of management's estimates of loss allowance by examining the information used by management to derive such estimates, including testing accuracy of the historical default data and evaluating whether historical loss rates are appropriately adjusted after taking into consideration current market conditions and forward-looking information;
- assessing whether items were appropriately categorised in the customer type as well as in the trade receivables aging report by comparing a sample of individual items with the demand notes, sales invoices and other relevant underlying documentation;
- considering the reasonableness of the disclosures in the consolidated financial statements with reference to the requirements of the prevailing accounting standards; and
- re-performing the calculation of the loss allowance as at 31 December 2020 based on the Group's credit loss allowance policies.

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 IFRSs issued by the IASB 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 RESPONSIBILITY 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.

- 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 Choi Chung Chuen.

Certified Public Accountants

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

22 March 2021

Consolidated Statement 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	*3*	**771,799**	624,679
Cost of sales		**(504,455)**	(407,170)
Gross profit		**267,344**	217,509
Other income	*4*	**26,676**	33,479
Selling expenses		**(9,557)**	(8,128)
Administrative expenses		**(159,672)**	(135,822)
Finance costs		**(235)**	(154)
Share of loss of an associate		**(637)**	–
Share of loss of joint ventures		**(6)**	–
Profit before taxation	*5*	**123,913**	106,884
Income tax	*6*	**(22,062)**	(23,022)
Profit for the year		**101,851**	83,862
Attributable to:			
Equity shareholders of the Company		**94,829**	77,294
Non-controlling interests		**7,022**	6,568
Profit for the year		**101,851**	83,862
Earnings per share	*10*		
Basic and diluted *(RMB)*		**0.1188**	0.1037

The notes on pages 88 to 152 form part of these financial statements.

Consolidated Statement 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
Profit for the year		**101,851**	83,862
Other comprehensive income for the year (after tax and reclassification adjustments)	9		
Items that will not be reclassified to profit or loss:			
Equity investment at fair value through other comprehensive income ("**FVOCI**") — net movement in fair value reserves (non-recycling)		**690**	–
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of overseas subsidiaries		**(4,253)**	–
Other comprehensive income for the year		**(3,563)**	–
Total comprehensive income for the year		**98,288**	83,862
Attributable to:			
Equity shareholders of the Company		**91,266**	77,294
Non-controlling interests		**7,022**	6,568
Total comprehensive income for the year		**98,288**	83,862

The notes on pages 88 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Renminbi)

	Note	**2020**	2019
		RMB'000	*RMB'000*
Non-current assets			
Investment properties	*11*	**14,638**	14,404
Property, plant and equipment	*12*	**7,800**	7,318
Intangible assets	*13*	**7,017**	10,389
Interest in joint ventures		**744**	250
Interest in an associate		**1,882**	–
Other financial assets	*15*	**6,920**	6,000
Deferred tax assets	*23(b)*	**12,574**	12,000
		51,575	50,361
Current assets			
Inventories	*16*	**795**	953
Loan receivables	*17*	**–**	140,000
Financial assets measured at fair value through profit or loss ("**FVPL**")	*18*	**89,099**	76,569
Contract assets	*19(a)*	**28,627**	7,956
Trade and other receivables	*20*	**307,770**	183,972
Restricted cash	*21(a)*	**2,449**	300
Cash and cash equivalents	*21(a)*	**731,666**	260,128
		1,160,406	669,878

The notes on pages 88 to 152 form part of these financial statements.

Consolidated Statement of Financial Position

At 31 December 2020
(Expressed in Renminbi)

	Note	**2020** **RMB'000**	2019 RMB'000
Current liabilities			
Trade and other payables	22	**254,042**	203,959
Contract liabilities	19(b)	**278,331**	226,566
Current taxation	23(a)	**4,304**	2,443
Bank loans	24	**–**	9,997
		536,677	442,965
Net current assets		**623,729**	226,913
Total assets less current liabilities		**675,304**	277,274
Non-current liabilities			
Deferred tax liabilities	23(b)	**995**	566
		995	566
NET ASSETS		**674,309**	276,708
CAPITAL AND RESERVES	25		
Share capital		**1**	–
Reserves		**653,750**	243,115
Total equity attributable to equity shareholders of the Company		**653,751**	243,115
Non-controlling interests		**20,558**	33,593
TOTAL EQUITY		**674,309**	276,708

Approved and authorised for issue by the board of directors on 22 March 2021.

Liu Peiqing
Director

Zhu Li
Director

The notes on pages 88 to 152 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020
(Expressed in Renminbi)

		Attributable to equity shareholders of the Company									
	Note	Share capital *RMB'000*	Share premium *RMB'000*	Capital reserve *RMB'000*	Statutory surplus reserves *RMB'000*	Exchange reserve *RMB'000*	Fair value reserve *RMB'000*	Retained profits *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2019		–	–	184,246	6,391	–	–	127,075	317,712	26,265	343,977
Changes in equity for 2019:											
Profit and total comprehensive income for the year		–	–	–	–	–	–	77,294	77,294	6,568	83,862
Issue of shares by First Property Management *(note (i))*		–	–	9,999	–	–	–	–	9,999	–	9,999
Appropriation to statutory reserve		–	–	–	26	–	–	(26)	–	–	–
Acquisition of non-controlling interests		–	–	24	–	–	–	–	24	(24)	–
Capital contribution from non-controlling interests of First Property Management		–	–	–	–	–	–	–	–	784	784
Cash dividend declared by First Property Management	25	–	–	–	–	–	–	(161,914)	(161,914)	–	(161,914)
Balance at 31 December 2019 and 1 January 2020		**–**	**–**	**194,269**	**6,417**	**–**	**–**	**42,429**	**243,115**	**33,593**	**276,708**
Changes in equity for 2020:											
Profit and total comprehensive income for the year		**–**	**–**	**–**	**–**	**(4,253)**	**690**	**94,829**	**91,266**	**7,022**	**98,288**
Issuance of shares	*25(b)*	**1**	**103,164**	**–**	**–**	**–**	**–**	**–**	**103,165**	**–**	**103,165**
Capitalisation of shares	*25(b)*	*****	*****	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Issue of ordinary shares upon initial public offering, net of issuing costs	*25(b)*	*****	**485,966**	**–**	**–**	**–**	**–**	**–**	**485,966**	**–**	**485,966**
Deemed distribution *(note (iii))*		**–**	**–**	**(283,754)**	**–**	**–**	**–**	**–**	**(283,754)**	**–**	**(283,754)**
Deemed contribution from the then equity shareholder *(note (iv))*		**–**	**–**	**10,000**	**–**	**–**	**–**	**–**	**10,000**	**–**	**10,000**
Appropriation to statutory reserve		**–**	**–**	**–**	**11,061**	**–**	**–**	**(11,061)**	**–**	**–**	**–**
Acquisition of non-controlling interests *(note (ii))*		**–**	**–**	**15,348**	**–**	**–**	**–**	**–**	**15,348**	**(15,426)**	**(78)**
Capital contribution from non-controlling shareholders		**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**2,014**	**2,014**
Cash dividend declared by First Living to the then shareholders	*25(c)*	**–**	**–**	**–**	**–**	**–**	**–**	**(11,355)**	**(11,355)**	**(6,645)**	**(18,000)**
Balance at 31 December 2020		**1**	**589,130**	**(64,137)**	**17,478**	**(4,253)**	**690**	**114,842**	**653,751**	**20,558**	**674,309**

* Amounts less than RMB1,000.

Notes

(i) First Property Services (Beijing) Co., Ltd ("**First Property Management**") issued 347,706 shares and raised RMB9,999,000 in 2019.

(ii) Acquisition of non-controlling interest mainly represented acquisition of the non-controlling interests of First MOMA Human Environment Technology (Beijing) Co., Ltd. ("**First Living**") by a company controlled by Mr. Zhang Lei.

(ii) The deemed distribution represents the considerations paid to acquire equity interests of First Property Management and First MOMA Human Environment Technology (Beijing) Co., Ltd. First Living pursuant to the reorganisation prior to listing.

(iv) The deemed contribution from the then equity shareholder represents the considerations received from a company controlled by Mr. Zhang Lei for the investment funds which is delineated from the Group's businesses and had been transferred to an entity controlled by Mr. Zhang Lei in 2020 pursuant to the reorganisation prior to listing.

The notes on pages 88 to 152 form part of these financial statements.

Consolidated Statement 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	21(b)	**105,255**	86,363
Income tax paid	23(a)	**(20,612)**	(27,678)
Net cash generated from operating activities		**84,643**	58,685
Investing activities			
Proceeds on disposal of financial assets measured at FVPL		**320,182**	579,143
Interest received		**5,843**	15,347
Proceeds on disposal of property, plant and equipment		**82**	1,047
Net cash inflow from disposals of subsidiaries	21(d)	**1,376**	–
Purchase of financial assets measured at FVPL		**(329,281)**	(583,360)
Purchase of an investment property		**–**	(12,138)
Purchases of property, plant and equipment		**(2,965)**	(6,187)
Purchases of intangible assets		**(819)**	(4,281)
Cash outflow from acquisition of a joint venture		**–**	(250)
Increase in loan receivables		**–**	(70,000)
Repayments of loan receivables		**140,000**	80,000
Net cash generated from/(used in) investing activities		**134,418**	(679)

The notes on pages 88 to 152 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020
(Expressed in Renminbi)

	Note	2020 RMB'000	2019 RMB'000
Financing activities			
Proceeds from shares issue by First Property Management		–	9,999
Proceeds from issue of shares		103,165	–
Proceeds from issue of ordinary shares upon initial public offering		511,122	–
Capital injection from non-controlling interests		2,014	784
Proceeds from bank borrowings	21(c)	–	9,997
Dividend paid	21(c)	(56,391)	(123,523)
Deemed distribution paid		(283,754)	–
Deemed contribution received		10,000	–
Acquisition of non-controlling interests		(78)	–
Listing expense paid		(19,116)	(5,908)
Repayment of bank borrowings	21(c)	(9,997)	–
Interest paid	21(c)	(235)	(154)
Net cash generated from/(used in) financing activities		256,730	(108,805)
Net increase/(decrease) in cash and cash equivalent		475,791	(50,799)
Cash and cash equivalents at 1 January	21(a)	260,128	310,927
Effects of foreign exchange rate changes		(4,253)	–
Cash and cash equivalents at 31 December	21(a)	731,666	260,128

The notes on pages 88 to 152 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi Yuan unless otherwise indicated)

1 SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

The consolidated financial statements of First Service Holding Limited (the "**Company**") and its subsidiaries (together referred to as the "**Group**") have been prepared in accordance with all applicable International Financial Reporting Standards ("**IFRSs**"), which collective term includes all applicable individual International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations issued by the International Accounting Standards Board ("**IASB**"). These financial statements also comply with the disclosure requirement of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below.

