建發物業管理集團有限公司
C&D Property Management Group Co., Ltd
(Incorporated in the British Virgin Islands with limited liability)
Stock Code: 2156

ANNUAL REPORT

2020
ANNUAL REPORT

國內一流的城市空間運營服務商
a first class urban service operator in the PRC

CONTENTS

This annual report is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Ms. Qiao Haixia *(Chief Executive Officer)*
Mr. Huang Danghui

Non-executive Directors
Mr. Zhuang Yuekai *(Chairman)*
Mr. Lin Weiguo

Independent Non-executive Directors
Mr. Cheung Kwok Kwan, J.P.
Mr. Lee Cheuk Yin Dannis
Mr. Li Kwok Tai James
Mr. Wu Yat Wai

AUDIT COMMITTEE
Mr. Lee Cheuk Yin Dannis *(Committee Chairman)*
Mr. Cheung Kwok Kwan, J.P.
Mr. Li Kwok Tai James
Mr. Wu Yat Wai

REMUNERATION COMMITTEE
Mr. Wu Yat Wai *(Committee Chairman)*
Mr. Zhuang Yuekai
Mr. Cheung Kwok Kwan, J.P.
Mr. Lee Cheuk Yin Dannis
Mr. Li Kwok Tai James

NOMINATION COMMITTEE
Mr. Zhuang Yuekai *(Committee Chairman)*
Mr. Cheung Kwok Kwan, J.P.
Mr. Lee Cheuk Yin Dannis
Mr. Li Kwok Tai James
Mr. Wu Yat Wai

COMPANY SECRETARY
Ms. Leung Ching Ching *(FCG, FCS)*

AUTHORISED REPRESENTATIVES
Ms. Qiao Haixia
Ms. Leung Ching Ching *(FCG, FCS)*

REGISTERED OFFICE
2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
British Virgin Islands ("BVI")

PRINCIPAL PLACE OF BUSINESS IN HONG KONG
Room 3517, 35/F
Wu Chung House
213 Queen's Road East
Wan Chai
Hong Kong

HEADQUARTERS AND REGISTERED OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")
Unit 703, 7th Floor
C&D International Building
No.1699 Huandao East Road
Xiamen, PRC

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI
Tricor Services (BVI) Limited
2/F, Palm Grove House
P.O. Box 3340
Road Town, Tortola
BVI

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

AUDITOR
Grant Thornton Hong Kong Limited

CORPORATE INFORMATION

COMPLIANCE ADVISER

China Industrial Securities International Capital Limited

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

PRINCIPAL BANKER

Bank of China

COMPANY'S WEBSITE

www.cndservice.com
(the contents of which do not form part of this annual report)

STOCK CODE

2156

LISTING DATE

31 December 2020

* The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of C&D Property Management Group Co., Ltd ("C&D Property" or the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2020 (the "Year"):

I. ANALYSIS ON ECONOMIC LANDSCAPE

During the Year, the sudden spread of novel coronavirus epidemic impacted the global economy. Benefited from effective control of the epidemic by the Chinese government, the macroeconomy in the PRC recovered orderly and residents' consumption demands continued to release, making the business environment for the service industry gradually improve.

The Company always upholds our service philosophy of "exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)". We strengthened our fundamental services and kept on to innovate. Through expanding our scale and adjusting our structure, our integrated strength has been growing day by day and on 31 December 2020, we were successfully listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

II. RESULTS

During the Year, the Group achieved total revenue of approximately RMB1,028.6 million, representing a year-on-year increase of 28.4%. Among which, revenue from property management services was approximately RMB578.5 million, representing a year-on-year increase of approximately 19.0%; revenue from community value-added and synergy services was approximately RMB120.5 million, representing a year-on-year increase of approximately 50.2%; revenue from value-added services to non-property owners was approximately RMB329.6 million, representing a year-on-year increase of approximately 40.4%. The rapid growth of the Group's value-added services was mainly attributable to the continuous innovation of community value-added and synergy services and an increase in number of projects developed by cooperative property developers. While actively innovating and generating our revenue, the Company continued to improve our cost control capability and enhance information technology transformation to enhance management efficiency. Gross profit margin and net profit margin increased by approximately 1.6% and approximately 1.9% respectively as compared with last year. Profit attributable to equity holders of the Company for the Year of approximately RMB106.1 million was achieved, representing a year-on-year increase of approximately 55.6%.

III. BUSINESS REVIEW

During the Year, under the leadership of the board (the "Board") of directors (the "Directors") of the Company and by focusing on business directions of "strengthening foundation, adjusting structure, and enhancing growth (夯基礎，調結構，促增長)", the Company maintained healthy and quality growth.

(1) Strengthening service quality to enhance brand impact

Customers lay foundation of the Company and are the driving force of our development. By upholding its development philosophy to provide quality and pleasant services to customers and leveraging on its management experience in the property management industry of more than 25 years, the Company continues to enhance its service quality and has gained high recognition from the market and customers, with customer satisfaction rate for the Company's property management services reached 93% for the Year. The Company was also awarded honourable titles such as "36th by China Index Academy among the Top 100 Property Management Companies in the PRC* (二零二零中國物業服務百強企業第36位)", "2020 Top 100 Blue-Chip Property Enterprise* (二零二零年藍籌物業百強企業)" and "2020 Regional Leading Value Enterprise* (二零二零年區域領先價值企業)".

(2) Striving to explore markets to expand its scale continuously

The Company gained broad market recognition in the Fujian Province with its fine quality of property management services and brand impact. During the Year, the Company continued to intensify its efforts in market expansion to establish a strategic layout covering the entire PRC with Fujian as the centre and other developed regions as complement. Apart from entering into strategic cooperation agreements with multiple cooperative property developers, the Company actively pursued the expansion model of establishing joint ventures. Apart from fundamental property management, the Company also actively expanded the scope of its management business.

As at 31 December 2020, the Group's contracted GFA was approximately 47.2 million sq.m., representing a year-on-year increase of approximately 36.0%; the GFA under management was approximately 25.6 million sq.m., representing a year-on-year increase of approximately 23.7%; contracted reserved area was approximately 21.6 million sq.m., representing a year-on-year increase of approximately 54.1%. The increase in contracted GFA was significant higher than increase in GFA under management, resulting in larger reserved area, establishing foundation for future growth.

(3) Developing value-added business and promoting diversified operation

In response to the needs of property owners and residents under the epidemic, we provided home living services under community value-added and synergy services such as indoor disinfection and environment purification. We also established our online shopping platform "C&D Property Zhenxuan* (建發物業臻選)" to provide convenient online shopping experience to property owners and residents.

(4) Enhancing information technology and upgrading smart management

The Company focused on service specialisation, procedure standardisation and operation automation through our smart property management systems. For our property management services, we have commenced pilot programme of our smart building system regarding the smart management of fire extinguishing system, car parking system and remote video surveillance on residential properties under our management. The mobile application "Huishenghuo* (慧生活)" enabled functions including contactless door opening service, reporting repair requests and arranging repair logistics and paying property management fees, reviewing and tracking monthly fee statements, with a view to bring more convenient and safer service experience to property owners and residents.

(5) Improving management structure to enhance management efficiency

During the Year, with an aim to improve organizational management efficiency, the Company has solidified its service management standards, standardised its staff management actions where the steps and standard of the management actions will be provided and the employees shall follow such steps and standard when performing the management actions accordingly, reduced human errors to a minimum, and ensured the consistency of services. The flattening of management structure brings more effective management, more efficient service delivery, higher service quality and higher customer satisfaction.

IV. STRATEGY AND PROSPECT

With the steady growth of existing business and the expansion of business models, the economy of scale of the Company will sustain and performance growth of the Company will become more certain. The Company will continue to focus on the business directions of "strengthening foundation, adjusting structure, and enhancing growth (夯基礎，調結構，促增長)", integrating high-quality resources, enriching the business structure, enhancing profitability, improving customer satisfaction and establishing brand reputation, so as to create more value for our shareholders (the "Shareholders") and society.

(1) Maintain high quality of fundamental property management services and strengthen core competitiveness

The Company will continue to be oriented by customer satisfaction and to constantly optimize its quality control, so as to maintain our competitive advantage with quality fundamental property management services. In the future, the Company will continue to grasp its competitive advantages to effectively boost rapid development of the Company.

(2) Further expand the scale of our property management services business through multiple channels

The Company intends to expand its market shares by relying on better service quality and enterprise credit, and by taking advantage of its state-owned background to strengthen cooperation with government departments and state-owned enterprises.

The Company seeks to achieve business expansion mainly through organic growth by leveraging our existing business relationship and coverage with the cooperative property developers, as well as by proactively obtaining new engagements from independent third party property developers, through capitalising its brand value and securing business opportunities from provision of value-added services to non-property owners.

The Company will also explore selective investments in or acquisitions of other property management companies in the PRC, focusing on companies that are consistent with its brand image and market positioning and increase the depth and breadth of its service offerings and managed property portfolio.

(3) Continue to deliver a diverse range of high-quality and in-depth value-added services

The Company intends to continue to develop its value-added services business to improve customer living experience and satisfaction, as well as enhancing its service innovation and value creation capability in building a personalized community ecosystem, including:

1. Utilise expertise of the Company in information technologies for property management services and community value-added and synergy services and provide consultancy services to other property management companies to improve the scalability of the Company's business;

2. Further explore and address the evolving needs of property owners and residents to bring convenience to their daily lives as well as to add value to community assets. The Company also intends to promote the property agency business for the unsold property units of the property developers and home furniture services;

3. Provide elderly-care services to elderly by leveraging on our advantages in property management and further develop elderly-care & health value-added services to enjoy synergies; and

4. Further develop our online shopping platform "C&D Property Zhenxuan* (建發物業臻選)" to provide online and offline value-added services to meet the increasingly diversified service needs of our customers.

(4) Actively upgrade information technology and smart management to promote efficiency and profitability

The Company will continue to realise standardisation, automation, smart management and upgrade information technology with a view to strengthen operating efficiency continuously, and control costs effectively and improve profitability.

(5) Explore new growth potential and enrich business structure

The Company will actively explore investment opportunities with certain development prospect and growth potential to interact with property management services, and enrich its business structure by various means such as mergers and acquisitions when appropriate to enhance the Group's income mix and profitability level.

(6) Establish interactive channels with capital market to promote corporate value

The Company will actively establish channels for interactive communication with investors to promote corporate value to investors proactively and construct effective communication method with capital market, so as to maintain corporate governance level with high transparency.

V. APPRECIATION

The continuous development of the Company's business in future will depend on the trust and support from all our shareholders, investors and business partners, as well as the dedication and diligence of our entire staff, especially frontline staff staying firmly at their positions during the pandemic. I would like to express my gratitude on behalf of the Board.

C&D Property Management Group Co., Ltd
Zhuang Yuekai
Chairman and Non-executive Director

Hong Kong, 26 March 2021

1. MARKET REVIEW

The outbreak of COVID-19 has impacted on China's macroeconomy and certain industries such as property development and service during early 2020. Benefited from effective control of the epidemic by the Chinese government, the macroeconomy in the PRC recovered orderly and the business environment for the service industry gradually improved. The outbreak of COVID-19 did not have any material adverse impact on our business operation and financial positions for the Year. To prevent the spread of COVID-19 in properties under our management, since late January 2020, we have quickly set up epidemic prevention and control leadership teams at all levels and formulated contingency plans. We took a series of preventive measures such as regular disinfection, measuring body temperature of property owners/residents and visitors, implementing strict access control, and using our mobile application "Huishenghuo* (慧生活)" to provide contactless door unlocking services to protect the safety of property owners and residents in properties under our management. Our prevention efforts were broadly recognised by property owners and relevant government departments. Meanwhile, we have established health profile for our employees and provided sufficient epidemic prevention supplies for resumption of business. During the Year, no employee was infected by COVID-19 during the whole epidemic prevention work.