The IASB has issued certain amendments to IFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in the consolidated financial statements.

(b) Basis of preparation of the financial statements

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

The Company was incorporated in the Cayman Islands on 20 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands. The Company's shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 22 October 2020 (the "**Listing**").

Prior to the incorporation of the Company, the principal business of the Group were carried out by First Property Management and its subsidiaries, and First Living and its subsidiaries. Pursuant to a group reorganisation to rationalise the corporate structures in preparation of the listing of the Company's shares on the Stock Exchange, which was completed on 29 May 2020 (the "**Reorganisation**"), the Company became the holding company of the companies now comprising the Group.

As part of the Reorganisation, First Property Management acquired 72.1% equity interests in First Living held by Mr. Zhang Lei in February 2020, and the Company, through its wholly owned subsidiaries, acquired the 68.8% equity interests in First Property Management in April 2020 and the remaining 31.2% equity interests in First Property Management in May 2020, at a total consideration of RMB283,754,000. As First Property Management and First Living were both ultimately controlled by Mr. Zhang Lei before and after the Reorganisation and that control was not transitory and consequently, the acquisition of First Living by First Property Management has been accounted for using the merger basis of accounting with the assets and liabilities of First Living and its subsidiaries combined using the existing book values from Mr. Zhang Lei's perspective. In addition, there were no changes in the economic substance of the ownership of First Property Management and the business of the Group after inserting the Company and its wholly owned subsidiaries, all of which are newly formed entities with no substantive operations, as new holding companies of First Property Management. Consequently, the consolidated financial statements for the years ended 31 December 2020 and 2019 has been prepared and presented as a continuation of the consolidated financial statements of First Property Management with the assets and liabilities recognised and measured using the existing book values from Mr. Zhang Lei's perspective.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

The Group are principally engaged in the provision of property management services, services in the area of green living solutions and value-added services in the People's Republic of China (the "**PRC**"). The consolidated financial statements are presented in Renminbi ("**RMB**") as all of the Group's operations are conducted by the Company's subsidiaries established in the mainland China and the functional currency of which is RMB. The functional currency of the Company and the Company's subsidiaries outside the mainland China is Hong Kong dollars.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at their fair value as explained in the accounting policies set out below:

- investment property (see Note 1(g))
- financial instruments classified as financial assets measured at FVPL or FVOCI (see Note 1(f))

The preparation of financial statements in conformity with IFRSs 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.

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 IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 2.

(c) Changes in accounting policies

The Group has applied the following amendments to IFRSs issued by the IASB to the consolidated financial statements for the current accounting period:

- Amendments to IFRS 3, *Definition of a Business*
- Amendment to IFRS 16, *Covid-19-Related Rent Concessions*

Other than above amendments, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(c) Changes in accounting policies *(Continued)*

Amendments to IFRS 3, Definition of a Business

The amendments clarify the definition of a business and provide further guidance on how to determine whether a transaction represents a business combination. In addition, the amendments introduce an optional "concentration test" that permits a simplified assessment of whether an acquired set of activities and assets is an asset rather than business acquisition, when substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The Group has applied the amendments prospectively to transactions for which the acquisition date is on or after 1 January 2020.

Amendment to IFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("**COVID-19-related rent concessions**") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. There is no impact on the opening balance of equity at 1 January 2020.

(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 consolidated 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.

1 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.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see Note 1(k)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Associates and joint ventures

An associate is an entity in which the Group or Company 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 or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

An investment in an associate or a joint venture is accounted for in the consolidated 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 Note 1(k)(ii)). 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 year are recognised in the consolidated profit or loss, whereas the Group's share of the post-acquisition post-tax items of the investees' other comprehensive income is recognised in consolidated other comprehensive income in the consolidated statement of profit or loss and other comprehensive income.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 any 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 ECL model to such other long-term interests where applicable).

Unrealised profits and losses resulting from transactions between the Group and its associates and joint venture 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.

If an investment in an associate becomes an investment in a joint venture or vice versa, the 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 1(f)(ii)).

In the Company's statement of financial position, investments in associates and joint venture are stated at cost less impairment losses (see Note 1(k)(ii)), unless classified as held for sale (or included in a disposal group that is classified as held for sale).

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries, joint ventures, are set out below.

Investments in debt and equity securities 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 FVPL for which transaction costs are recognised directly in profit or loss. These investments are subsequently accounted for as follows, depending on their classification.

(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 1(u)(vi)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(f) Other investments in debt and equity securities *(Continued)*

(i) ***Investments other than equity investments*** *(Continued)*

- fair value through other comprehensive income (FVOCI) — 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.

- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (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 FVPL 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 FVOCI (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 FVPL or FVOCI, are recognised in profit or loss as other income in accordance with the policy set out in Note 1(u)(v).

(g) Investment property

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see Note 1(j)) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at fair value, unless they are still in the course of construction or development at the end of the reporting period and their fair value cannot be reliably measured at that time. Any gain or loss arising from a change in fair value or from the retirement or disposal of an investment property is recognised in profit or loss. Rental income from investment properties is accounted for as described in Note 1(u)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(h) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses (see Note 1(k)).

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 and borrowing costs (see Note 1(w)).

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.

Depreciation is calculated to write off the cost 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:

Machinery and equipment	3–5 years
Vehicles	5–10 years
Office and other equipment	3–5 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually. No depreciation is provided in respect of construction in progress until it is completed and ready for intended use.

(i) Intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour, and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 1(w)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 1(k)). Other development expenditure is recognised as an expense in the period in which it is incurred.

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 1(k)). Customer relationship represents customer contracts and related customer relationships acquired in business combination of property management companies. Operating rights represented the rights to operate energy stations acquired and were measured at cost upon initial recognition. Expenditure on internally generated goodwill and brands is recognised as an expense in the period in which it is incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(i) Intangible assets *(Continued)*

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 useful lives are as follows:

Software	5 years
Customer relationship	10 years
Operating rights	10 years

Both the period and method of amortisation are reviewed annually.

Intangible assets are not amortised while their useful lives are assessed to be indefinite. Any conclusion that the useful life of an intangible asset is indefinite is reviewed annually to determine whether events and circumstances continue to support the indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite is accounted for prospectively from the date of change and in accordance with the policy for amortisation of intangible assets with finite lives as set out above.

(j) 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. 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(j) Leased assets *(Continued)*

(i) As a lessee (Continued)

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 Note 1(h) and Note 1(k)(ii)), except for the following type of right-of-use asset:

— right-of-use assets that meet the definition of investment property are carried at fair value in accordance with Note 1(g).

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 Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

(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 1(u)(iv).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (ECLs) on the following items:

— financial assets measured at amortised cost (including cash and cash equivalents, trade and other receivables and loan receivables; and

— contract assets as defined in IFRS 15 (see Note 1(m)).

Other financial assets measured at fair value, including equity and debt securities measured at FVPL and equity securities designated at FVOCI (non-recycling), 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).

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

— fixed-rate financial assets, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof.

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 the 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 forecast general economic conditions at the reporting date.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

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

Measurement of ECLs (Continued)

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

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 instrument's 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) 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 1(u)(vi) 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;

— a breach of contract, such as a default or past due event;

— 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, lease receivable or contract 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(k) Credit losses and impairment of assets *(Continued)*

(ii) Impairment of non-current 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;

— intangible assets;

— investment in joint ventures and associates; and

— investments in subsidiaries in the Company's statement of financial position.

If any such indication exists, the asset's recoverable amount is estimated.

— 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).

— 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 to reduce the carrying amount of the 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

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(l) 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 as follows:

— Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

— Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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.

(m) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue (see Note 1(u)) before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for expected credit losses (ECL) in accordance with the policy set out in Note 1(k) and are reclassified to receivables when the right to the consideration has become unconditional (see Note 1(n)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue (see Note 1(u)). 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 1(n)).

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 1(u)).

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(n) Trade and other receivables

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 1(m)).

Receivables are stated at amortised cost using the effective interest method less allowance for credit losses (see Note 1(k)).

(o) 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 1(k).

(p) 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.

(q) 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. Interest expense is recognised in accordance with the Group's accounting policy for borrowing costs (see Note 1(w)).

(r) Employee benefits

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 labor rules and regulations in the PRC are recognised as an expense in profit or loss as incurred.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) 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 business combinations and 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 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.

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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(s) Income tax *(Continued)*

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

(t) Provisions, 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.

(u) Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, 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.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue and other income *(Continued)*

Where the contract contains a financing component which provides a significant financing benefit to the customer for more than 12 months, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction with the customer, and interest income is accrued separately under the effective interest method. Where the contract contains a financing component which provides a significant financing benefit to the Group, revenue recognised under that contract includes the interest expense accreted on the contract liability under the effective interest method. The Group takes advantage of the practical expedient in paragraph 63 of IFRS 15 and does not adjust the consideration for any effects of a significant financing component if the period of financing is 12 months or less.

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

(i) Property management services, energy operation services, green technology consulting services and value-added services.

For 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 property management services income arising from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management services fee received or receivable. For property management services 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 property management services fees the property owners are obligated to pay.

Energy operation services mainly include services provided through energy stations for coordinating delivery of central heating, central cooling, fresh air ventilation and hot water supply, and energy operation services to property developers and property owners. For these services, the Group acts as a principal and entitles to revenue at the value of related service fee received or receivable, and revenue is recognised when the related services are rendered. Green technology consulting services are primarily provided to property developers. Payment of the transaction is due immediately when the services are rendered or in instalments at certain milestones.

Value-added services mainly include parking space management services to property developers and property owners, preliminary planning and design consultancy services to property developers, sales assistance services to property developers and property utilisation services to property developers and property owners. For parking space management services to property developers and property owners, the Group recognises revenue at the value of related service fee received or receivable on a monthly basis. For other value-added services, the Group recognises revenue when the respective services are rendered. Other value-added services are normally billable immediately upon the services are rendered or in instalments at certain milestones.

If contracts involve the provision of multiple services, the transaction prices are allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue and other income *(Continued)*

(ii) System installation services under the service line of green living solutions

When the outcome of a system installation service contract can be reasonably measured, revenue from the contract is recognised progressively over time using the cost-to-cost method, i.e. based on the proportion of the actual costs incurred relative to the estimated total costs.

The likelihood of the Group earning contractual bonuses for early completion or suffering contractual penalties for late completion are taken into account in making these estimates, such that revenue is only recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur.

When the outcome of the contract cannot be reasonably measured, revenue is recognised only to the extent of contract costs incurred that are expected to be recovered.

If at any time the costs to complete the contract are estimated to exceed the remaining amount of the consideration under the contract, then a provision is recognised in accordance with the policy set out in Note 1(k).

(iii) Sales of goods under the service line of green living solutions

Revenue is recognised when the customer takes possession of and accepts the products. 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.

(iv) 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.

(v) Dividends

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

— Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.

1 SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(u) Revenue and other income *(Continued)*

(vi) Interest income

Interest income is recognised as it accrues under the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit-impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset (see Note 1(k)).

(vii) Government grants

Government grants are recognised in the 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 assets by way of recognised in other income.

(v) 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.

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.

(w) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

1 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.

1 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 lines of business and geographical locations.

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.

2 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 consolidated financial statements are as follows:

(i) Expected credit losses for receivables

The credit losses for trade and other receivables are based on assumptions about risk of expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. For details of the key assumptions and inputs used, see Note 26(a). Changes in these assumptions and estimates could materially affect the result of the assessment and it may be necessary to make additional loss allowances in future periods.

(ii) Recognition of deferred tax assets

Deferred tax assets in respect of tax losses carried forward and deductible temporary differences are recognised and measured based on the expected manner of realisation or settlement of the carrying amount of the relevant assets and liabilities, using tax rates enacted or substantively enacted at the end of each reporting date. In determine the carrying amounts of deferred tax assets, expected taxable profits are estimated which involves a number of assumptions relating to the operating environment of the Group and require a significant level of judgement exercised by the directors. Any change in such assumptions and judgement would affect the carrying amounts of deferred tax assets to be recognised and hence the net profit in future periods.

2 ACCOUNTING JUDGEMENT AND ESTIMATES *(Continued)*

(iii) Valuation of investment properties

Investment properties are stated at fair value based on the valuation performed by an independent firm of professional valuers after taking into consideration the market evidences of transaction prices, and where appropriate, the rental income allowing for reversionary income potential.

In determining the fair value, the valuers have taken into consideration the market conditions existed at the end of each reporting period or where appropriate, a method of valuation where involves, inter alia, certain estimates including market prices, prevailing market rents for comparable properties in the same location and condition, appropriate discount rate and expected future market rents. In relying on the valuation report, the management has exercised their judgement and are satisfied that the method of valuation is reflective of the prevailing market conditions as at the end of each reporting period.

3 REVENUE AND SEGMENT REPORTING

The principal activities of the Group are property management services, services in the area of green living solutions and value-added services. Further details regarding the Group's principal activities are disclosed in Note 3(b).

For the year ended 31 December 2020, revenue from Modern Land (China) Co., Limited and its subsidiaries ("**Modern Land Group**") contributed 20.26% (2019:18.03%) of the Group's revenue. Other than Modern Land Group, the Group's customer base is diversified and none of them contributed 10% or more of the Group's revenue during the reporting period.

(a) Revenue expected to be recognised in the future arising from contracts with customers in existence at the reporting date

For property management services and energy operation services under the service line of green living solutions, the Group recognises revenue on a monthly basis in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group has elected the practical expedient for not to disclose the remaining performance obligations for this type of contracts. The majority of the property management service contracts and energy operation services under the service line of green living solutions do not have a fixed term.

For sale of goods under the service line of green living solutions, there is no significant unsatisfied performance obligation at the end of the reporting period.

For other services, they are rendered in short period of time and there is no significant unsatisfied performance obligation at the end of the reporting period.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(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 two reportable segments.

- First Property Management: this segment provides property management services, energy operation services under the service line of green living solutions and value-added services.

- First Living: this segment provides green technology consulting service, system installation services and sale of goods under the service line of green living solutions.

(i) Segment results, assets and liabilities

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

Segment assets include all tangible, intangible assets, current assets, interests in associates and joint ventures, investments in financial assets and deferred tax assets. Segment liabilities include trade creditors and accruals and contract liabilities attributable to the revenue generating activities of the individual segment and bank borrowings managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to sales 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. Assistance provided by one segment to the other, including sharing of assets and technical know-how, is not measure.

The measure used for reporting segment profit is profit before tax.

3 REVENUE AND SEGMENT REPORTING *(Continued)*

(b) Segment reporting *(Continued)*

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

Disaggregation of revenue from contracts with customers by the timing of revenue recognition, disaggregation of revenue from contracts with customers by major products and service lines, 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.

	First Property Management		First Living		Total	
	2020	2019	**2020**	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Disaggregated by timing of revenue recognition						
Revenue recognised over time	**677,343**	557,884	**93,315**	59,289	**770,658**	617,173
Revenue recognised at point in time	**–**	–	**13,468**	12,491	**13,468**	12,491
Reportable segment revenue	**677,343**	557,884	**106,783**	71,780	**784,126**	629,664
Disaggregated by major products or service lines						
Property management services	**321,649**	272,836	**–**	–	**321,649**	272,836
Green living solutions	**97,825**	87,615	**106,783**	71,780	**204,608**	159,395
Value-added services	**257,869**	197,433	**–**	–	**257,869**	197,433
Reportable segment revenue	**677,343**	557,884	**106,783**	71,780	**784,126**	629,664
Reportable segment profit	**101,642**	89,994	**22,123**	16,890	**123,765**	106,884
Interest income	**5,408**	15,220	**79**	127	**5,487**	15,347
Interest expense	**–**	–	**235**	154	**235**	154
Depreciation and amortisation for the year	**2,975**	3,270	**511**	403	**3,486**	3,673
Expected credit losses — trade and other receivables and contract assets	**9,051**	9,873	**1,185**	430	**10,236**	10,303
Reportable segment assets	**758,340**	615,996	**124,289**	105,215	**882,629**	721,211
Reportable segment liabilities	**505,616**	411,178	**51,627**	33,325	**557,243**	444,503

3 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	**784,126**	629,664
Elimination of inter-segment revenue	**(12,327)**	(4,985)
Consolidated revenue	**771,799**	624,679

	2020 RMB'000	2019 RMB'000
Reportable segment profit		
Reportable segment profit	**123,765**	106,884
Unallocated head office and corporate profit before taxation	**148**	–
Consolidated profit before taxation	**123,913**	106,884

	2020 RMB'000	2019 RMB'000
Assets		
Reportable segment assets	**882,629**	721,211
Unallocated head office and corporate assets	**575,502**	–
Elimination of inter-segment balances	**(246,150)**	(972)
Consolidated total assets	**1,211,981**	720,239

	2020 RMB'000	2019 RMB'000
Liabilities		
Reportable segment liabilities	**557,243**	444,503
Elimination of inter-segment balances	**(19,571)**	(972)
Consolidated total liabilities	**537,672**	443,531

4 OTHER INCOME

	Note	**2020** **RMB'000**	2019 RMB'000
Interest income	*(i)*	**5,843**	15,347
Government grants	*(ii)*	**16,293**	10,564
Net realised gains on financial assets measured at FVPL		**2,841**	2,664
Fair value gain of investment properties		**234**	2,266
Net valuation gains on financial assets measured at FVPL		**590**	2,133
Net gains on disposal of property, plant and equipment		**4**	383
Loss on disposal of subsidiaries *(Note 21(d))*		**(176)**	–
Others		**1,047**	122
		26,676	33,479

Notes:

(i) The interest income represents the interest from cash at bank and loan receivables to third parties with fixed interest rates.

(ii) The government grants represent subsidies from various PRC authorities. There are no unfulfilled conditions or future obligations attached to these subsidies.

5 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging:

(a) Staff costs

	2020 **RMB'000**	2019 RMB'000
Salaries, wages and other benefits	**213,313**	221,176
Contributions to defined contribution retirement plan	**12,207**	15,076
	225,520	236,252

Employees of the Group's subsidiaries in the PRC are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's subsidiaries in the PRC contribute funds which are calculated on certain percentages of the average employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees. According to the notice of concerning extending the period for implementing policies of temporary relief of social insurance contributions for enterprises issued by Ministry of Human Resources and Social Security, the Ministry of Finance and the State Taxation Administration, enterprises' contributions to the basic pension insurance, unemployment insurance and work-related injury insurance have been temporarily exempted and reduced from February 2020.

The Group has no further material obligation for payment of other retirement benefits beyond the above contributions.