In 2020, as people's living standard improved, the requirement for living environment and quality kept rising and quality of property service has become more and more concerning. The real estate industry has transformed from simply providing after-sales services for real estate to intervening in many major segments such as real estate development and sales and after-sales services, taking substantial part in real estate consumption. The Company developed new businesses in smart communities, community elderly care services, asset management, and online shopping platforms by utilising its resources under management. The Company has also leveraged on its reputation for quality services to attract more partners and continue to expand its business scale to facilitate its steady and rapid development.

2. BUSINESS REVIEW

(1) Overview

In May 2020, we were honoured as one of the "Top 100 Property Management Companies in the PRC" by China Index Academy and ranked 36th in terms of overall strength in the industry, with five places improved as compared with 2019. Through upholding our service philosophy of "exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)", we envisage to become an outstanding property management services provider in the PRC and are committed to becoming "a first class urban service operator in the PRC (國內一流的城市空間運營服務商)".

As at 31 December 2020, our property management portfolio covered 26 cities across 11 province(s), municipality(ies) and autonomous region(s) in the PRC, including tier-one cities, such as Beijing, Shanghai, Guangzhou and Shenzhen. Our contracted GFA was approximately 47.2 million sq.m., among which, the GFA under management reached approximately 25.6 million sq.m.. As at 31 December 2020, we provided services to over 160,000 property units.

Our three main business lines, namely, (i) property management services; (ii) community value-added and synergy services; and (iii) value-added services to non-property owners, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

(2) Property Management Services

We provided a range of property management services to property owners and residents of our managed properties as well as property developers, including greening, gardening and order maintenance for public areas, cleaning, parking management, repair and maintenance services for public facilities, etc.. Our property management portfolio covered residential properties and non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools, etc.. We charged property management fees primarily on a lump-sum basis, with a comparatively fewer amount of total revenue charged on a commission basis.

For the Year, our Group's revenue from property management services was approximately RMB578.5 million, representing an increase of approximately 19.0% from approximately RMB486.3 million for the year ended 31 December 2019. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management.

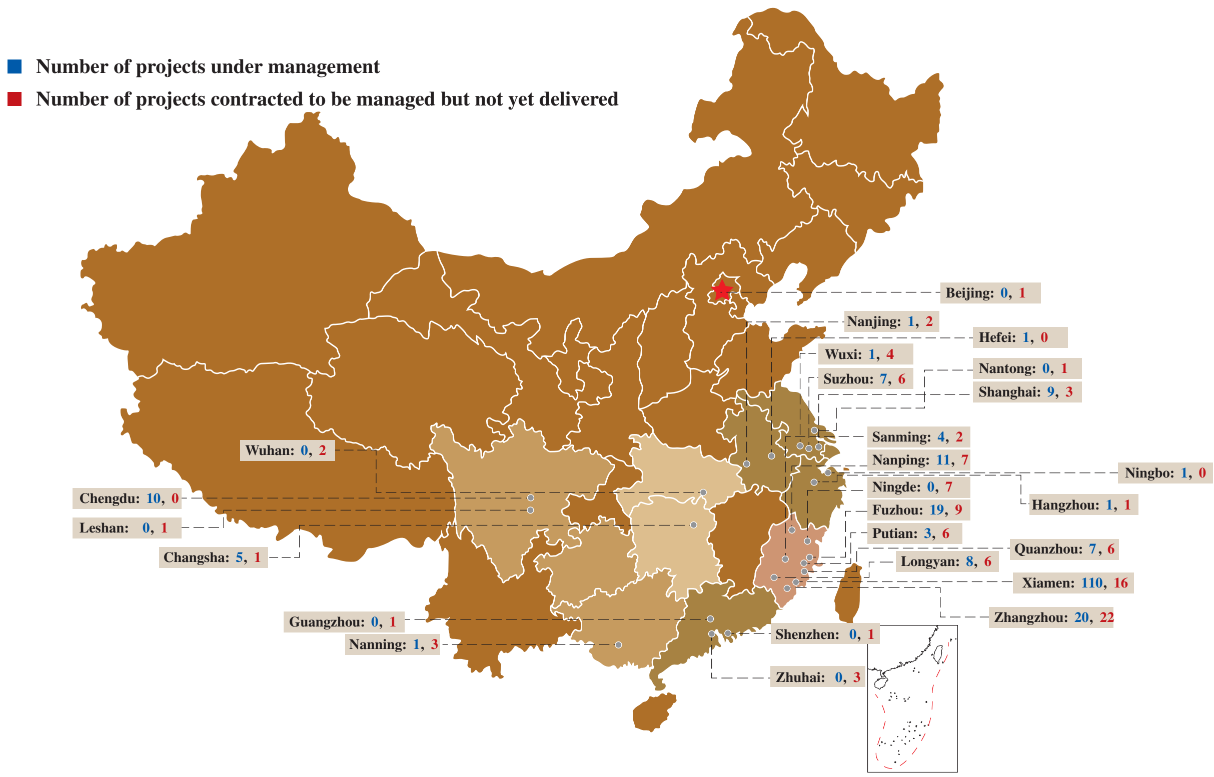
GFA and the number of projects

As at 31 December 2020, we had contracted GFA of approximately 47.2 million sq.m., and our number of contracted projects was 330, representing an increase of approximately 36.0% and 23.1% respectively as compared with those as at 31 December 2019 (as at 31 December 2019: approximately 34.7 million sq.m., and 268). As at 31 December 2020, the GFA under management reached approximately 25.6 million sq.m., and number of projects under management was 219, representing an increase of approximately 23.7% and 12.3% respectively as compared with those as at 31 December 2019 (as at 31 December 2019: approximately 20.7 million sq.m., and 195).

Geographic Coverage

As at 31 December 2020, we had 330 contracted projects covering 26 cities across 11 province(s), municipality(ies) and autonomous region(s) in the PRC, with 219 projects under management, covering 18 cities, serving over 160,000 property units.

The map below illustrates the geographic coverage of the properties under our management as at 31 December 2020 in terms of (i) contracted GFA; and (ii) GFA under management, respectively:



The table below sets out breakdown of the Group's contracted GFA and GFA under management by geographic region as at 31 December 2020 and 2019:

	As at 31 December			
	2020		2019	
	Contracted GFA '000 sq.m.	**GFA under management '000 sq.m.**	Contracted GFA '000 sq.m.	GFA under management '000 sq.m.
Haixi *(Note 1)*	**23,284**	**14,066**	18,824	12,259
South-eastern China *(Note 2)*	**10,330**	**5,550**	8,061	4,280
Eastern China *(Note 3)*	**7,255**	**3,107**	3,813	1,942
Central China *(Note 4)*	**4,728**	**2,813**	2,970	2,191
Southern China *(Note 5)*	**1,636**	**105**	1,019	–
Total	**47,233**	**25,641**	34,687	20,672

Notes:

(1) As at 31 December 2020 and 2019, Haixi included Xiamen, Longyan, Zhangzhou, Quanzhou and Putian.

(2) As at 31 December 2020, South-eastern China included Fuzhou, Nanping, Sanming, Ningde and Beijing. As at 31 December 2019, South-eastern China included Fuzhou, Nanping, Sanming and Ningde.

(3) As at 31 December 2020, Eastern China included Shanghai, Suzhou, Ningbo, Wuxi, Hefei, Hangzhou, Nanjing and Nantong. As at 31 December 2019, Eastern China included Shanghai, Suzhou, Wuxi, Hefei, Nanjing and Huzhou.

(4) As at 31 December 2020, Central China included Changsha, Chengdu, Wuhan and Leshan. As at 31 December 2019, Central China included Changsha, Chengdu and Wuhan.

(5) As at 31 December 2020 and 2019, Southern China included Nanning, Guangzhou, Zhuhai and Shenzhen.

Source of Projects

As at 31 December 2020, the contracted GFA for property management services with Xiamen C&D Corporation Limited* (廈門建發集團有限公司) ("Xiamen C&D") and its subsidiaries, associates and joint ventures (excluding our Group) ("Xiamen C&D Group") was approximately 27.2 million sq.m., representing an increase of approximately 38.8% from approximately 19.6 million sq.m. as at 31 December 2019.

While maintaining close business relationship with Xiamen C&D Group, we also further expanded the scale of our property management service business and increased our market shares in the industry through multiple channels. As at 31 December 2020, our contracted GFA for property management services to independent third parties was approximately 20.0 million sq.m., representing an increase of approximately 32.5% from approximately 15.1 million sq.m. as at 31 December 2019.

The table below sets out the Group's GFA under management as at 31 December 2020 and 2019 and the breakdown of our revenue from our property management services derived from property projects by property developers for each of the years ended 31 December 2020 and 2019:

	As at 31 December or for the year ended 31 December					
	2020			2019		
	GFA under management '000 sq.m.	**Revenue RMB'000**	**% of revenue**	GFA under management '000 sq.m.	Revenue RMB'000	% of revenue
Xiamen C&D Group	**15,167**	**340,616**	**58.9**	11,240	293,302	60.3
Independent third parties	**10,474***(Note)*	**237,845**	**41.1**	9,432*(Note)*	193,012	39.7
Total	**25,641**	**578,461**	**100.0**	20,672	486,314	100.0

Note: The GFA under management included C&D Yibai Elderly Care Centre* (建發溢佰養老中心) ("Yibai Centre") operated by the Group.

Types of the Managed Properties

We historically focused on providing property management services to residential communities in the PRC, but we also endeavoured to diversify our property management portfolio by extending our services to an increasing variety of non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools. As at 31 December 2020, our contracted GFA for non-residential properties was approximately 3.3 million sq.m., representing an increase of approximately 3.1% from approximately 3.2 million sq.m. as at 31 December 2019.

The table below sets out the GFA under management as at 31 December 2020 and 2019 and the breakdown of our revenue from our property management services by type of property for each of the years ended 31 December 2020 and 2019:

	As at 31 December or for the year ended 31 December					
	2020			2019		
	GFA under management ’000 sq.m.	**Revenue RMB’000**	**% of revenue**	GFA under management ’000 sq.m.	Revenue RMB’000	% of revenue
Residential	**23,173**	**425,136**	**73.5**	17,927	348,203	71.6
Non-residential	**2,468**(Note)	**153,325**	**26.5**	2,745	138,111	28.4
Total	**25,641**	**578,461**	**100.0**	20,672	486,314	100.0

Note: The decrease in GFA under management of non-residential properties as at 31 December 2020 as compared with that as at 31 December 2019 was mainly attributable to our voluntary non-renewal of certain property management service contracts as we reallocated our resources to more profitable contracts to optimise our property management portfolio.

Revenue Model

We generally determined the revenue model of property management services based on the following factors, including but not limited to: (i) the type(s), scale(s) and location(s) of properties to be managed; (ii) the nature and scope of the services to be provided; (iii) expected personnel and material inputs; and (iv) arm’s length negotiation with our customers. During the Year, we mainly charged property management fees on a lump-sum basis, while a few property management service projects were charged on commission basis.

The table below sets out the GFA under management as at 31 December 2020 and 2019 and the breakdown of our revenue from our property management services by revenue model for each of the years ended 31 December 2020 and 2019:

	As at 31 December or for the year ended 31 December					
	2020			2019		
	GFA under management '000 sq.m.	**Revenue RMB'000**	**% of revenue**	GFA under management '000 sq.m.	Revenue RMB'000	% of revenue
Lump-sum basis	**24,944**	**552,449**	**95.5**	19,965	456,286	93.8
Commission basis	**697**	**26,012**	**4.5**	707	30,028	6.2
Total	**25,641**	**578,461**	**100.0**	20,672	486,314	100.0

(3) Community Value-added and Synergy Services

We provided a variety of community value-added and synergy services mainly by ourselves or third-party sub-contractors or service companies. The services mainly included: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of the Yibai Centre; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application "Huishenghuo* (慧生活)".