5 PROFIT BEFORE TAXATION *(Continued)*

(b) Other items

	2020 *RMB'000*	2019 *RMB'000*
Amortisation cost of intangible assets *(Note 13)*	**1,366**	1,293
Depreciation charge *(Note 12)*		
— owned property, plant and equipment	**2,120**	2,380
Expected credit loss		
— trade and other receivables and contract assets	**10,236**	10,303
Auditors' remuneration		
— audit services	**1,415**	739
Listing expenses	**26,797**	981
Cost of inventories *(Note 16)*	**8,514**	6,870
Lease expenses		
— short-term leases	**3,607**	2,056

6 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(a) Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	2020 *RMB'000*	2019 *RMB'000*
Current tax — PRC Corporate Income Tax		
Provision for the year	**22,499**	26,126
Deferred tax		
Origination and reversal of temporary differences	**(437)**	(3,104)
	22,062	23,022

6 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME *(Continued)*

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

	2020	2019
	RMB'000	*RMB'000*
Profit before taxation	**123,913**	106,884
Notional tax on profit before taxation, calculated at the rates applicable to profits in the jurisdictions concerned	**30,978**	26,721
Tax effect of PRC preferential tax *(note (ii))*	**(9,200)**	(5,667)
Tax effect of non-deductible expenses	**771**	745
Tax effect of tax losses not recognised	**186**	1,223
Tax effect of utilisation of tax losses not recognised in previous years	**(673)**	–
	22,062	23,022

Notes:

(i) Pursuant to the tax 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.

The income tax rate applicable to the Group's subsidiary incorporated in Hong Kong for the income subject to Hong Kong Profits Tax during the reporting period is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the reporting period (2019: Nil).

The Group's PRC subsidiaries are subject to PRC Enterprise Income Tax ("**EIT**") at 25%.

(ii) Certain subsidiaries have been approved as High and New Technology Enterprise ("**HNTE**") and entitled to a preferential income tax rate of 15% during the reporting period. The HNTE certificate needs to be renewed every three years.

Certain subsidiaries have been approved as Small Low-profit Enterprises. The entitled subsidiaries are subject to a preferential income tax rate of 5% to 10% during the reporting period.

Pursuant to the notice of the State Council on promulgation of several policies for further encouraging the development of software and integrated circuit industries, a subsidiary has been entitled to EIT exemptions for two years followed by a 50% EIT reduction of the statutory EIT rates for three years, starting from its first profit making year.

7 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:

	Directors' fee *RMB'000*	Basic salaries and allowance *RMB'000*	Discretionary bonus *RMB'000*	Retirement benefit contribution *RMB'000*	Total *RMB'000*
Year ended 31 December 2020					
Name of director					
Executive Directors					
Liu Peiqing	–	192	316	43	551
Jia Yan	–	452	706	50	1,208
Zhu Li	–	189	317	27	533
Jin Chungang	–	205	349	30	584
Non-executive Directors					
Zhang Peng	–	–	–	–	–
Long Han	–	–	–	–	–
Independent non-executive Directors					
Cheng Peng (appointed on 21 July 2020)	17	–	–	–	17
Zhu Caiqing (appointed on 21 July 2020)	17	–	–	–	17
Sun Jing (appointed on 21 July 2020)	17	–	–	–	17
	51	1,038	1,688	150	2,927

7 DIRECTORS' EMOLUMENTS *(Continued)*

	Directors' fee *RMB'000*	Basic salaries and allowance *RMB'000*	Discretionary bonus *RMB'000*	Retirement benefit contribution *RMB'000*	Total *RMB'000*
Year ended 31 December 2019					
Name of director					
Executive Directors					
Liu Peiqing	–	178	220	20	418
Jia Yan	–	443	560	32	1,035
Zhu Li	–	197	237	9	443
Jin Chungang	–	195	254	18	467
Non-executive Directors					
Zhang Peng	–	–	–	–	–
Long Han	–	–	–	–	–
	–	1,013	1,271	79	2,363

The three independent directors were appointed on 21 July 2020, and all other directors were appointed on 20 January 2020. The emoluments shown above represents remuneration received from the Group by them in their capacity as employees of the Group during the reporting period.

During the reporting period, Mr. Zhang Peng and Mr. Long Han are not paid directly by the Group but receive remuneration from other entity controlled by Mr. Zhang Lei, in respect of their services to the larger group which includes the Group. No apportionment has been made as the qualifying services provided by them to the Group are incidental to their responsibilities to the larger group.

During the reporting period, no emoluments were paid by the Group to the director as an inducement to join or upon joining the Group or as compensation for loss of office, no director of the Group waived or agreed to waive any emoluments.

8 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, four are directors whose emoluments are disclosed in Note 7 above for the year ended 31 December 2020 (2019: four). The aggregate of the emoluments in respect of the remaining individual for the year ended 31 December 2020 are as follows:

	2020	2019
	RMB'000	*RMB'000*
Salaries and other emoluments	**190**	184
Discretionary bonuses	**273**	293
Retirement scheme contributions	**38**	17
	501	494

The emoluments of the above individual with the highest emoluments are within the following band:

	2020	2019
Nil to HKD1,000,000	**1**	1

9 OTHER COMPREHENSIVE INCOME

Tax effects relating to each component of other comprehensive income

	2020			2019		
	Before-tax amount	**Tax expense**	**Net-of-tax amount**	Before-tax amount	Tax expense	Net-of-tax amount
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Exchange differences on translation of financial statements of overseas subsidiaries	**(4,253)**	**–**	**(4,253)**	–	–	–
Equity investments at FVOCI: net movement in fair value reserve (non-recycling)	**920**	**(230)**	**690**	–	–	–
Other comprehensive income	**(3,333)**	**(230)**	**(3,563)**	–	–	–

10 EARNINGS PER SHARE

	2020 RMB'000	2019 RMB'000
Profits		
Profit attributable to equity shareholders of the Company	**94,829**	77,294

	2020 '000	2019 '000
Number of shares		
Weighted average number of ordinary shares	**798,497**	745,403

Weighted average of 798,497,000 ordinary shares for the year ended 31 December 2020, includes the weighted average of 250,000,000 ordinary shares issued immediately after the completion of placing, in addition to the 750,000,000 ordinary shares, being the number of shares in issue immediately after the completion of capitalization issue in October 2020 as detailed in Note 24, deemed to have been issued throughout the year ended 31 December 2020.

For the purpose of computing basic and diluted earnings per share for 2019, the aforementioned 750,000,000 ordinary shares are deemed to have been issued throughout the year of 2019, having been adjusted retroactively for the proportional changes in the number of ordinary shares as a result of new shares issued by First Property Management in September 2019.

Diluted earnings per share were the same as the basic earnings per share as the Group had no dilutive potential shares for the years ended 31 December 2020 and 2019.

11 INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
Fair value		
At 1 January	**14,404**	–
Additions	**–**	12,138
Change in fair value	**234**	2,266
At 31 December	**14,638**	14,404

11 INVESTMENT PROPERTIES *(Continued)*

The following table presents the fair value of the Group's properties measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in IFRS 13, *Fair value measurement*. 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

	Fair value	
	2020	2019
	RMB'000	*RMB'000*
Investment properties located in the PRC — Level 3	**14,638**	14,404

During the year ended 31 December 2020 and 2019, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

All of the Group's investment properties were revalued as at 31 December 2020 and 2019. The valuations were carried out by an independent firm, Beijing Tiantong Assets Valuation Limited, with recent experience in the location and category of property being valued. The Group's management have had discussion with the surveyors on the valuation assumptions and valuation.

11 INVESTMENT PROPERTIES *(Continued)*

The following table gives information about how the fair values of these investment properties are determined (in particular, the valuation techniques and inputs used).

Investment properties held by the Group in the consolidated statement of financial position	Valuation techniques and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Investment properties located in Jiujiang PRC (retails)	Income approach and market approach	Capitalisation rate, 3.5% (2019: 3.5%)	The higher the capitalisation rate, the lower the fair value.
	The key inputs are: 1. Capitalisation rate; 2. Unit rent of individual unit; 3. Market transaction price	Market price per sqm, RMB21,300 — RMB22,500 (2019: RMB21,200 — RMB22,700)	The higher the market transaction price, the higher the fair value.

The fair value of investment properties is determined in combination of income approach and market approach. Under the income approach, the fair value of investment properties is estimated based on capitalisation rate and unit rent. The unit rent mainly made reference to the rents in existing lease. Under the market approach, the fair value is estimated based on comparable transactions for properties in similar location, accessibility, age, quality, size and other factors.

The Group leases out investment property under operating lease. The lease typically run for an initial period of 10 years, with an option to renew the lease after that date at which time all terms are renegotiated.

Undiscounted lease payments under non-cancellable 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	**374**	374
After 1 year but within 2 years	**377**	374
After 2 year but within 3 years	**389**	377
After 3 year but within 4 years	**400**	389
After 4 year but within 5 years	**412**	400
After 5 years	**1,313**	1,725
	3,265	3,639

12 PROPERTY, PLANT AND EQUIPMENT

	Machinery and equipment	Vehicles	Office and other equipment	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Cost:					
At 1 January 2019	1,589	798	6,686	–	9,073
Additions	814	453	4,635	285	6,187
Disposals	(244)	(515)	(895)	–	(1,654)
At 31 December 2019	2,159	736	10,426	285	13,606
Additions	48	71	2,846	–	2,965
Disposals	(13)	–	(287)	–	(300)
Disposal of subsidiaries	–	–	–	(285)	(285)
At 31 December 2020	2,194	807	12,985	–	15,986
Accumulated depreciation:					
At 1 January 2019	(479)	(482)	(3,937)	–	(4,898)
Charge for the year	(321)	(396)	(1,663)	–	(2,380)
Written back on disposals	58	400	532	–	990
At 31 December 2019	(742)	(478)	(5,068)	–	(6,288)
Charge for the year	(236)	(56)	(1,828)	–	(2,120)
Written back on disposals	4	–	218	–	222
At 31 December 2020	(974)	(534)	(6,678)	–	(8,186)
Carrying amount:					
At 31 December 2020	1,220	273	6,307	–	7,800
At 31 December 2019	1,417	258	5,358	285	7,318

13 INTANGIBLE ASSETS

	Software	Customer relationship	Operating rights	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Cost:				
At 1 January 2019	5,110	4,366	–	9,476
Purchased intangible assets	1,331	–	2,950	4,281
At 31 December 2019	6,441	4,366	2,950	13,757
Purchased intangible assets	819	–	–	819
Disposal of subsidiaries	–	–	(2,950)	(2,950)
At 31 December 2020	7,260	4,366	–	11,626
Accumulated amortisation:				
At 1 January 2019	(891)	(1,184)	–	(2,075)
Charge for the year	(860)	(406)	(27)	(1,293)
At 31 December 2019	(1,751)	(1,590)	(27)	(3,368)
Charge for the year	(863)	(405)	(98)	(1,366)
Disposal of subsidiaries	–	–	125	125
At 31 December 2020	(2,614)	(1,995)	–	(4,609)
Net book value:				
At 31 December 2020	4,646	2,371	–	7,017
At 31 December 2019	4,690	2,776	2,923	10,389

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

(Expressed in Renminbi Yuan unless otherwise indicated)

14 INVESTMENT IN SUBSIDIARIES

The following list contains 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.

Company name	Place of incorporation/ establishment and operation	Particulars of registered/ paid-up capital	Proportion of ownership interest		Principal activities
			Held by the Company	Held by a subsidiary	
First Green Service Limited 第一綠色服務有限公司	the BVI	USD100/ USD0	100%	–	Investment holding
First Service Holding (Hong Kong) Limited 第一服務控股(香港)有限公司	Hong Kong	HKD10,000/ HKD0	–	100%	Investment holding
First Property Management (Beijing) Co., Ltd 第一物業服務(北京)有限公司 *(Notes (ii) and (iii))*	The PRC	RMB100,000,000/ RMB100,000,000	–	100%	Property management
First MOMA Human Environment Technology (Beijing) Co., Ltd. 第一摩碼人居環境科技(北京)有限公司 *(Notes (i) and (iii))*	The PRC	RMB35,000,000/ RMB35,000,000	–	72.1%	Energy saving related services
Beijing MOMA Infinite Technology Management Co., Ltd. 北京摩碼無限科技管理有限公司 *(Notes (i) and (iii))*	The PRC	RMB1,000,000/ RMB0	–	100%	Technology development
Shanxi First Property Services Co., Ltd. 山西第一物業服務有限公司 *(Notes (i) and (iii))*	The PRC	RMB3,000,000/ RMB3,000,000	–	100%	Property management
Hunan First Property Services Co., Ltd. 湖南第一物業服務有限公司 *(Notes (i) and (iii))*	The PRC	RMB5,000,000/ RMB5,000,000	–	100%	Property management
Jiangxi First Property Services Co., Ltd. 江西第一物業服務有限公司 *(Notes (i) and (iii))*	The PRC	RMB3,000,000/ RMB3,000,000	–	100%	Property management
First MOMA Human Environment Architectural Engineering Co., Ltd. 第一摩碼人居建築工程(北京)有限公司 *(Notes (i) and (iii))*	The PRC	RMB30,000,000/ RMB30,000,000	–	100%	Energy saving related services

Notes:

(i) These entities were registered as domestic limited liability companies under the laws and regulations in the PRC.

(ii) This entity was registered as a wholly foreign-owned enterprise under the laws and regulations in the PRC.

(iii) The English translation of the names is for identification only. The official names of these entities are in Chinese.

15 OTHER FINANCIAL ASSETS — NON-CURRENT

	Equity securities designated at FVOCI (non-recycling)	Financial assets measured at FVPL — Private funds — due after one year	Total
	RMB'000	*RMB'000*	*RMB'000*
	Note (i)		
At 1 January 2019	6,000	28,000	34,000
Less: other financial assets due within one year	–	(28,000)	(28,000)
At 31 December 2019	6,000	–	6,000
Changes in fair value	920	–	920
At 31 December 2020	6,920	–	6,920

Note:

(i) The Group designated its equity investment at FVOCI (non-recycling) as the investment is held for strategic purpose. No dividends were received from this investment during the reporting period.

16 INVENTORIES

	2020	2019
	RMB'000	*RMB'000*
Goods for sales	**795**	953

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	2020	2019
	RMB'000	*RMB'000*
Carrying amount of inventories sold	**8,514**	6,870

17 LOAN RECEIVABLES

	Note	2020 RMB'000	2019 RMB'000
Short-term loan receivables	*(i)*	–	70,000
Long-term loan receivables due within one year		–	70,000
Loan receivables — current		–	140,000

	Note	2020 RMB'000	2019 RMB'000
Long-term loan receivables	*(ii)*	–	70,000
Less: Long-term loan receivables due within one year		–	(70,000)
Loan receivables — non-current		–	–

Notes:

(i) As at 31 December 2019, a short-term loan to a third party of RMB 70,000,000 is unsecured with maturity of one year and would be repayable on 28 August 2020, with interest rate of 10% per annum. The loan has been fully repaid in May 2020.

(ii) As at 31 December 2019, a long-term loan to a third party of RMB 70,000,000 is unsecure with maturity of two years and would be repayable on 20 June 2020, with interest rate of 10% per annum. The loan has been fully repaid in April 2020.

18 FINANCIAL ASSETS MEASURED AT FVPL

	2020 RMB'000	2019 RMB'000
Private funds	–	27,539
Wealth management products	**89,099**	49,030
	89,099	76,569

19 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2020 RMB'000	2019 RMB'000
Arising from performance under contracts of green living solutions		
— Third parties	**1,474**	5,312
— Companies controlled by Mr. Zhang Lei	**19,499**	617
— Companies jointly controlled by Mr. Zhang Lei	**7,729**	2,293
Less: Allowance for contract assets from third parties	**(75)**	(266)
	28,627	7,956

As at 31 December 2020, the amounts of contract assets that is expected to be recovered after more than one year are nil (2019: RMB1,453,000), all of which relate to retentions. The Group typically agrees a retention at 5% of the contract value for a retention period of one to two years. This amount is included in contract assets until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing retention period.

(b) Contract liabilities

	2020 RMB'000	2019 RMB'000
Billings in advance of performance		
— Third parties	**259,214**	205,555
— Companies controlled by Mr. Zhang Lei	**19,033**	20,861
— Companies jointly controlled by Mr. Zhang Lei	**84**	150
	278,331	226,566

19 CONTRACT ASSETS AND CONTRACT LIABILITIES *(Continued)*

(b) Contract liabilities *(Continued)*

Movements in contract liabilities

	2020	2019
	RMB'000	*RMB'000*
Balance at 1 January	**226,566**	174,732
Revenue recognised that was include in the balance of contract liabilities at the beginning of the year	**(161,856)**	(144,284)
Increase by cash received	**213,621**	196,118
Balance at 31 December	**278,331**	226,566

The Group received a deposit before rendering services commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the project exceeds the amount of the deposit.

As at 31 December 2020, the amounts of contract liabilities expected to be recognised as income after more than one year are RMB75,867,000 (2019: RMB64,710,000).

20 TRADE AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**184,230**	139,896
Less: Allowance for trade receivables	**(47,873)**	(37,769)
	136,357	102,127
Amounts due from related parties	**124,011**	39,259
Deposits and prepayments	**19,168**	19,961
Value added tax prepaid	**9,526**	8,426
Other receivables	**19,332**	14,823
Less: Allowance for other receivables	**(624)**	(624)
	307,770	183,972

Trade receivables are primarily related to revenue generated from property management and services in the area of green living solutions.

Amounts due from related parties are unsecured and interest free. Details of the amounts due from related parties are set out in Note 29(c).

20 TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Ageing analysis

As of the end of each reporting period, the ageing analysis of trade receivable based on the date of revenue recognition which is the same as the due date, and net of allowance for impairment of trade receivables is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**96,210**	87,367
1 to 2 years	**31,754**	9,939
2 to 3 years	**5,661**	4,026
3 to 4 years	**2,535**	581
4 to 5 years	**197**	214
	136,357	102,127

Trade receivables are due when the receivables are recognised. Further details on the Group's credit policy and credit risk arising from trade receivables are set out in Note 26(a).

(b) Impairment of trade receivables

The movements in the allowance for doubtful debts on trade receivables during the reporting period are as follows:

	2020	2019
	RMB'000	*RMB'000*
At 1 January	**37,769**	27,665
Credit loss recognised	**10,427**	10,104
Written-off	**(73)**	–
Effect on disposal of subsidiaries	**(250)**	–
At 31 December	**47,873**	37,769

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION

(a) Cash and cash equivalents comprise:

	Note	2020 RMB'000	2019 RMB'000
Cash on hand		**158**	202
Cash at bank		**733,957**	247,778
Deposits in other financial institutions		**–**	12,448
Less: restricted cash	*(i)*	**(2,449)**	(300)
		731,666	260,128

Note:

(i) As at 31 December 2020, restricted cash is cash collected on behalf of the property owners' associations in Group's property management service business. Pursuant to property management agreements, the Group opens and manages these bank accounts on behalf of the property owners' associations.