For the Year, the Group's revenue from community value-added and synergy services was approximately RMB120.5 million, representing an increase of approximately 50.2% from approximately RMB80.2 million for the year ended 31 December 2019. The increase was mainly due to the increase of our management area which brought about a growing customer base and continued provision of diversified services. For example, we launched our online shopping platform "C&D Property Zhenxuan* (建發物業臻選)" to provide a better customer experience for property owners and residents and enhance their satisfaction and loyalty.

The table below sets out the breakdown of our revenue derived from the provision of different types of community value-added and synergy services for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	Revenue RMB'000	**%**	Revenue RMB'000	%
Smart community services	**22,510**	**18.7**	21,245	26.5
Home living services	**40,798**	**33.8**	22,865	28.5
Home beauty services	**11,596**	**9.6**	3,984	5.0
Real estate brokerage and asset management services	**10,238**	**8.5**	5,056	6.3
Value-added services for public areas	**31,809**	**26.4**	27,071	33.7
Elderly-care & health value-added services *(Note)*	**3,577**	**3.0**	–	–
Total	**120,528**	**100.0**	80,221	100.0

Note: As Xiamen Bairui Health Industry Company Limited* (廈門市佰睿健康產業有限公司) ("Xiamen Bairui"), the operating subsidiary responsible for operation of the Yibai Centre, became our subsidiary on 29 June 2020, the revenue from elderly-care & health value-added services before the completion of acquisition was not included in the table above.

(4) Value-added Services to Non-property Owners

We mainly provided (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

For the Year, the Group's revenue from value-added services to non-property owners was approximately RMB329.6 million, representing an increase of approximately 40.4% from approximately RMB234.8 million for the year ended 31 December 2019. The increase was mainly due to an increase in number of projects developed by cooperative property developers which in turn resulted in an increased demand for value-added services to non-property owners.

The table below sets out the breakdown of our revenue from our value-added services to non-property owners for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	Revenue RMB'000	**%**	Revenue RMB'000	%
Consultancy services	**3,866**	**1.2**	1,790	0.8
Reception, order maintenance and cleaning services	**325,719**	**98.8**	233,005	99.2
Total	**329,585**	**100.0**	234,795	100.0

3. FINANCIAL REVIEW

Revenue

For the Year, due to our continuous business development, the Group's revenue was approximately RMB1,028.6 million, representing an increase of approximately 28.4% from approximately RMB801.3 million for the year ended 31 December 2019.

The table below sets out the revenue of the Group by business line for each of the years ended 31 December 2020 and 2019:

	For the year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Property management services	**578,461**	**56.3**	486,314	60.7
Community value-added and synergy services	**120,528**	**11.7**	80,221	10.0
Value-added services to non-property owners	**329,585**	**32.0**	234,795	29.3
Total	**1,028,574**	**100.0**	801,330	100.0

The property management services were our largest source of revenue. During the Year, the revenue from property management services was approximately RMB578.5 million, accounting for approximately 56.3% of the Group's total revenue. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. During the Year, our total GFA under management increased from approximately 20.7 million sq.m. as at 31 December 2019 to approximately 25.6 million sq.m. as at 31 December 2020, which was resulted from both our steady cooperation with cooperative property developers and our efforts to expand the third-party customer base.

The revenue from community value-added and synergy services increased by approximately 50.2% from approximately RMB80.2 million for the year ended 31 December 2019 to approximately RMB120.5 million for the Year, which was mainly due to the increase of our management area which brought about a growing customer base and continued provision of diversified services. During the Year, the Group further optimised the business structure, and revenue from community value-added and synergy services maintained a constant upward trend.

The revenue from value-added services to non-property owners increased by approximately 40.4% from approximately RMB234.8 million for the year ended 31 December 2019 to approximately RMB329.6 million for the Year, which was mainly due to an increase in number of projects developed by cooperative property developers which in turn resulted in an increased demand for value-added services to non-property owners. During the Year, the Group continued to strengthen cooperation with developers to provide innovative services, assist marketing as well as provide professional and quality services.

Cost of sales

Cost of sales increased by approximately 25.7% from approximately RMB617.9 million for the year ended 31 December 2019 to approximately RMB776.9 million for the Year, primarily due to the increase of various kinds of costs as a result of the scale-up of our business. The increase in cost of sales was mainly due to the increase of our management scale.

Gross profit

As a result of the above principal factors, the Group's gross profit increased by approximately 37.2% from approximately RMB183.4 million for the year ended 31 December 2019 to approximately RMB251.7 million for the Year, with gross profit margin of 22.9% and 24.5% respectively. The increase in gross profit margin was mainly due to the optimisation of structure and smart transformation we promoted as well as the concession of social insurance by the government under the COVID-19 epidemic. We will continue to proactively apply technical and administrative measures to enhance operation efficiency and control cost effectively.

Other income

Other income increased from approximately RMB7.9 million for the year ended 31 December 2019 to approximately RMB26.2 million for the Year, mainly due to the gains on change in fair value of financial assets at fair value through profit and loss and the gain on disposal of financial assets measured at fair value through profit and loss in a sum of RMB15.8 million. The gains were resulted from the Group's early redemption of receipts under securitisation arrangements.

Selling and marketing expenses

For the Year, the Group's selling and marketing expenses were approximately RMB1.7 million, representing an increase of approximately 183.3% as compared with approximately RMB0.6 million for the year ended 31 December 2019, mainly due to an increase of advertising expenses, which was the major component of the Group's selling and marketing expenses. The increase of advertising expenses was mainly due to the increase of investment on promotion for business expansion.

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly included staff cost, travelling and entertainment expenses, consultancy fee, telecommunication and utilities, depreciation, office expenses and other expenses (mainly including bank handling fees, gains and losses on disposal of assets and insurance fees).

During the Year, the Group's total administrative and other operating expenses amounted to approximately RMB136.7 million, representing an increase of approximately 19.9% from approximately RMB114.0 million for the year ended 31 December 2019, which was mainly due to the growth of our business volume, increase in headcount and average wages of administration staff as well as increase in office expenses, insurance fees, business tender fees (業務開拓費用) due to expansion of our business scale.

Net provision for ECL allowance on trade and other receivables

The Group's net provision for ECL allowance on trade and other receivables decreased from approximately RMB1.7 million for the year ended 31 December 2019 to approximately to RMB0.3 million for the Year, mainly due to the adoption of a series of measures to actively recover trade receivables from previous years.

Net finance income

The Group's net finance income mainly included interest income on bank deposit, interest income on amounts due from related parties, net of interest charges on receipts under securitisation arrangements, loss on early redemption on receipts under securitisation arrangements and lease liability interest relating to lease liabilities arising from leased properties used for office. During the Year, the Group's net finance income was approximately RMB15.7 million, representing a decrease of approximately 24.5% as compared with approximately RMB20.8 million for the year ended 31 December 2019, mainly due to (1) decrease in interest expense on receipts under securitisation arrangements of approximately RMB19.9 million as the early redemption of receipts under securitisation arrangements; (2) decrease in interest income of approximately RMB9.9 million because of the decrease of the amounts due from related parties as a result of the repayment of the receipts under securitisation arrangements; (3) the Group's early redemption of receipts under securitisation arrangements and incurred losses of approximately RMB15.1 million. The losses were the difference between carrying amounts stated at amortised cost of the receipts under securitisation arrangements and the repayments amounts. The losses and gains on change in fair value of financial assets at fair value through profit and loss and the gain on disposal of financial assets measured at fair value through profit and loss under other incomes in a sum of approximately RMB15.8 million were all resulted from the early redemption of receipts under securitisation arrangements.

Profit before income tax

Due to the combined effect of the abovementioned, for the Year, the profit before income tax was approximately RMB143.9 million, representing an increase of approximately 53.6% as compared with approximately RMB93.7 million for the year ended 31 December 2019.

Income tax expense

Income tax expense increased from approximately RMB25.4 million for the year ended 31 December 2019 to approximately RMB37.0 million for the Year, representing an increase of approximately 45.7%. The increase was mainly attributable to an increase in the Group's profit before tax due to growth of business.

Profit attributable to equity holders of the Company

The profit attributable to equity holders of the Company for the Year was approximately RMB106.1 million, representing an increase of approximately 55.6% as compared with approximately RMB68.2 million for the year ended 31 December 2019.

Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of leasehold improvement, electronic equipment and other fixed assets. As at 31 December 2020, the Group's property, plant and equipment amounted to approximately RMB27.3 million, representing an increase of approximately 200.0% from approximately RMB9.1 million as at 31 December 2019, which was mainly due to Xiamen Bairui becoming our subsidiary on 29 June 2020.

Trade and other receivables

The Group's trade and other receivables were mainly from property management services income from properties managed on a lump-sum basis and trade receivables of value-added services as well as other receivables from payments on behalf of property owners in respect of utilities and maintenance costs. As at 31 December 2020, the Group's trade and other receivables were approximately RMB135.1 million, representing an increase of approximately 75.0% as compared with approximately RMB77.2 million as at 31 December 2019, which was mainly due to expansion of our management scale.

Cash and cash equivalents

As at 31 December 2020, the Group's cash and cash equivalents were approximately RMB886.2 million, representing an increase of approximately RMB829.1 million from approximately RMB57.1 million as at 31 December 2019. The increase was mainly due to settlement of our related current account (關聯往來款) and recovery of self fundings in December 2020.

Trade and other payables

The Group's trade and other payables mainly included trade payables, amounts collected on behalf of property owners, received deposits (保證金) and accrued staff costs and welfares. As at 31 December 2020, our trade and other payables were approximately RMB446.9 million, representing an increase of approximately 42.6% from approximately RMB313.5 million as at 31 December 2019, which was mainly due to the increase of our management scale and employees headcounts.

Contract liabilities

Contract liabilities of the Group were service prepayment paid by customers for the services which had not been provided and not been recognised as revenue. As at 31 December 2020, our contract liabilities amounted to approximately RMB178.2 million, representing an increase of approximately 49.2% from approximately RMB119.4 million as at 31 December 2019, primarily due to the increase in projects under management during the Year.

Liquidity and financial resources

The Group continued to satisfy its requirement for working capital, capital expenditure and other capital requirement through cash generated from its operation. During the Year, the Group's net cash from operating activities was approximately RMB286.7 million, representing a significant increase of approximately 84.6% as compared with approximately RMB155.3 million for the year ended 31 December 2019, mainly due to an increase in our operating profits and adoption of a series of measures to accelerate receipt of payments.

As at 31 December 2020, the net current assets of the Group was approximately RMB375.6 million, representing a decrease of approximately RMB640.4 million from net current assets of approximately RMB1,016.0 million as at 31 December 2019, mainly due to the early redemption of receipts under securitisation arrangements of approximately RMB902.8 million in 2020. As at 31 December 2020, the Group's current ratio was approximately 1.6x (total current assets divided by total current liabilities) (as at 31 December 2019: approximately 3.2x).

As at 31 December 2020, the Group's gearing ratio (sum of current liabilities and non-current liabilities divided by sum of current assets and non-current assets) decreased to approximately 62.2% (as at 31 December 2019: approximately 88.6%).

As at 31 December 2020, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans (as at 31 December 2019: approximately RMB902.8 million).

Principal Risks and Uncertainties

Government Policy Risk

The Company's business growth is, and will likely continue to be, affected by the PRC government regulations of our industry. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. Through these policies and measures, the PRC government may restrict or reduce property development activities and affect the delivery schedule and occupancy rates of the properties we provide services. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. The group will continue to enrich the business structure to ensure a stable property management revenue, thereby minimizing the impact.

Future Acquisition or Expansion Risk

In addition to our organic growth, when suitable opportunities arise, the Company will also explore selective investments in or acquisitions of other property management companies in the PRC. However, there can be no assurance that the Company will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including but not limited to, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if the Company manages to identify suitable opportunities, the Company may not be able to complete the acquisitions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects. Given the above, the Company will identify acquisition targets in a cautious manner.

Contingent liabilities

As at 31 December 2020, the Group had no significant contingent liabilities.

Interest rate risk

As the Group had no significant interest-bearing assets and liabilities for the Year, the Group was not exposed to material risk directly relating to changes in market interest rate.

Foreign exchange risk

The principal activities of the Group were conducted in the PRC, and a majority of the Group's income and expenses were denominated in Renminbi. Therefore, the Group was not exposed to material risk directly relating to foreign exchange rate fluctuation except certain bank balances were denominated in Hong Kong dollars. During the Year, the Group did not enter into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Events After Reporting Period

As at the date of this report, the Group did not have material subsequent events after the reporting period.

Employment and remuneration policy

The Group adopted remuneration policies similar to its peers in the industry. The remuneration payable to our staff was fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments was paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees.

The same remuneration philosophy is applicable to the Directors. Apart from benchmarking against the market, the Company reviews individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

As at 31 December 2020, the Group had 7,488 employees (as at 31 December 2019: 6,557 employees).

4. OUTLOOK AND PROSPECT

Due to the outbreak of COVID-19, macroeconomic conditions and certain industries in the PRC were affected in early 2020. Under the effective control measures of the PRC government, the economic environment and property management industry in PRC (including Fujian Province) have recovered. The Group expects there will be no significant adverse effect on our future business operation. The outbreak changed lifestyle and consumer habits of people in a short period of time and brought many new business opportunities and consumer experience, drawing more attention to property management services. At the end of 2020, the Ministry of Housing and Urban-Rural Development and ten other ministries and commissions jointly issued the "Circular on Strengthening and Improving Residential Property Management (關於加強和改進住宅物業管理工作的通知)". The policy provides comprehensive guidance on quality development of the residential property market and establishes a layout of joint construction, joint administration and sharing, which will facilitate better development of property management enterprises with established management systems and high service quality. The Company will continue to uphold our service philosophy of "exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)". We are constantly reforming to enhance our core corporate competitiveness, with a view to achieve sustainable effective growth.

(1) Maintaining quality property management services and enhancing core competitiveness

In respect of quality of property management services, the Group will continue to optimise its property management quality to maintain its competitive advantage in quality fundamental property management services. In the future, the Group will continue to grasp its advantages to effectively boost rapid development of the Company.

(2) Optimising of property management services portfolio by further expanding business scale through multiple channels

For expansion of business scale, the Group will continue deeply cultivate in the Fujian province, develop layouts in core cities in Yangtze River Delta and nurture in Southern China. We plan to enhance expansion capability of single project through open tenders; strengthen cooperation with government and state-owned enterprises to solidify our expansion in urban services and other aspects. We will also seek to invest in or acquire other property companies which conform with our brand image and market position and can enrich and optimise our service content and property service portfolio.

(3) Constantly providing diversified quality and in-depth value-added services

The Group will further develop community value-added and synergy services, increase effort to develop at-the-close order (尾盤) sales agency services as well as deeply cultivate in home living services, real estate brokerage and asset management services, etc., and proactively develop online retailing and elderly-care & health value-added services, in order to satisfy the ever-changing demand of property owners and residents to enhance satisfaction and loyalty of customers. The Group also intends to utilise our information technology speciality on property management services and value-added services as well provision of consultancy services to other property management companies, with a view to enhance our business development capability.

(4) Optimising information technology and management process continuously to achieved optimal cost efficiency

The Group will continue to upgrade its information technology system through standardisation, automation and intellectualisation. It will also optimise its management process, including continuous flattening of group structure, so that we can achieve continuation of quality services to customers, enhancement of operational efficiency and effective cost control at the same time.

In summary, the Group will continue to improve its core corporate competitiveness, expand its business scale, improve operational efficiency and profitability, to achieve effective rapid growth and continuously enhance corporate and shareholder values.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

Mr. Zhuang Yuekai (庄躍凱先生) ("Mr. Zhuang"), aged 56, was appointed as our Director from 22 September 2020 until his re-designation as our non-executive Director and chairman of the Board on 28 September 2020.

Mr. Zhuang has joined Xiamen C&D since July 1986 and worked in C&D Real Estate Corporation Limited* (建發房地產集團有限公司) ("C&D Real Estate") since July 1998. Mr. Zhuang has been vice-general manager and a member of the party committee in Xiamen C&D since August 2001 and September 2001, respectively. Mr. Zhuang has been the chairman of the board and the secretary of party committee in C&D Real Estate since October 2002 and October 2012, respectively. Mr. Zhuang has been the chairman of the board of C&D International Investment Group Limited ("CDI") and an executive director of CDI since February 2015.

Xiamen C&D is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate. C&D Real Estate is the holding company of Well Honour International Limited (益鴻國際有限公司) ("Well Honour") which, in turn, is the holding company of Well Land International Limited (益能國際有限公司) ("Well Land"), a controlling shareholder of the Company.

Mr. Zhuang was recognised as a senior engineer by the Review Committee for Senior Profession on Engineering Technology of Xiamen* (廈門市工程技術高級職務任職資格評審委員會) in December 2001. Mr. Zhuang has been a recipient of a special government allowance by the State Council of the PRC since February 2013.

Mr. Zhuang obtained a bachelor's degree in industrial and civil architecture from Fuzhou University in 1986. Mr. Zhuang completed a course in business administration offered by Tsinghua University in December 2001.

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Ms. Qiao Haixia (喬海俠女士) ("Ms. Qiao"), aged 45, was appointed as our Director from 22 September 2020 until her re-designation as our executive Director on 28 September 2020. She was also appointed as our chief executive officer on 28 September 2020.

Ms. Qiao has over 21 years of experience in the property management business. Ms. Qiao worked as a property management staff in Huijia (Xiamen) Property Management Company Limited* (匯嘉(廈門)物業管理有限公司) ("Huijia") from December 1999 to May 2003. From February 2005 to May 2015, Ms. Qiao held different positions including manager of property management department, assistant to general manager, vice general manager, general manager in Yijiayuan (Xiamen) Property Management Company Limited* (怡家園(廈門)物業管理有限公司) ("Yijiayuan"), and she has been the chairperson of the board of directors of Yijiayuan since May 2015. Ms. Qiao has also worked as the chairperson of the board of directors of Huijia since May 2015. Ms. Qiao has been a member of the party committee of C&D Real Estate since September 2017. Ms. Qiao has been the chairperson of the board in C&D Property Service Group Limited* (建發物業服務集團有限公司) ("C&D Property Service") since February 2018.

C&D Real Estate is the holding company of Well Honour which, in turn, is the holding company of Well Land, a controlling shareholder of the Company.

Ms. Qiao was recognised as a certified intermediate property manager by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) in February 2014.

Ms. Qiao obtained a bachelor's degree in accounting (foreign trade accounting) in Northeastern University in 1999.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTOR

Mr. Huang Danghui (黃黨輝先生) ("Mr. Huang"), aged 49, was appointed as our Director from 22 September 2020 until his re-designation as our executive Director on 28 September 2020.

Mr. Huang has over 22 years of experience in the property management business. Mr. Huang worked as a project manager in Huijia from April 1999 to March 2005. From March 2005 to April 2018, Mr. Huang held different positions including manager of service centre, assistant to general manager, vice general manager, general manager and director of Yijiayuan. Mr. Huang has been the general manager in C&D Property Service since February 2018, and the general manager and director of Yijiayuan since April 2020.

Mr. Huang obtained a diploma in international finance from Xiamen University in 1993.

NON-EXECUTIVE DIRECTOR

Mr. Lin Weiguo (林偉國先生) ("Mr. Lin"), aged 42, was appointed as our Director from 22 September 2020 until his re-designation as our non-executive Director on 28 September 2020.

Mr. Lin worked as a financial manager, manager, regional sales director of a branch of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870), from March 2000 to September 2007, where Mr. Lin was responsible for regional financial work and business management work of the relevant company. Mr. Lin has joined C&D Real Estate since September 2007 and worked as a financial controller from July 2013 to January 2016, and an assistant to general manager from February 2016 to January 2017. Mr. Lin has been a deputy general manager, a member of the party committee and a director in C&D Real Estate since February 2017, September 2017 and April 2019, respectively. Mr. Lin worked as the financial controller in CDI from March 2015 to March 2016 and was the chief operating officer of CDI from March 2016 to March 2019. Mr. Lin has been an executive director and the chief executive officer of CDI since March 2019.

Xiamen C&D is the holding company of Xiamen C&D Inc., a company listed on Shanghai Stock Exchange (stock code: 600153). Xiamen C&D Inc. is the holding company of C&D Real Estate. C&D Real Estate is the holding company of Well Honour which, in turn, is the holding company of Well Land, a controlling shareholder of the Company.

Mr. Lin was recognised as a senior economist by Senior Position Review Committee of Economics in Xiamen in August 2015 and senior accountant by Fujian Human Resources and Social Security Bureau in August 2016.

Mr. Lin obtained a bachelor's degree in accounting from Anhui University of Finance and Economics in July 2010.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Cheung Kwok Kwan, J.P. (張國鈞先生，太平紳士) ("Mr. Cheung"), aged 46, was appointed as our independent non-executive Director on 23 December 2020.

Mr. Cheung is a practising solicitor of the High Court of Hong Kong with 20 years of post-qualification experience in the legal profession. Mr. Cheung started his career as a trainee solicitor at Wilkinson & Grist from August 1998 to July 2000. He then worked as an assistant solicitor at various law firms, including: (i) Tsang, Chan & Wong from October 2000 to August 2001; (ii) Haldanes from October 2001 to December 2002; and (iii) Christine M. Koo & Ip, Solicitors & Notaries LLP from December 2002 to November 2003. From November 2003 to April 2004, Mr. Cheung was a consultant of Leung & Lau (formerly known as Jonathan Lau & Co). He joined Cheung & Liu, Solicitors (formerly known as Clarence Wong, Cheung & Liu) as a consultant from April 2004 to June 2012. He has been a partner of Cheung & Yeung, Solicitors since June 2012, and is also a civil celebrant of marriage and China-Appointed Attesting Officer in Hong Kong. Mr. Cheung served as an independent non-executive director of Innovax Holdings Limited, a company listed on the Stock Exchange (stock code: 2680), from August 2018 to February 2020. Mr. Cheung served as an independent non-executive director of Hang Yick Holdings Company Limited, a company listed on the Stock Exchange (stock code: 1894), from September 2018 to September 2020.

Mr. Cheung was an elected member of Central and Western District Council from January 2012 to December 2019 and was appointed as a Justice of the Peace in July 2014. Mr. Cheung has been appointed as a non-official member of the Executive Council of Hong Kong since July 2017. Mr. Cheung was a member of the Housing Authority of Hong Kong from April 2015 to March 2021 and has served as a director of the Hong Kong Mortgage Corporation Limited since April 2016.

Mr. Cheung was recognised as a China-Appointed Attesting Officer by the Ministry of Justice of the PRC in December 2015 and a Civil Celebrant of Marriages in Hong Kong by the Immigration Department of Hong Kong since October 2014.

Mr. Cheung obtained a bachelor's degree in laws and postgraduate certificate in laws from the City University of Hong Kong in November 1997 and August 1998, respectively. He was admitted as a solicitor of the High Court of Hong Kong in September 2000.

Mr. Lee Cheuk Yin Dannis (李卓然先生), aged 50, was appointed as our independent non-executive Director on 23 December 2020.

Mr. Lee Cheuk Yin Dannis has served as the managing director of DLK Advisory Limited, a company engaged in financial advisory and investment consulting services, since October 2009. Mr. Lee served as an executive director of AMVIG Holdings Limited, a company listed on the Stock Exchange (stock code: 2300), from September 2001 to March 2010; an executive director and a non-executive director of BeijingWest Industries International Limited, a company listed on the Stock Exchange (stock code: 2339), from October 2003 to August 2005 and August 2005 to January 2009, respectively; and an executive director of AMCO United Holdings Limited, a company listed on the Stock Exchange (stock code: 630), from October 2010 to October 2011.