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

	Note	2020 RMB'000	2019 RMB'000
Profit before taxation		**123,913**	106,884
Adjustments for:			
Interest income	*4*	**(5,843)**	(15,347)
Finance costs		**235**	154
Depreciation of property, plant and equipment	*12*	**2,120**	2,380
Amortisation of intangible assets	*13*	**1,366**	1,293
Loss on disposal of subsidiaries	*4*	**176**	–
Changes in fair value of financial assets measured at FVPL	*4*	**(590)**	(2,133)
Changes in fair value of investment properties	*4*	**(234)**	(2,266)
Expected credit losses on trade and other receivables and contract assets	*5*	**10,236**	10,303
Gain on disposal of property, plant and equipment	*4*	**(4)**	(383)
Net realised gains on financial assets measured at FVPL	*4*	**(2,841)**	(2,664)
Share of loss of joint ventures		**6**	–
Share of loss of an associate		**637**	–
Changes in working capital:			
Decrease in inventories		**158**	1,385
Increase in trade and other receivables		**(142,386)**	(73,976)
Increase in contact assets		**(20,479)**	(1,646)
Increase in restricted cash		**(2,149)**	–
Increase in contract liabilities		**51,765**	51,834
Increase in trade and other payables		**89,169**	10,545
Cash generated from operations		**105,255**	86,363

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(c) Reconciliation of liabilities arising from financing activities

	Bank loans *RMB'000* *(Note 24)*	Dividend payable *RMB'000* *(Note 22)*	Total *RMB'000*
At 1 January 2019	–	–	–
Changes from financing cash flows:			
Proceeds from bank borrowings	9,997	–	9,997
Interest paid	(154)	–	(154)
Dividend paid	–	(123,523)	(123,523)
Total changes from financing cash flows	9,843	(123,523)	(113,680)
Other changes:			
Finance costs	154	–	154
Dividend declared	–	161,914	161,914
Total other changes	154	161,914	162,068
At 31 December 2019	9,997	38,391	48,388
At 1 January 2020	**9,997**	**38,391**	**48,388**
Changes from financing cash flows:			
Repayment of bank borrowings	**(9,997)**	**–**	**(9,997)**
Interest paid	**(235)**	**–**	**(235)**
Dividend paid	**–**	**(56,391)**	**(56,391)**
Total changes from financing cash flows	**(10,232)**	**(56,391)**	**(66,623)**
Other changes:			
Finance costs	**235**	**–**	**235**
Dividend declared	**–**	**18,000**	**18,000**
Total other changes	**235**	**18,000**	**18,235**
At 31 December 2020	**–**	**–**	**–**

21 CASH AND CASH EQUIVALENTS AND OTHER CASH FLOW INFORMATION *(Continued)*

(d) Disposal of subsidiaries

During the year ended 31 December 2020, the Group disposed all equity interests in three subsidiaries. The disposals had the following consolidated effect on the Group's assets and liabilities on the disposal dates:

	RMB'000
Property, plant and equipment	**285**
Intangible assets	**2,825**
Deferred tax assets	**62**
Trade and other receivables	**67**
Cash and cash equivalents	**1,481**
Trade and other payables	**(1,661)**
Current taxation	**(26)**
Net assets of the subsidiaries disposed	**3,033**
Total consideration satisfied by cash	**2,857**
Loss on disposal of subsidiaries charged to "other income" in the consolidated statements of profit or loss and other comprehensive income	**(176)**
Considerations received	**2,857**
Cash and cash equivalents disposed of	**(1,481)**
Net cash inflow from disposals of subsidiaries	**1,376**

22 TRADE AND OTHER PAYABLES

	2020 ***RMB'000***	2019 *RMB'000*
Trade payables	**77,414**	38,380
Amounts due to related parties	**15,165**	12,746
Other taxes and charges payable	**11,498**	7,736
Dividend payable	**–**	38,391
Accrued payroll and other benefits	**33,978**	26,489
Deposits	**44,643**	33,583
Other payables and accruals	**71,344**	46,634
	254,042	203,959

22 TRADE AND OTHER PAYABLES *(Continued)*

All the trade and other payables (including amounts due to related parties) are expected to be settled within 1 year or are repayable on demand.

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**74,798**	37,087
1 to 2 years	**2,164**	1,019
2 to 3 years	**209**	92
Over 3 years	**243**	182
	77,414	38,380

23 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2020	2019
	RMB'000	*RMB'000*
PRC Corporate Income Tax		
At 1 January	**2,443**	3,995
Charged to profit or loss *(Note 6)*	**22,499**	26,126
Payments during the year	**(20,612)**	(27,678)
Effect on disposal of subsidiaries *(Note 21(d))*	**(26)**	–
At 31 December	**4,304**	2,443

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION *(Continued)*

(b) Deferred tax assets and liabilities recognised:

(i) Movement 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:	Credit loss allowance	Revaluation of financial assets measured at FVPL and other financial assets	Tax loss	Unrealised profit and loss	Revaluation of investment properties	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2019	6,973	702	545	110	–	8,330
Credited/(charged) to profit or loss	2,575	(532)	(545)	2,172	(566)	3,104
At 31 December 2019 and 1 January 2020	**9,548**	**170**	**–**	**2,282**	**(566)**	**11,434**
Credited/(charged) to profit or loss	**2,603**	**(310)**	**–**	**(1,797)**	**(59)**	**437**
Charged to reserve	**–**	**(230)**	**–**	**–**	**–**	**(230)**
Effect on disposal of subsidiaries	**(62)**	**–**	**–**	**–**	**–**	**(62)**
At 31 December 2020	**12,089**	**(370)**	**–**	**485**	**(625)**	**11,579**

(ii) Reconciliation to the consolidated statement of financial position

	2020	2019
	RMB'000	*RMB'000*
Net deferred tax asset recognised in the consolidated statements of financial position	**12,574**	12,000
Net deferred tax liability recognised in the consolidated statements of financial position	**(995)**	(566)
	11,579	11,434

23 INCOME TAX IN THE CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Continued)

(c) Deferred tax assets not recognised

	2020 **RMB'000**	2019 RMB'000
Unutilised tax losses — PRC	**11,937**	14,100

In accordance with the accounting policy set out in Note 1(s), the Group has not recognised deferred tax assets in respect of cumulative tax losses of RMB10,601,000 (2019: RMB14,100,000) as it is not probable that future taxable profits against which the losses can be utilised will be available in the relevant tax jurisdiction and entity.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the end of the reporting period will expire in the following years:

	2020 **RMB'000**	2019 RMB'000
2020	**–**	1,551
2021	**57**	57
2022	**577**	856
2023	**5,589**	6,744
2024	**3,634**	4,892
2025	**744**	–
	10,601	14,100

(d) Deferred tax liabilities not recognised

According to PRC corporate income tax laws and its implementation rules, dividends receivable by non-PRC corporate residents from PRC enterprises are subject to withholding tax at a rate of 10%, unless reduced by tax treaties or arrangements, for profits earned since 1 January 2008.

For the other distributable reserve and retained earnings of PRC subsidiaries of the Group up to 31 December 2020, no deferred tax liabilities were recognised as at 31 December 2020 as the Group controls the dividend policy of the subsidiaries and it has been determined that it is not probable that these profits will be distributed in the foreseeable future.

24 BANK LOANS

At 31 December 2020, the bank loans were as follows:

	2020	2019
	RMB'000	*RMB'000*
Bank loans	–	9,997

The Company has a bank loan of RMB 9,997,000 guaranteed by a company controlled by Mr. Zhang Lei at 31 December 2019, which was paid during 2020.

25 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS

(a) Movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Note	Share capital	Share premium	Exchange reserve	Retained profits	Total
		RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Balance at 20 January 2020 (incorporation date)		–	–	–	–	–
Changes in equity for 2020:						
Total comprehensive income for the year		–	–	(13,779)	150	(13,629)
Issuance of shares	*25(b)*	1	103,164	–	–	103,165
Capitalisation of shares	*25(b)*	*	*	–	–	–
Issue of ordinary shares upon initial public offering, net of issuing costs	*25(b)*	*	485,966	–	–	485,966
Balance at 31 December 2020		1	589,130	(13,779)	150	575,502

* Amounts less than RMB1,000.

(Expressed in Renminbi Yuan unless otherwise indicated)

25 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS *(Continued)*

(b) Share capital

Authorised share capital

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 20 January 2020, with an authorised share capital of US$50,000 divided into 50,000 shares with par value of US$1.00 each. In accordance with the shareholders' resolution of the Company passed on 25 September 2020 and effective on 22 October 2020, the authorised share capital of the Company of US$50,000 is divided into 250,000,000,000 shares of a par value of US$0.0000002 each.

Issued share capital

	Note	***No. of shares***	***RMB***
Ordinary shares, issued and fully paid:			
At 20 January 2020 (incorporation date)		–	–
Issuance of shares	*(i)*	100	707
Shares sub-division	*(ii)*	499,999,900	–
Capitalisation of shares	*(iii)*	250,000,000	341
Issuance of ordinary shares upon initial public offering	*(iv)*	250,000,000	333
At 31 December 2020		1,000,000,000	1,381

Notes:

(i) Issuance of shares

On 10 June 2020, 83.4026 shares of par value US$1.00 were allotted and issued to 8 shareholders.

On 17 June 2020, 11.5232 shares, 1.2387 shares and 0.8347 shares were allotted and issued to 3 shareholders at the consideration of US$8,434,000, US$1,194,000 and US$1,406,000 respectively.

On 18 June 2020, 3.0008 were allotted and issued to 1 shareholder at a consideration of US$3,521,000.

(ii) Shares sub-division

In accordance with the shareholders' resolution of the Company dated 25 September 2020, the Company's share with par value of US$1.00 each was subdivided into 5,000,000 shares with par value of US$0.0000002 each. Accordingly, the issued 100 shares of the Company with par value of US$1.00 each were sub-divided into 500,000,000 shares with par value of US$0.0000002 each.

(iii) Capitalisation of shares

Pursuant to the written resolutions of the Company's shareholders passed on 25 September 2020, the directors were authorised to allot and issue a total of 250,000,000 shares, by way of capitalisation of the sum of US$50 (equivalent to approximately RMB341) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company at the close of business on the business day immediately preceding the Listing date in proportion to their respective shareholdings.

25 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS *(Continued)*

(b) Share capital *(Continued)*

Issued share capital *(Continued)*

Notes: (Continued)

(iv) Issuance of ordinary shares upon initial public offering

On 22 October 2020, the Company issued 250,000,000 shares with par value of US$0.0000002, at a price of HK$2.40 per share by initial public offering. Net proceeds from such issue amounted to HKD571,226,000(equivalent to RMB485,966,000) out of which HKD388 (equivalent to RMB333) and HKD571,225,000 (equivalent to RMB485,966,000) were recorded in share capital and share premium respectively.

(c) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year:

	2020	2019
	RMB'000	*RMB'000*
Final dividend proposed after the end of the reporting period of HK3.97 cents (2019: nil) per ordinary share	**33,190**	–

The final dividend proposed for shareholders' approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(ii) There was no dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year.