Mr. Lee Cheuk Yin Dannis has been an independent non-executive director and chairman of audit committee of Geely Automobile Holdings Limited, a company listed on the Stock Exchange (stock code: 175), since June 2002; an independent non-executive director and chairman of audit committee of Tiangong International Company Limited, a company listed on the Stock Exchange (stock code: 826), since September 2010; an independent non-executive director of CMBC Capital Holdings Limited, a company listed on the Stock Exchange (stock code: 1141), since June 2017; an independent director of Gridsum Holdings Inc, the American depository shares of which are listed on NASDAQ (stock code: GSUM) since April 2019; and an independent non-executive director of Cathay Media and Education Group Inc., a company listed on the Stock Exchange (stock code: 1981), since June 2020. He was also an independent non-executive director of Southern Energy Holdings Group Limited, a company listed on the Stock Exchange (stock code: 1573), from June 2016 to October 2019.

Mr. Lee Cheuk Yin Dannis obtained a bachelor's degree in business administration from Texas A&M University in the United States in October 1992. Mr. Lee has become an associate member of the Hong Kong Institute of Certified Public Accountants since June 1996 and a member of the American Institute of Certified Public Accountants since April 1995. Mr. Lee possesses over 27 years of experience in accounting and auditing field.

Mr. Lee Cheuk Yin Dannis was a non-executive director of Norstar Founders Group Limited (now known as BeijingWest Industries International Ltd.) (''Norstar''), a company listed on the Stock Exchange (stock code: 2339), from 19 August 2005 to 15 January 2009, during which as a non-executive director, at all relevant times he had no involvement in the day-to-day operation or management of Norstar. Norstar is incorporated in the Cayman Islands and was the subject of a winding up petition and a provisional liquidator was appointed on 6 February 2009. The winding up petition was dismissed and provisional liquidator was discharged in January 2014. According to the announcements published by Norstar, it was the subject of a scheme of arrangement to restructure its debts whereby certain rights and claims of Norstar were assigned to administrators of the scheme of arrangement on behalf of Norstar's creditors. A writ of summons (the ''Writ'') was issued in June 2014 against, among others, Mr. Lee as a former director of Norstar. To the best knowledge and belief of our Company, the Writ alleged, among other things, various breaches of duties, contracts and applicable laws and regulations but it did not set out the basis or the specific incidents supporting the allegations therein. Further, Mr. Lee confirmed that (i) he was not aware of the matters alleged in the Writ, and (ii) he was never served any notice of proceedings or the Writ, and according to a letter from the plaintiff's solicitor to Mr. Lee's solicitors, the Writ has been extended until 25 June 2016 and has expired without further application for extension. In view of (i) his lack of involvement in the day-to-day operation and management in Norstar during his time as a non-executive director of Norstar, (ii) the fact that the plaintiff has not served the Writ on Mr. Lee and the Writ has expired without further application, and (iii) Mr. Lee's continuing engagement as director of other companies listed on the Stock Exchange, our Company believes that Mr. Lee remains suitable to be an independent non-executive Director under Rules 3.08 and 3.09 of the Listing Rules.

Mr. Li Kwok Tai James (李國泰先生), aged 52, was appointed as our independent non-executive Director on 23 December 2020.

Mr. Li Kwok Tai James served as a staff accountant in the audit department of Ernst & Young from May 1994 to January 1997; a senior accountant in the global corporate finance department of Arthur Andersen from May 1998 to January 2000; a senior associate of DBS Asia Capital Limited from January 2000 to January 2001; a manager in the listing division of Hong Kong Exchanges and Clearing Limited, a company listed on the Stock Exchange (stock code: 388), from September 2002 to June 2006; a senior manager in the corporate finance execution department of BNP Paribas Capital (Asia Pacific) Limited from June 2006 to May 2007; a vice president in the investment banking coverage department of J.P. Morgan Securities (Asia Pacific) Limited from May 2007 to December 2008; a vice president of New World Strategic Investment Limited, a wholly-owned subsidiary of New World Development Company Limited, a company listed on the Stock Exchange (stock code: 17), from April 2009 to April 2010; a director in the investment banking division of CGS-CIMB Securities (Hong Kong) Limited (formerly known as CIMB Securities Limited, a wholly-owned subsidiary of CIMB Group Sdn Bhd) from April 2010 to January 2017; and a managing director of HeungKong Financial Group Limited from July 2017 to May 2018. Mr. Li has served as a managing director in the investment bank department of Shanggu Securities Limited since May 2018. Mr. Li has been an independent non-executive director of Huasheng International Holding Limited, a company listed on the Stock Exchange (stock code:1323), since September 2020.

Mr. Li Kwok Tai James obtained a bachelor's degree in engineering from the University of Liverpool in the United Kingdom in 1990; a master's degree in science from the University of Manchester in the United Kingdom in 1991; and a bachelor of laws degree from the University of London in the United Kingdom in 2005. Mr. Li has been a member of the American Institute of Certified Public Accountants since September 1999 and an associate member of the Hong Kong Institute of Certified Public Accountants since March 1999. Mr. Li Kwok Tai James was a committee member of the corporate finance advisory panel of the Hong Kong Institute of Certified Public Accountants from February 2015 to January 2021.

Mr. Wu Yat Wai (胡一威先生) ("Mr. Wu"), aged 52, was appointed as our independent non-executive Director on 23 December 2020.

Mr. Wu served as an analyst of the treasury department of The Hong Kong Jockey Club from September 1992 to April 1993; an assistant manager and manager of the corporate trust department of Bankers Trust Company from April 1993 to July 1995; an investment analyst of Credit Lyonnais Securities (Asia) Limited from November 1996 to April 2000; a senior vice president of the equity research division in Hong Kong of Lehman Brothers Asia Limited from April 2000 to May 2005; and a managing director of the global investment research division of Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016. Mr. Wu has served as an independent non-executive director of Haitong Unitrust International Financial Leasing Co., Ltd., a company listed on the Stock Exchange (stock code: 1905), since May 2017.

Mr. Wu obtained a bachelor's degree in business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1991; and a master's degree in accounting and finance from London School of Economics and Political Science in the United Kingdom in 1992.

SENIOR MANAGEMENT

Please refer to "Executive Director and Chief Executive Officer" and "Executive Director" above for the biographical details of Ms. Qiao and Mr. Huang.

Ms. Luo Yi (駱藝女士) ("Ms. Luo"), aged 52, was appointed as our chief financial officer on 28 September 2020.

Before joining our Group, Ms. Luo worked as technician of engineering department, statistician of sales department, dean of general management department of finance department and manager of financial department in Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870), from February 1990 to April 2012, where she was responsible for business and financial related works.

Ms. Luo worked as a financial manager in Huijia from May 2012 to February 2014, manager of audit department and chief financial officer in Yijiayuan from March 2014 to February 2016 and March 2017 to January 2018, respectively, chief financial officer in C&D Property Service from February 2018 to March 2019. Ms. Luo has been the assistant to group general manager in C&D Property Service since April 2019.

Ms. Luo was recognised as an intermediate accountant by the Ministry of Finance of the PRC in May 2006.

Ms. Luo obtained a diploma in microelectronic technology from South China University of Technology in July 1988.

COMPANY SECRETARY

Ms. Leung Ching Ching (梁晶晶女士) ("Ms. Leung"), aged 40, was appointed as the company secretary of our Company on 28 September 2020.

Ms. Leung is a senior manager of the Corporate Services Division of Tricor Services Limited. She has over 17 years of experience in company secretarial industry, and provided services to clients ranging from private companies to public companies listed on the Main Board of the Stock Exchange. Other than the Company, Ms. Leung is currently also named company secretary/joint company secretaries to four other Hong Kong listed companies. Ms. Leung is a Chartered Secretary and a Fellow of both The Hong Kong Institute of Chartered Secretaries and The Chartered Governance Institute. Ms. Leung graduated from The Chinese University of Hong Kong and admitted to the Degree of Bachelor of Social Science. She also received a Master of Arts in Professional Accounting and Information System from City University of Hong Kong.

The Directors are pleased to present to the Shareholders the annual report and the audited consolidated financial statements of the Group for the Year.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 30 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 8 to 21 of the annual report and the "Environmental, Social and Governance Report" set out on pages 56 to 92 of the annual report. The relevant discussion in the "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" sections forms part of this directors' report.

RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2020 are set out in the consolidated financial statements and their accompanying notes on pages 98 to 179 of this annual report.

FINAL DIVIDEND

The Board recommended not to declare a final dividend for the Year (2019: RMB Nil).

DIVIDEND POLICY

The Company has adopted a dividend policy in December 2020. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and funding its future growth as well as enhancing its Shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and pay dividends to the Shareholders, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations of the BVI and other factors.

The Board shall also take into account the factors of the Group when considering the declaration, payment and the amounts of dividends, including results of operations, cash flow, financial position, statutory and regulatory restrictions on payment of dividends by the Company, future prospects of the Company and any other factors that the Board may consider relevant. Depending on the financial positions of the Company and the Group and the conditions and factors as set out above, the Board may propose and/or declare the following dividends for a financial year or period as an interim dividend, a final dividend, a special dividend and any distribution of net profits that the Board may deem appropriate. Any final dividend for a financial year will be subject to the approval of the Shareholders. The Board will review this dividend policy as appropriate from time to time.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the"AGM") will be held on Friday, 21 May 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement of the Shareholders to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from Monday, 17 May 2021 to Friday, 21 May 2021 (both days inclusive). In order to qualify for attending and voting at the forthcoming AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration by 4:30 p.m. on Friday, 14 May 2021.

FINANCIAL SUMMARY

A summary of the financial results as well as the assets and liabilities of the Group for the last four financial years is set out on page 180 of this annual report.

SHARE CAPITAL

Details of the movements in the share capital of the Company during the Year are set out in note 27 to the consolidated financial statements.

TAX RELIEF AND EXEMPTION

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

BORROWINGS

As at 31 December 2020, the Group did not have any borrowings.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 28 to the consolidated financial statements and the consolidated statement of changes in equity on pages 101 to 102 respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company did not have reserves available for distribution to equity holders, comprising the share premium, capital reserve and retained earnings.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association although there are no restrictions against such rights under the laws of BVI.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 14 to the consolidated financial statements.

CHARITABLE DONATIONS

During the Year, the Group did not make charitable donations (2019: Nil).

MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 34.7% and 38.5% of the Group's total revenue for the Year respectively.

During the Year, the Group's largest suppliers were sub-contractors of our property management services. The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 4.7% and 13.7% of the Group's total purchases for the Year respectively.

Except Xiamen C&D Group, one of the five largest customers, none of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers or suppliers during the Year.

BOARD OF DIRECTORS

The Directors who were in office during the Year and up to the date of this annual report are as follows:

Executive Directors
Ms. Qiao Haixia *(Chief Executive Officer)*
Mr. Huang Danghui

Non-executive Directors (the "NEDs")
Mr. Zhuang Yuekai *(Chairman)* R/N
Mr. Lin Weiguo

Independent Non-executive Directors (the "INEDs")
Mr. Cheung Kwok Kwan, J.P. A/R/N
Mr. Lee Cheuk Yin Dannis A/R/N
Mr. Li Kwok Tai James A/R/N
Mr. Wu Yat Wai A/R/N

Notes:

A: Member of the Audit Committee
R: Member of the Remuneration Committee
N: Member of the Nomination Committee

In accordance with Articles 14.2, 14.3 and 14.18 of the Articles of Association, all Directors will retire from office by rotation and being eligible, will offer themselves for re-election at the forthcoming AGM.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and the senior management of the Group are set out on pages 22 to 27 of this annual report.

CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received from each of the INEDs, namely Mr. Cheung Kwok Kwan, J.P., Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company still considered all of them to be independent.

SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing on 28 September 2020, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either the executive Director or the Company may terminate the agreement by giving the other party not less than two month's notice in writing. Each of the executive Directors is entitled to a director's emolument of RMB600,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the NEDs has entered into a service agreement with the Company for an initial term of three years commencing from 28 September 2020, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the NED or the Company may terminate the agreement by giving the other party not less than two month's notice in writing. Each of the NEDs does not receive any director's emolument but he may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of three years commencing on 23 December 2020, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either the INED or the Company may terminate the agreement by giving the other party not less than three months' notice in writing. Each of the INEDs is entitled to a director's emolument of HK$100,000 per annum.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the Directors and the chief executive of the Company in the shares of the Company (the "Shares"), underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) 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 or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

Long positions in the Shares of the Company

Name of Directors	Capacity/Nature of interests	Number of issued Shares/ underlying Shares held	Approximate percentage of shareholding in issued share capital *(Note 1)*
Mr. Zhuang Yuekai	Founder of a discretionary trust	60,412,000 *(Note 2)*	5.13%
Mr. Lin Weiguo	Interest of controlled corporation	60,412,000 *(Note 2)*	5.13%
Ms. Qiao Haixia	Beneficiary of a trust	810,004 *(Note 2)*	0.07%
	Beneficial owner	32,000	0.003%
Mr. Huang Danghui	Beneficiary of a trust	540,023 *(Note 2)*	0.05%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of 1,176,711,106 Shares in issue as at 31 December 2020.

2. These Shares were registered in the name of Diamond Firetail Limited ("Diamond Firetail"), a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee Limited (formerly known as Equity Trustee Limited) ("Tricor Equity Trustee"). Tricor Equity Trustee is a trustee of a discretionary trust and Mr. Zhuang Yuekai is one of the founders of the said discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia and Mr. Huang Danghui are beneficiaries of the said discretionary trust. Therefore, Mr. Zhuang Yuekai, Mr. Lin Weiguo, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO.

Long positions in the shares of the Company's associated corporations

Name of Directors	Name of our associated corporation	Capacity/Nature of interests	Number of issued shares/underlying shares held	Approximate percentage of shareholding in issued share capital *(Note 1)*
Mr. Zhuang Yuekai	CDI	Founder of a discretionary trust	60,412,000 *(Note 2)*	5.13%
Mr. Lin Weiguo	CDI	Interest of controlled corporation	60,412,000 *(Note 2)*	5.13%
Ms. Qiao Haixia	CDI	Beneficiary of a trust	810,004 *(Note 2)*	0.07%
	CDI	Beneficial owner	32,000	0.003%
Mr. Huang Danghui	CDI	Beneficiary of a trust	540,023 *(Note 2)*	0.05%

Notes:

1. The percentage of shareholding was calculated based on CDI's total number of 1,176,711,106 ordinary shares in issue as at 31 December 2020.

2. These ordinary shares of CDI were registered in the name of Diamond Firetail, a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee. Tricor Equity Trustee is a trustee of a discretionary trust and Mr. Zhuang Yuekai is one of the founders of the said discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia and Mr. Huang Danghui are beneficiaries of the said discretionary trust. Therefore, Mr. Zhuang Yuekai, Mr. Lin Weiguo, Ms. Qiao Haixia and Mr. Huang Danghui are deemed to be interested in the ordinary shares of CDI held by Diamond Firetail by virtue of the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short positions 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 were (i) 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 or short positions which they are taken or deemed to have under such provision of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2020, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares and underlying Shares:

Name of substantial Shareholders	**Capacity/ Nature of interests**	**Number of issued Shares/ underlying Shares held**	**Approximate percentage of shareholding in issued share capital** *(Note 1)*
Well Land	Beneficial owner	759,350,106 *(Note 2)*	64.53%
Well Honour	Interest of controlled corporation	759,350,106 *(Note 2)*	64.53%
C&D Real Estate	Interest of controlled corporations	759,350,106 *(Note 2)*	64.53%
Xiamen C&D Inc. (廈門建發股份有限公司)	Interest of controlled corporations	759,350,106 *(Note 2)*	64.53%
Xiamen C&D	Interest of controlled corporations	759,350,106 *(Note 2)*	64.53%
Diamond Firetail	Beneficial owner	60,412,000	5.13%
Tricor Equity Trustee	Interest of controlled corporation	60,412,000 *(Note 3)*	5.13%
Ms. Cao Xinyu	Interest of controlled corporation	60,412,000 *(Note 3)*	5.13%
Ms. Liu Jing	Interest of controlled corporation	60,412,000 *(Note 3)*	5.13%
Ms. Zhao Chengmin	Founder of a discretionary trust	60,412,000 *(Note 3)*	5.13%

Notes:

1. The percentage of shareholding was calculated based on the Company's total number of 1,176,711,106 Shares in issue as at 31 December 2020.

2. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is owned as to 54.65% and 45.35% by Xiamen C&D Inc., a company listed on the Shanghai Stock Exchange (stock code: 600153) and Xiamen C&D, a state-owned group of companies under the supervision of Xiamen SASAC, respectively. Xiamen C&D is interested in Xiamen C&D Inc. as to 47.85%. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares held by Well Land by virtue of the SFO.

3. These Shares were registered in the name of Diamond Firetail, a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee. Tricor Equity Trustee is a trustee of a discretionary trust and each of Mr. Zhuang Yuekai and Ms. Zhao Chengmin is one of the founders of the said discretionary trust. Ms. Cao Xinyu, Ms. Liu Jing and Mr. Lin Weiguo are protectors of the said discretionary trust. Therefore, Tricor Equity Trustee, Ms. Cao Xinyu, Ms. Liu Jing and Ms. Zhao Chengmin are deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. The interests of Mr. Zhuang Yuekai and Mr. Lin Weiguo are shown in the section headed "Directors' and Chief Executive's Interests and Short Positions in the Shares, Underlying Shares and Debentures of the Company and Associated Corporations" above.

PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and BVI Business Companies Act, every Director is entitled under the Articles of Association to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. To the extent permitted by law, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group from the Listing Date and up to the date of this report.

ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

At no time from the Listing Date up to the date of this annual report was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save for continuing connected transactions set out on pages 37 to 41 of this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time from the Listing Date up to the date of this annual report, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

DIRECTORS' INTERESTS IN A COMPETING BUSINESS

During the Year and up to the date of this annual report, none of the Directors were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

MANAGEMENT CONTRACT

No contract 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.

RELATED PARTY TRANSACTIONS

Details of the material related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 32 to the consolidated financial statements, and save as disclosed in the paragraph headed "Continuing Connected Transactions" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Listing Rules) of the Company and was subject to reporting requirement during the Year and as at 31 December 2020.

LITIGATIONS

There was no material litigations and obligations of the Group during the Year.

CONTINUING CONNECTED TRANSACTIONS

1. **Continuing Connected Transaction in relation to the Trademark Licensing Agreement**

   On 23 December 2020, the Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with Xiamen C&D, pursuant to which Xiamen C&D agreed to grant to the Company (including its existing and future subsidiaries in which the Company holds 50% or more equity interest or has controlling interest) a non-transferable licence to use several trademarks registered in the PRC for a perpetual term commencing from the date of the Trademark Licensing Agreement, which is subject to the renewal of the licensed trademarks, on a royalty-free basis. The termination of the Trademark Licensing Agreement is conditional on that the Company is no longer controlled by Xiamen C&D or any entity controlled by Xiamen C&D. In addition, if any licensed trademark was not renewed by Xiamen C&D, the Group would not be licensed to use such trademark. Details of the licensed trademarks are set out in the paragraph headed "General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group — (b) Trademarks licensed" in Appendix IV to the listing document of the Company dated 28 December 2020. The Directors believe that the entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stability of the operations of the Group and is beneficial to the Company and the Shareholders as a whole. Considering (i) it is within normal business practice for agreements of this type to be of such duration; (ii) the strategic importance for the Group to use such trademarks; and (iii) such term is sufficiently long to provide better protection to the Group considering the nature of the licensed trademarks, the Directors are of the view that it is normal business practice for the Trademark Licensing Agreement to be of such duration.

Xiamen C&D, as the registered proprietor of the licensed trademarks, is the controlling shareholder of the Company and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licensing Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing. As the right to use the licensed trademark are granted to us on a royalty-free basis, the transactions contemplated under the Trademark Licensing Agreement will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules, and the entering into of the Trademark Licensing Agreement will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. Continuing Connected Transaction in relation to the Lease Framework Agreement

On 23 December 2020, the Company entered into a lease framework agreement (the "Lease Framework Agreement") with Xiamen C&D, pursuant to which Xiamen C&D and its subsidiaries and joint ventures (but not including CDI and its subsidiaries, the Group and its joint ventures) agreed to lease to the Group and its joint ventures (excluding its connected subsidiaries) (i) certain properties for operational use; and (ii) the car parking spaces located at C&D International Building for the business use of the Group from the listing date of the Company (i.e. 31 December 2020) (the "Listing Date") until 31 December 2022.

The Lease Framework Agreement will be effective on the Listing Date and binding on the parties to the Lease Framework Agreement. Relevant subsidiaries and/or joint ventures of both parties will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Lease Framework Agreement. Such transactions will be entered into on normal commercial terms or better and after arm's length negotiation among parties to the Lease Framework Agreement, with reference to the prevailing market rent of similar properties in the vicinity and should be no less favourable than that offered by independent third parties.

For each of the three years ending 31 December 2022, it is expected that the annual caps of the rent payable by us under the Lease Framework Agreement are RMB4.75 million, RMB5.50 million and RMB6.25 million, respectively. When estimating the annual caps above, the Directors have considered (i) the historical leases entered into by the Group and the historical amount of rent paid to Xiamen C&D; (ii) the unit rent of the Group's leased properties and the market level of unit rent for comparable office units; (iii) the expected needs for the lease areas resulting from the future expansion of the Group; and (iv) the expected market rates of unit rent for office units. The annual caps are determined based on the estimated total value of right-of-use assets to be newly recognised relating to the applicable leases forecasted by the Company. The accounting treatment for the actual leases will comply with the applicable standards of HKFRS 16.

The rent, property management fees, public maintenance fund, utilities and air-conditioning fees shall be calculated and paid in the following manner:

i. the rent is calculated based on the GFA of the subject properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the subject properties.

ii. the Group shall pay the property management fees, public maintenance fund, utilities and air-conditioning fees in respect of the subject properties.

iii. the Group shall make rental payment on a quarterly basis, and the specific payment and settlement could be arranged by negotiation between the parties to the lease.

Xiamen C&D is the controlling shareholder of the Company and, therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing. As one or more of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the transactions contemplated under the Lease Framework Agreement are expected to exceed 0.1% but are less than 5% on an annual basis, the entering into of the Lease Framework Agreement constitutes a continuing connected transaction for the Company and will be subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the amount of rent payable by the Group under the Lease Framework Agreement was approximately RMB3,550,000.

3. Continuing Connected Transaction in relation to Business Framework Agreement

On 23 December 2020, the Company entered into a business framework agreement (the "Business Framework Agreement") with C&D Real Estate and CDI, pursuant to which the Group and its joint ventures agreed to provide certain services (the "Parent Group Services") to (i) Xiamen C&D and its subsidiaries, (excluding the Remaining CDI Group and the Group) and their joint ventures and associates (the "Remaining Xiamen C&D Group"); and (ii) the Remaining CDI Group (excluding the joint ventures of the Group) from the Listing Date (i.e. 31 December 2020) until 31 December 2022.

Under the Business Framework Agreement, the Group shall provide the following services to (i) the Remaining Xiamen C&D Group; and (ii) the Remaining CDI Group: (a) property management services, mainly including greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc. to unsold and sold but undelivered commodity housing and office properties; (b) community value-added and synergy services, mainly including (i) home living services; (ii) home beauty services; (iii) real estate brokerage and asset management services; (iv) value-added services for public areas; (v) elderly-care & health value-added services; and (vi) smart community services; and (c) value-added services to non-property owners, mainly including (i) consultancy services to property developers during the property development and construction phases; and (ii) reception, order maintenance, cleaning and security and maintenance services to property developers during both pre-sales and post-sales phases.

The pricing basis of the abovementioned services is as follows:

1. Property management services: property management fees shall be determined after arm's length negotiations by the parties after taking into account a number of factors, including: (i) the types of the properties, such as residential and non-residential, and the location of the projects such as the tier of city; (ii) the scope and quality of the services provided; (iii) the expected operational costs (including, among other things, staff costs, material costs, sub-contracting costs and operational administrative expenses); (iv) the target profit margins of the Group; (v) profiles of the property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the property management fees for similar services and similar types of projects in the market. Pursuant to the property management services contracts, the property management fees are calculated based on area multiplied by unit price. The specific unit price is calculated based on the prevailing market price in the location of the projects and approved by the relevant local authorities, as the case may be.

2. Community value-added and synergy services: the service fees of shall be determined after arm's length negotiations with reference to the prevailing market prices of similar services in the open market and historical charges for each of the three years ended 31 December 2019 and the six months ended 30 June 2020.

3. Value-added services to non-property owners: the service fees shall be determined after arm's length negotiations based on the calculation of "cost (calculated in accordance with the actual costs incurred, such as materials and labour) + indirect management fee (calculated by tax-exclusive income x 10–15%) + taxes". The abovementioned tax will be subject to adjustment in accordance with relevant rules and regulations.

For each of the three years ending 31 December 2022, it is expected that the aggregate annual caps of the revenue receivable by the Group under the Business Framework Agreement are RMB370.0 million, RMB440.0 million and RMB550.0 million, respectively. For each of the three years ending 31 December 2022, it is expected that the annual caps of the revenue receivable by the Group from the Remaining CDI Group under the Business Framework Agreement are RMB270.0 million, RMB345.0 million and RMB455.0 million, respectively.

The table below sets out the breakdown of the annual caps by types of services to be provided by us to the Remaining CDI Group for the year indicated:

	For the year ended/ending 31 December					
	2020		**2021**		**2022**	
	RMB million	**%**	RMB million	%	RMB million	%
Property management services	6.0	2.2	9.0	2.6	12.0	2.6
Community value-added and synergy services	4.0	1.5	6.0	1.7	8.0	1.8
Value-added services to non-property owners	260.0	96.3	330.0	95.7	435.0	95.6
Total	270.0	100.0	345.0	100.0	455.0	100.0

For each of the three years ending 31 December 2022, it is expected that the annual caps of the revenue receivable by the Group from the Remaining Xiamen C&D Group under the Business Framework Agreement are RMB100.0 million, RMB95.0 million and RMB95.0 million, respectively.

The table below sets out the breakdown of the annual caps by types of services to be provided by us to the Remaining Xiamen C&D Group for the year indicated:

	For the year ended/ending 31 December					
	2020		**2021**		**2022**	
	RMB million	**%**	RMB million	%	RMB million	%
Property management services	35.0	35.0	40.0	42.1	45.0	47.4
Community value-added and synergy services	5.0	5.0	5.0	5.3	5.0	5.2
Value-added services to non-property owners	60.0	60.0	50.0	52.6	45.0	47.4
Total	100.0	100.0	95.0	100.0	95.0	100.0

C&D Real Estate is the controlling shareholder of the Company. CDI was held by Well Land, the controlling shareholder of the Company, as to 64.34%, and thus an associate of Well Land. As such, C&D Real Estate and CDI are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Business Framework Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios under the Listing Rules in respect of the aggregate annual caps for the transactions contemplated under the Business Framework Agreement are expected to be more than 5% on an annual basis, the entering into of the Business Framework Agreement constitutes a continuing connected transaction for the Company and will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Year, the service fees payable by the Remaining Xiamen C&D Group under the Business Framework Agreement amounted to approximately RMB98,248,000, of which the service fees payable under (i) property management services; (ii) community value-added and synergy services; and (iii) value-added services to non-property owners amounted to approximately RMB33,709,000, RMB4,909,000 and RMB59,630,000, respectively. During the Year, the service fees payable by the Remaining CDI Group under the Business Framework Agreement amounted to approximately RMB258,993,000, of which the service fees payable under (i) property management services; (ii) community value-added and synergy services; and (iii) value-added services to non-property owners amounted to approximately RMB5,640,000, RMB3,538,000 and RMB249,815,000, respectively.

Review by independent non-executive Directors and the auditor of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs of the Company have reviewed the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

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

(2) on normal commercial terms or better; and

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

The Company's auditor was also engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the continuing connected transactions disclosed by the Group 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. Based on its work, the Company's auditor has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

a. nothing has come to the auditor's attention that causes the auditor to believe that the 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 auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

c. nothing has come to the auditor's attention that causes the auditor to believe that the 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 each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, a summary of material related party transactions made during the Year is disclosed in note 32 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the period from the Listing Date up to the date of this annual report or subsisted at the end of the Year.

RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by respective local social security bureau in accordance with government regulations in different jurisdictions. The forfeited contributions (by us on behalf of employees who leave the scheme prior to vesting fully in such contributions) will not be used by us to reduce the existing level of contributions. Please refer to note 2.21 to the consolidated financial statements for the Year for more information.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities from the Listing Date and up to the date of this annual report.

CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 45 to 55 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the latest practicable date prior to the issue of this annual report, the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 8.08 of the Listing Rules (as appropriate).

REVIEW BY AUDIT COMMITTEE

The Audit Committee of the Company (comprising all four INEDs, namely Mr. Lee Cheuk Yin Dannis (committee chairman), Mr. Cheung Kwok Kwan, J.P., Mr. Li Kwok Tai James and Mr. Wu Yat Wai) has reviewed with the management the audited consolidated financial statements of the Company for the Year.

INDEPENDENT AUDITOR

The Group's consolidated financial statements for the Year have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the forthcoming AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the forthcoming AGM.

On behalf of the Board

ZHUANG Yuekai
Chairman and Non-executive Director

Hong Kong, 26 March 2021

CORPORATE GOVERNANCE REPORT

The Shares were listed on the Main Board of the Stock Exchange on 31 December 2020. The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2020 (i.e. the Listing Date) (the "Reporting Period").

CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company's corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code and Corporate Governance Report (the "CG Code") contained in Appendix 14 to the Listing Rules.

The Board is of the view that from the Listing Date, the Company has complied with all the applicable principles and code provisions as set out in the CG Code.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 to the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code from the Listing Date.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company from the Listing Date.

BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

Board Composition

The Board currently comprises the following Directors:

Executive Directors
Ms. Qiao Haixia *(Chief Executive Officer)*
Mr. Huang Danghui

Non-executive Directors
Mr. Zhuang Yuekai *(Chairman)*
Mr. Lin Weiguo

Independent Non-executive Directors
Mr. Cheung Kwok Kwan, J.P.
Mr. Lee Cheuk Yin Dannis
Mr. Li Kwok Tai James
Mr. Wu Yat Wai

The biographical information of the Directors are set out in the section headed "Biographical Details of Directors and Senior Management" on pages 22 to 27 of this annual report.

None of the members of the Board is related to one another.

Board Meetings and Directors' Attendance Records

Regular Board meetings should be held at least four times a year involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Since the Shares were only listed on 31 December 2020, the Company did not hold Board meeting or convene any general meeting, nor the chairman of the Board (the "Chairman") held any meeting with independent non-executive Directors without the presence of other Directors during the Reporting Period.

The Company will fully comply with the requirement under the code provisions A.1.1 and A.2.7 of the CG Code to convene Board meetings at least four times a year at approximately quarterly intervals and arrange meetings between the Chairman and independent non-executive Directors annually.

Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer of the Company ("Chief Executive Officer") are held by Mr. Zhuang Yuekai and Ms. Qiao Haixia respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent Non-executive Directors

Since the Listing Date, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Appointment and Re-election of Directors

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years from their respective date of appointment, which is renewable automatically for successive terms of one year commencing on the day immediately after the expiry of the then current term of his/her appointment, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the Articles of Association.

Under 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. The retiring Directors shall be eligible for re-election. Moreover, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company, any Director appointed as an addition to the Board shall hold office only until the next following general meeting of the Company, and in each case such Director shall then be eligible for re-election at the relevant meeting.

Accordingly, all Directors will be subject to re-election at the forthcoming AGM. Save as disclosed under "Service Contracts of Directors" of this annual report, none of the Directors who is proposed for re-election or any other Directors has a service contract that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

As the time of listing of the Shares is relatively short, only several Directors have participated in continuous professional development ("CPD") program during the Reporting Period. However, the Company understands that Directors should participate in appropriate CPD to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of CPD relating to director's duties and regulatory and business development that have been received by the Directors for the Reporting Period are summarized as follows:

Name of Directors	**Type of Training** Note
Executive Directors	
Ms. Qiao Haixia	A
Mr. Huang Danghui	A
Non-executive Directors	
Mr. Zhuang Yuekai	Nil
Mr. Lin Weiguo	Nil
Independent Non-executive Directors	
Mr. Cheung Kwok Kwan, J.P.	Nil
Mr. Lee Cheuk Yin Dannis	Nil
Mr. Li Kwok Tai James	Nil
Mr. Wu Yat Wai	A

Note:

Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the chairman and members of each Board committee is set out under "Corporate Information" on pages 2 to 3.

Audit Committee

The Audit Committee consists of four independent non-executive Directors, namely Mr. Cheung Kwok Kwan, J.P., Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai. Mr. Lee Cheuk Yin Dannis is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

Since the Shares were only listed on 31 December 2020, the Audit Committee did not hold any meetings nor meet the external auditors during the Reporting Period.

Remuneration Committee

The Remuneration Committee consists of five members, namely Mr. Zhuang Yuekai, non-executive Director, Mr. Cheung Kwok Kwan, J.P., Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai, independent non-executive Directors. Mr. Wu Yat Wai is the chairman of the Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

Since the Shares were only listed on 31 December 2020, the Remuneration Committee did not hold any meetings during the Reporting Period.

Details of the remuneration of the Directors and the senior management of the Company by band are set out in the note 13 to the Financial Statements for the year ended 31 December 2020.

Nomination Committee

The Nomination Committee consists of five members, namely Mr. Zhuang Yuekai, non-executive Director, Mr. Cheung Kwok Kwan, J.P., Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai, independent non-executive Directors. Mr. Zhuang Yuekai is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing the criteria for identifying and assessing the qualifications of the evaluating candidates for directorship, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidates' relevant criteria as set out in the terms of reference of the Nomination Committee and Board Diversity Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

Since the Shares were only listed on 31 December 2020, the Nomination Committee did not hold any meetings during the Reporting Period.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

A true diverse Board will include and make good use of differences in the talents, skills, knowledge, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of Board are made on merit, in consideration of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations on any proposed changes to the Board to complement the corporate strategy of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, knowledge, experience and background on the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

At present, the Nomination Committee considered that the Board composition is in line with the Board Diversity Policy and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

The criteria for the Nomination Committee to select and recommend a candidate for directorship include the age, gender, skill, knowledge, experience, integrity and potential contributions to the Board in respect of available time and relevant interest to discharge duties as a member of the Board and whether he/she can demonstrate a standard of competence commensurate with his/her position as a Director. The recommendations were made into consideration composition of the Board and the Board Diversity Policy, with due regard to the overall effective function of the Board as a whole. Relevant members of the Nomination Committee have to abstain from voting when their own nomination was being considered.

Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and CPD of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including risk identification, risk analysis, risk response, risk monitoring and risk reporting processes.

The objectives of the Company's risk management systems are to ensure that the Company operates an effective risk management system, to introduce the established risk management policy into the daily operations of the Company's business units, to cultivate and encourage awareness of risk management within the Group and to measure different risks, to monitor and control risks effectively and to ensure effective mitigation of risks, and the reduction of impact of risks.