(ii) Dividend of nil and RMB161,914,000 have been declared and dividend of RMB38,391,000 and RMB123,523,000 have been paid by First Property Management to the then shareholders during the year of 2020 and 2019, respectively.

Dividend of RMB18,000,000 has been declared and paid by First Living to the then shareholders during the year of 2020.

25 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS *(Continued)*

(d) Nature and purpose of reserves

(i) Share premium

Share premium represents the difference between the consideration and the par value of the issued and paid up shares of the Company.

(ii) Capital reserve

For the purposes of the consolidated financial statements, the aggregate amount of the paid-in capital, capital premium and other capital reserves of all entities comprising the Group at the respective dates were recorded as capital reserve, after the elimination of investments in subsidiaries.

(iii) Statutory surplus reserve

For the purposes of the consolidated financial statements, the statutory surplus reserve represented the statutory surplus reserve of all entities comprising the Group.

Statutory reserve is established in accordance with the relevant PRC rules and regulations and the articles of association of the companies which are incorporated in the PRC until the reserve balance reaches 50% of their registered capital. The transfer to this reserve must be made before distribution of a dividend to equity holders.

For the entities concerned, this reserve can be utilised in setting off accumulated losses or increasing capital and is non-distributable other than in liquidation.

(iv) Exchange Reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside the mainland China. The reserve is dealt with in accordance with the accounting policies set out in Note 1(v).

(v) Fair value reserve

The fair value reserve (non-recycling) comprise the cumulative net change in the fair value of equity investment designated at FVOCI under IFRS 9 that are held at the end of the reporting period (see Note 1(f)).

(e) Non-controlling interests ("NCI")

NCI primarily relates to First Living. As at 31 December 2020, the proportion of ownership interests of First Living held by the NCI in the consolidated financial statements was 27.88% (2019: 50.34%). The profit attributable to the NCI for the year ended 31 December 2020 was RMB5,363,000 (2019: RMB7,112,000). Summarised financial information about First Living is set out in Note 3(b).

25 CAPITAL, RESERVES, DIVIDENDS AND NON-CONTROLLING INTERESTS *(Continued)*

(f) Capital management

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, by pricing products and services commensurately with the level of risk and by securing access to finance at a reasonable cost. The Group's overall strategy remains unchanged throughout the reporting period.

The Group actively and regularly reviews and manages its capital structure to maintain a balance between the higher shareholder returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position, and makes adjustments to the capital structure in light of changes in economic conditions.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity and foreign currency risks arise in the normal course of the Group's business. The Group is also exposed to equity price risk arising from its equity investments in other entities. The Group is not exposed to significant interest rate risk.

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.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to cash at bank, trade and other receivables and contract assets. The Group's exposure to credit risk arising from cash and cash equivalents and financial assets measured at FVPL are limited because the counterparties are banks and financial institutions with a high credit standing assigned by the management of the Group, to which the Group considers to have low credit risk.

In respect of amount due from related parties, payments on behalf of property owners, deposits and amounts due from staff included in other receivables, the Group has assessed that the expected credit loss rate for these receivables is immaterial under 12 months expected losses method based on historical settlement records and looking-forward information. Thus except for RMB624,000 (2019: RMB 624,000) of allowance provision provided, no other loss allowance provision for these receivables was recognised during the reporting period.

In respect of trade receivables and contract assets, the Group measures loss allowances at an amount equal to lifetime ECLs based on historical settlement records and forward-looking information. The Group has large number of customers and there was no concentration of credit risk. In addition, the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group considers that a default event occurs when there is significant decrease in services fee collection rate and estimates the expected credit loss rate for the reporting period. Normally, the Group does not obtain collateral from customers.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS
(Continued)

(a) Credit risk *(Continued)*

The following table provides information about the Group's exposure to credit risk and ECLs for trade receivables and contract assets due from third parties as at 31 December 2020 and 2019.

	2020		
	Excepted loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
First Property Management			
Property owners:			
Within 1 year	12%	71,540	8,585
1–2 years	40%	30,605	12,242
2–3 years	55%	12,579	6,918
3–4 years	69%	8,179	5,644
4–5 years	90%	1,973	1,776
over 5 years	100%	10,521	10,521
		135,397	45,686
Property developers and public facility business forms customers:			
Within 1 year	0.7%	17,811	125
1–2 years	3%	3,140	94
		20,951	219
First Living			
Within 1 year	5%	17,861	893
1–2 years	10%	11,495	1,150
		29,356	2,043

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(a) Credit risk *(Continued)*

	2019		
	Excepted loss rate %	Gross carrying amount *RMB'000*	Loss allowance *RMB'000*
Property management services			
Within 1 year	13%	87,487	11,373
1–2 years	43%	17,437	7,498
2–3 years	56%	9,151	5,125
3–4 years	72%	2,076	1,495
4–5 years	92%	2,670	2,456
over 5 years	100%	9,230	9,230
		128,051	37,177
Green living solutions			
Within 1 year	5%	17,157	858

Expected loss rates are based on actual loss experience over the past 5 years. These rates are adjusted to reflect differences between economic conditions during the period 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.

(b) Liquidity risk

Individual operating entities within the Group are responsible for their own cash management, including the short-term investment of cash surpluses and the raising of loans to cover expected cash demands, subject to approval by the board when the borrowings exceed certain predetermined levels of authority. The Group's policy is to regularly monitor its liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and readily realisable marketable securities and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

(Continued)

(b) Liquidity risk *(Continued)*

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's non-derivative 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 the reporting period) and the earliest date the Group can be required to pay.

	2020		2019	
	Contractual undiscounted cash outflow		Contractual undiscounted cash outflow	
	Within 1 year or on demand	**Carrying amount at 31 December**	Within 1 year or on demand	Carrying amount at 31 December
	RMB'000	***RMB'000***	*RMB'000*	*RMB'000*
Trade and other payables	**254,042**	**254,042**	203,959	203,959
Bank loans	**–**	**–**	10,304	9,997
	254,042	**254,042**	214,263	213,956

(c) Currency risk

The Group is exposed to currency risk primarily through sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The Company, the BVI subsidiary and the Hong Kong subsidiary's functional currency is Hong Kong Dollar ("**HKD**"). Their businesses are principally conducted in HKD.

The Group's PRC subsidiaries' functional currency is RMB and their businesses are principally conducted in RMB. So the Group considers the currency risk to be insignificant.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(d) Equity price risk

The Group is exposed to equity price changes arising from equity investment held for non-trading purposes (see Note 15). Such investment is listed on the National Equity Exchange and Quotations of the PRC in 2020 and is held for long term strategic purposes. It has been chosen based on its longer term growth potential and is monitored regularly for performance against expectations.

At 31 December 2020, it is estimated that an increase/(decrease) of 5% in the relevant stock price, with all other variables held constant, would have increased/decreased the Group's other components of consolidated equity by RMB260,000 (2019: RMB225,000).

(e) Fair value measurement

(i) Financial assets and liabilities measured at fair value

Fair value hierarchy

The following table presents 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 IFRS 13, *Fair value measurement*.

During the reporting period, there were no transfers between Level 1 and Level 2, or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of each reporting period in which they occur.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(Continued)*

Fair value hierarchy *(Continued)*

	Fair value at 31 December 2020	**Fair value measurements as at 31 December 2020 categorised into**		
		Level 1	**Level 2**	**Level 3**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***
Recurring fair value measurements				
Assets:				
— Equity securities designated at FVOCI (non-recycling)	**6,920**	**–**	**–**	**6,920**
— Financial assets measured at FVPL-due within one year	**89,099**	**–**	**89,099**	**–**

	Fair value at 31 December 2019	Fair value measurements as at 31 December 2019 categorised into		
		Level 1	Level 2	Level 3
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurements				
Assets:				
— Equity securities designated at FVOCI (non-recycling)	6,000	–	–	6,000
— Financial assets measured at FVPL-due within one year	76,569	–	76,569	–

Valuation techniques and inputs used in Level 2 fair value measurements

The fair value of financial assets measured at FVPL is determined based on the estimated amount that the Group would receive to redeem the financial assets at the end of each reporting period. The estimated redeemable amount is calculated based on the most recent transaction price or the daily quotation published by the financial institutions.

26 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(Continued)*

(e) Fair value measurement *(Continued)*

(i) ***Financial assets and liabilities measured at fair value*** *(Continued)*

Information about Level 3 fair value measurements

	Valuation techniques	**Significant unobservable inputs**	**Weighted average**
Equity instruments	Market comparable companies	Discount for lack of marketability	17% (2019: 17%)

The fair value of the equity instruments is determined by using the enterprise value per sales of comparable listed companies adjusted for lack of marketability discount. The fair value measurement is negatively correlated to the discount for lack of marketability. As at 31 December 2020, it is estimated that with all other variables held constant, a decrease/increase in discount for lack of marketability by 1% would have increased/decreased the Group's other comprehensive income by RMB85,000 (2019: RMB72,000).

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2020 **RMB'000**	2019 RMB'000
Equity securities:		
At 1 January	**6,000**	6,000
Net unrealised gains or losses recognised in other comprehensive income during the period	**920**	–
At 31 December	**6,920**	6,000
Total gains or losses for the period included in profit or loss and other comprehensive income for assets held at the end of the reporting period	**920**	–

Any gain or loss arising from the remeasurement of the Group's equity securities held for strategic purposes are recognised in the fair value reserve (non-recycling) in other comprehensive income. Upon disposal of the equity securities, the amount accumulated in other comprehensive income is transferred directly to retained earnings.

(ii) ***Fair value of financial assets and liabilities carried at other than fair value***

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 31 December 2020.

27 CONTINGENT ASSETS AND LIABILITIES

The Group did not have any material contingent liabilities as at 31 December 2020 (2019: nil).

28 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2020, the directors consider the ultimate controlling party of the Group to be Mr. Zhang Lei, together with Mr. Zhang Peng acting as a concert group.

At 31 December 2020, the directors consider the immediate parent of the Group to be Glorious Group Holdings Limited. This entity does not produce financial statements available for public use.

29 MATERIAL RELATED PARTY TRANSACTIONS

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in Note 7 and certain of the highest paid employees as disclosed in Note 8, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Short-term employee benefits	**3,242**	3,379
Post-employment benefits	**188**	121
	3,430	3,500

Total remuneration is included in "staff costs" (see Note 5(a)).

(b) Significant related party transactions

The principal transactions which were carried out in the ordinary course of business are as follows:

Nature of related party	**2020**	2019
	RMB'000	*RMB'000*
Provision of property management services and other services		
— Controlled by Modern Land Group	**156,400**	112,630
— Other companies controlled by Mr. Zhang Lei	**16,525**	16,493
— Companies jointly controlled by Mr. Zhang Lei	**51,461**	44,719
Receiving services		
— Companies controlled by Mr. Zhang Lei	**12,358**	5,523
Purchase of properties		
— Companies controlled by Mr. Zhang Lei	**–**	11,174

29 MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(c) Balances with related parties

	2020 *RMB'000*	2019 *RMB'000*
Amounts due from:		
— Companies controlled by Mr. Zhang Lei	**83,699**	21,155
— Joint ventures jointly controlled by Mr. Zhang Lei	**40,312**	18,104
	124,011	39,259
Amounts due to:		
— Companies controlled by Mr. Zhang Lei	**14,649**	12,741
— Companies jointly controlled by Mr. Zhang Lei	**16**	5
— Joint ventures of the Group	**500**	
	15,165	12,746
Contract assets:		
— Companies controlled by Mr. Zhang Lei	**19,499**	617
— Companies jointly controlled by Mr. Zhang Lei	**7,729**	2,293
	27,228	2,910
Contract liabilities:		
— Companies controlled by Mr. Zhang Lei	**19,033**	20,861
— Companies jointly controlled by Mr. Zhang Lei	**84**	150
	19,117	21,011

Amounts due from/to related parties are all trade nature, unsecured and interest-free, except for capital injection of RMB500,000 to the joint venture of the Group.

30 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	Note	2020 *RMB'000*
Non-current assets		
Amounts due from related parties		**196,369**
Investment in a subsidiary		**1**
		196,370
Current assets		
Other receivables		**334**
Cash and cash equivalents		**378,799**
		379,133
Current liabilities		
Other payables		**1**
NET ASSETS		**575,502**
CAPITAL AND RESERVES	*25*	
Share capital		**1**
Reserves		**575,501**
TOTAL EQUITY		**575,502**

Approved and authorised for issue by the board of directors on 22 March 2021.

Liu Peiqing
Director

Zhu Li
Director

(Expressed in Renminbi Yuan unless otherwise indicated)

31 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE ACCOUNTING PERIOD BEGINNING ON 1 JANUARY 2021

Up to the date of issue of these financial statements, the IASB has issued a number of amendments and a new standard, IFRS 17, Insurance contracts, which are not yet effective for the year beginning 1 January 2021 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 IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, *Interest Rate Benchmark Reform — Phase 2*	1 January 2021
Annual Improvements to IFRS Standards 2018-2020	1 January 2022
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, Property, Plant and Equipment: *Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts — Cost of Fulfilling a Contract*	1 January 2022
Amendments to IAS 1, *Classification of Liabilities as Current or Non-current*	1 January 2023
IFRS 17, *Insurance contracts*	1 January 2023
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IFRS 10 and IAS 28, *Sale or contribution of assets between an investor and its associate or joint venture*	To be determined at a future date
Amendments to IFRS 4, *Extension of the temporary exemption from applying IFRS 9*	To be determined at a future date

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.

32 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary

On 10 March 2021, the Company, through a wholly owned subsidiary, entered into a purchase agreement with certain third parties to acquire 80% equity interest in the 大連亞航物業管理有限公司 (Dalian Yahang Property Management Co., Ltd.), a company principally engaged in providing property management services, at a consideration of RMB93.2 million. Up to the date of these consolidated financial statements, the above acquisition has yet completed.

(b) Proposed final dividends

On 22 March 2021, the directors of the Company proposed a final dividend. Further details are disclosed in Note 25(c).

Definitions

"AGM"	the annual general meeting of the Company to be held on 21 June 2021;
"Articles of Association"	the articles of association of the Company (as amended from time to time) adpoted on 25 September 2020;
"Audit Committee"	the audit committee of the Company;
"Auditor"	the auditor of the Company;
"Board"	the board of directors of the Company;
"BVI"	the British Virgin Islands;
"Cedar Group"	Cedar Group Management Limited (雪松集团管理有限公司), a BVI business company incorporated in the BVI with limited liability on 19 December 2019;
"CG Code"	the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Listing Rules;
"China" or "PRC"	the People's Republic of China and, except where the context requires and only for the purpose of this report, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan. "Chinese" shall be construed accordingly;
"Companies Law"	the Companies Law, Cap. 22 (Law 3 of 1961, as amended or supplemented or otherwise modified from time to time) of the Cayman Islands;
"Companies Ordinance"	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;
"Company", "our Company", "the Company"	First Service Holding Limited (第一服务控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 20 January 2020, and, except where the context otherwise requires, all of its subsidiaries, or where the context refers to the time before it became the holding company of its present subsidiaries, its present subsidiaries;
"Director(s)"	the director(s) of the Company;
"First Assets"	First MOMA Assets Management (Beijing) Co., Ltd. (第一摩碼資產管理(北京)有限公司), a company incorporated in the PRC on 20 September 2002;
"First Living"	First MOMA Human Environment Technology (Beijing) Co., Ltd. (第一摩碼人居環境科技(北京)有限公司) (formerly known as First MOMA Human Environment Technology (Beijing) Joint Stock Limited Company (第一摩碼人居環境科技(北京)股份有限公司)), a limited liability company established in the PRC on 3 December 2014 and an indirect non-wholly owned subsidiary of our Company;

"First Property Management"	First Property Service (Beijing) Co., Ltd. (第一物業服務(北京)有限公司) (formerly known as Beijing Modern and First Property (Beijing) Joint Stock Limited Company (第一物業(北京)股份有限公司), a limited liability company established in the PRC on 6 December 1999, and an indirect wholly-owned subsidiary of our Company;
"GFA"	gross floor area;
"Global Offering"	the Hong Kong public offering and the international offering of the Shares;
"Glorious Group"	Glorious Group Holdings Limited (世家集团控股有限公司), a BVI business company incorporated in the BVI with limited liability on 19 December 2019;
"Group", "our Group", "we", "our" or "us"	our Company, its subsidiaries from time to time, or, where the context so requires, in respect of the period before our Company became the holding company of our present subsidiaries, such subsidiaries as if they were subsidiaries of our Company at the relevant time or the business operated by such subsidiaries or their predecessors (as the case may be);
"Hao Fung"	Hao Fung Investment Limited (皓峰投资有限公司), a BVI business company incorporated in the BVI with limited liability on 18 December 2019;
"HKD", "Hong Kong Dollars", "HK dollars" or "cents"	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong;
"Hong Kong" or "HK"	the Hong Kong Special Administrative Region of the PRC;
"independent third party(ies)"	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of our Directors' knowledge, information and belief, having made all reasonable enquiries, is/are not our connected persons or associates of our connected persons as defined under the Listing Rules;
"Liu Pei Qing Management"	Liu Pei Qing Management Limited (刘培庆管理有限公司), a BVI business company incorporated in the BVI with limited liability on 17 December 2019;
"Listing"	the listing of the Shares on the Main Board of the Stock Exchange;
"Listing Date"	the date, being 22 October 2020, on which the Shares were listed on the Stock Exchange and from which dealings in the Shares are permitted to commence on the Stock Exchange;
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time;
"Long Han Management"	Long Han Management Limited (龙晗管理有限公司), a BVI business company incorporated in the BVI with limited liability on 17 December 2019;

"Main Board"	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange;
"Memorandum" or "Memorandum of Association"	the memorandum of association of our Company (as amended from time to time), adopted on 25 September 2020;
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules;
"Modern Land"	Modern Land (China) Co., Limited (當代置業(中國)有限公司) (stock code: 1107), an exempted company with limited liability incorporated in the Cayman Islands on 28 June 2006 and the shares of which are listed on the Main Board of the Stock Exchange;
"Modern Land Group"	Modern Land and its subsidiaries;
"MOHURD"	the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) or its predecessor, the Ministry of Construction of the PRC (中華人民共和國建設部);
"NEEQ"	the National Equities Exchange and Quotations Co., Ltd., a PRC over-the-counter system for trading the shares of public companies;
"Nomination Committee"	the nomination committee of the Company;
"PRC Government"	the central government of the PRC, including all political subdivisions (including provincial, municipal and other regional or local government entities) and its organs or, as the context requires, any of them;
"Prospectus"	the prospectus of the Company dated 12 October 2020;
"Relevant Period"	the period from the Listing Date and up to the date of this annual report;
"Remuneration Committee"	the remuneration committee of the Company;
"RMB"	the lawful currency of the PRC;
"SFC"	the Securities and Futures Commission of Hong Kong;

Definitions

"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented from time to time;
"Shanghai CDH Yaojia"	Shanghai CDH Yaojia Venture Capital Center (Limited Partnership) (上海鼎暉耀家創業投資中心(有限合夥)), a limited partnership established in the PRC on 26 June 2015, whose general partner is Dinghui Equity Investment Management (Tianjin) Company Limited (鼎暉股權投資管理(天津)有限公司);
"Shareholder(s)"	holder(s) of Share(s);
"Share(s)"	ordinary shares in the capital of our Company with nominal value of US$0.0000002 each;
"Share Option Scheme"	the share option scheme conditionally adopted pursuant to the written resolutions passed by our Shareholders on 25 September 2020;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"%"	per cent.

In this annual report, the terms "associate", "close associate", "connected person", "connected transaction", "continuing connected transaction", "core connected person", "controlling shareholder", "subsidiary" and "substantial shareholder" shall have the meanings given to such terms under the Listing Rules, unless the context otherwise requires.