The Company encourages its employees to adopt a proactive risk management approach to further strengthen the Group's risk awareness culture. The risk management system is incorporated into the business processes of our business units within the Group in order to mitigate the impact of risks with effective risk management policies. Evaluation has been conducted at least annually to confirm that risk management procedures and control policies are properly complied with. The Company also has engaged external professional firm for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Company has an internal audit function to focus on the adequacy and effectiveness of its risk management and internal control systems.

The management assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2020.

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2020, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

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

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

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

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on pages 93 to 97.

AUDITOR'S REMUNERATION

The remuneration paid and payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2020 amounted to approximately HKD900,000 and HKD100,000 respectively.

An analysis of the remuneration paid and payable and payable to the external auditor of the Company, Grant Thornton Hong Kong Limited, in respect of audit services and non-audit services for the year ended 31 December 2020 is set out below:

Service Category	Fees Paid/Payable
Audit Services	0/HK$900,000
Non-audit Services	
— Due Diligence in respect of risk management review and internal control review services (Paid to Grant Thornton Advisory Services Limited)	0/HK$100,000
	0/HK$1,000,000

COMPANY SECRETARY

Ms. Leung Ching Ching has been appointed as the Company's company secretary. Ms. Leung Ching Ching is a senior manager of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Luo Yi, the chief financial officer of the Company, has been designated as the primary contact person at the Company which would work and communicate with Ms. Leung Ching Ching on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2020, Ms. Leung Ching Ching has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings of the Company, including the election of individual Director. All resolutions put forward at general meetings of the Company 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 after each general meeting of the Company.

Convening an Extraordinary General Meeting

Shareholders are encouraged to attend all general meetings of the Company. According to Article 10.3 of 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 member(s) of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitionist(s), provided that such requisitionist(s) held as at the date of deposit of the requisition not less than one-tenth of the number of issued shares in the Company which carries the right of voting at general meetings of the Company. 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 (3) 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.

The Company's Principal Place of Business in Hong Kong located at Room 3517, 35/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

Putting Forward Proposals at General Meetings

There are no provisions allowing Shareholders to put forward new resolutions at the general meetings of the Company under the Articles of Association. However, Shareholders who wish to put forward proposal at general meetings of the Company may make a requisition to convene an extraordinary general meeting following the procedures set out above.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3517, 35/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong (For the attention of the Board of Directors)
Fax:	(852) 2525 7890
Tel:	(852) 2525 7922

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Procedures for Shareholders to propose a person for election as a Director

The following procedures are subject to the Articles of Association and the applicable legislation and regulations.

If a Shareholder (other than the person to be proposed), who is duly qualified to attend and vote at the general meeting of the Company, wishes to propose a person for election as a Director at that general meeting, he/she/it can deposit a written notice at either of the following addresses:

Headquarters of the Company in the PRC
Unit 703, 7th Floor
C&D International Building
No. 1699 Huandao East Road
Xiamen, PRC

Hong Kong branch share registrar and transfer office of the Company
Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the Shareholder concerned together with a written notice of the person proposed for election as a director indicating his/her willingness to be elected and consent to the publication of his/her personal information.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company is endeavours to maintain an on-going dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Articles of Association has been amended and restated with effect from the Listing Date. The Company has not made any changes to Articles of Association since the Listing Date. An up to date version of the Articles of Association is also available on the Company's website and the Stock Exchange's website.

Policies relating to Shareholders

The Company has in place a Shareholders Communication Policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in this annual report.

I. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

1. Introduction of the Report

The Group is pleased to release its first Environmental, Social and Governance Report (the "Report"). This Report aims to provide a comprehensive presentation of the highlights and achievement of the Group in terms of environment, social and governance ("ESG") in 2020, in order to convey the Group's sustainable development practices and performance during the reporting period to stakeholders and the community.

2. Scope of the Report

The Report covers the business of property management services, community value-added and synergy services and value-added services to non-residents and other services of the Group from 1 January 2020 to 31 December 2020. For details of the Group's businesses, please refer to the Group's annual report for 2020.

3. Preparation basis of the Report

The Report was prepared in accordance with Environmental, Social and Governance Reporting Guide (the "ESG Reporting Guide") issued by The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

4. Source of reporting information and data

The information and data disclosed in the Report is derived from the Group's formal documents, reports or relevant public information. Unless otherwise stated, the financial data in the Report has been presented in RMB.

5. Publication of the Report

The Report is available in both Chinese and English, and is distributed in electronic form. If there is any discrepancy between the English and Chinese versions of the Report, the Chinese version shall prevail. Electronic version of the Report can be accessed on the official website of the Group (www.cndservice.com) or website of the Hong Kong Stock Exchange (www.hkexnews.hk).

II. CONCEPT AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

Since its establishment, the Company has been upholding its service philosophy of "exploring new service values to make a better living experience (開拓服務新價值，讓生活更美好)", constantly improving and enhancing its property services, striving to bring excellent service experience to residents. We continue to implement the service philosophy of service innovation and owner-first (服務創新、業主為先) through consolidating internal and external resources with the development idea of cross-border interaction, we strive to provide residents with a one-stop smart community service platform, creating a caring online smart life butler. We also continue to optimize and innovate to explore new values for service to make better living experience.

Corporate Mission: exploring new values for service to make a better living experience

Improve and enhance our own service quality and develop new service areas constantly to cope with customers' ever-changing needs, so that customers can live a better quality of life.

Corporate Vision: become an outstanding urban space operation service provider

Connect people and space by managing and operating from residential to commercial enterprise and further to wider urban space; build service network covering core living needs including entertainment and consumption, living, office and elderly care, with an aim to become benchmark of the industry, the vision and goal of the Company.

Corporate Value: Identify needs, exceed expectation, make happiness together

Proactively explore the needs of customers, constantly exceed their expectations, create high-quality modern property management services, and cooperate with our employees, customers and suppliers to build a happy life together.

In order to comply with the regulatory requirements of the Hong Kong Stock Exchange, respond to public expectations and enhance the Group's own sustainability management, we incorporate sustainable development into considerations in our daily business operation decisions. The Board coordinates the Group's sustainability management, leads the preparation of annual ESG reports and related information disclosure, and assumes full responsibility for the Group's ESG strategy and reporting. We have established the Group's internal control and risk management system and conduct regular risk assessments to ensure that the Group's ESG risk management and internal controls are adequate and effective.

III. PARTICIPATION OF STAKEHOLDERS

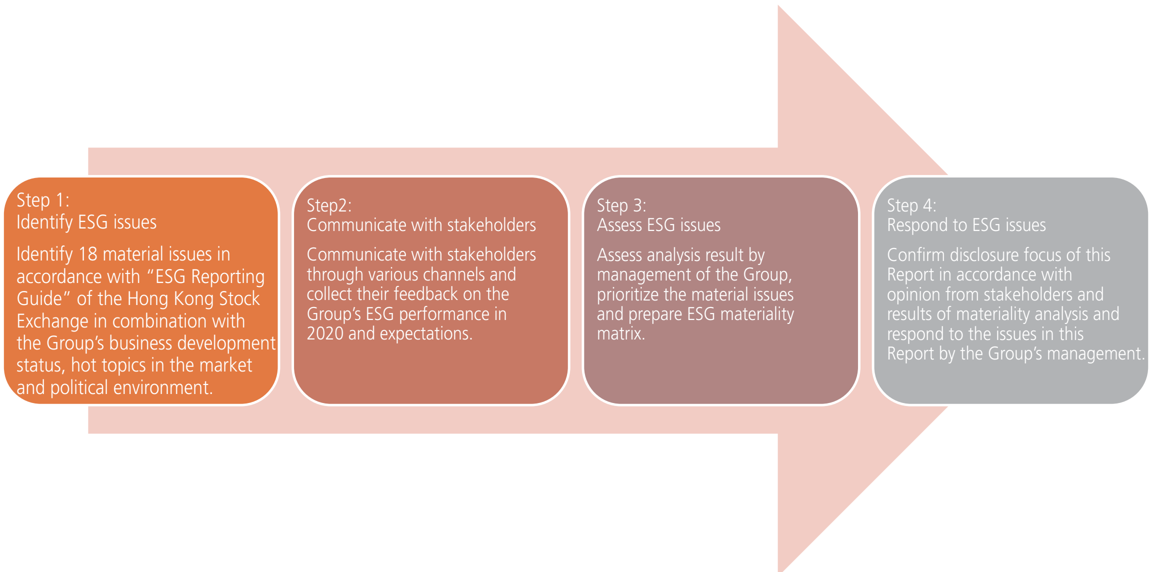
The Group recognizes communication with stakeholders as an important process in the Group's sustainable development management. We attach great importance to recommendation and feedbacks from stakeholders and regard the same as important basis for enhancing operation management and sustainable development. To effectively listen to voice of stakeholders, the Group has established various communication channels to ensure open and transparent information and efficient communication.

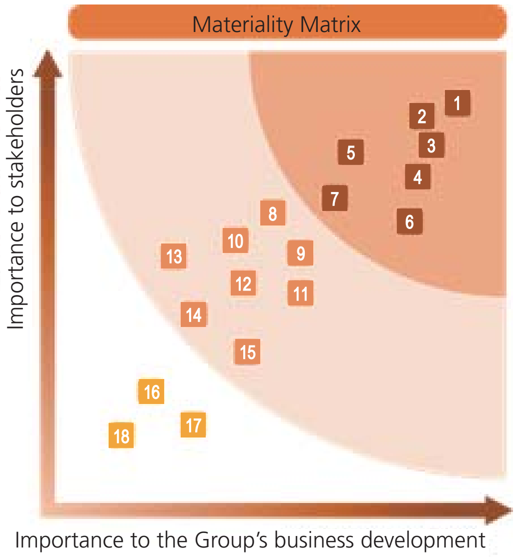
Stakeholders	Expectations and Appeals	Communication and Response
Investors and shareholders	Investment returns Interests protection Corporate transparency Risk control	Enhance profitability Convene general meetings Disclose day-to-day information Optimize internal control and risk management
Government and regulators	Compliance with laws and regulations Enhance integrity establishment Reasonable promotion and publicity	Operate in compliance with laws Optimize internal control system Insist in promotion in compliance with laws
Residents/ customers	Quality products and services Customer information security Commercial integrity Operation in compliance with the laws	Improve quality of products and services Utilize information technology Optimize internal control and risk management Improve communication mechanism with customers
Employees	Protection of legal rights Employees' health and safety Employees' remuneration and benefits Smooth career development	Comply with laws and regulations Enhance safety regulation Optimize remuneration and benefits system Establish professional training system
Suppliers and partners	Integrity cooperation Experience sharing Win-win cooperation Business ethics and reputation	Create supplier management system Promote daily communication Carry out project cooperation Perform contracts under the laws and perform assessment of suppliers
Community	Actively fight against the epidemic Support social welfare Protect natural environment Promote social advancement	Establish anti-pandemic mechanism Take part in charity Adhere to green operations Share development achievements
Industry association	Facilitate industry advancement Fair competition	Share industry experience Participate in industry events

IV. MATERIALITY ASSESSMENT OF ESG ISSUES

During the Year, we strictly complied with procedures for analysis and assessment on material issues to consolidate our development status, industry characteristics and national policies with expectation of stakeholders. We conducted integrated assessment and prioritized material issues of the Year through close communication with stakeholders, feedback and industry analysis, etc..

Procedures for materiality assessment of the Year were as follows:





Very important	1	Service and product quality
	2	Customer satisfaction and handling of complaints
	3	Customer health and safety
	4	Recruitment of employees and team building
	5	Anti-corruption and integrity establishment
	6	Employees' health and safety
	7	Employees' training and career advancement
Important	8	Customer privacy and information security
	9	Protection of labour interest
	10	Performance assessment and remuneration management
	11	Consumption of energy and use of resources
	12	Charity and social services
	13	Sustainable development of supply chain
	14	Waste management
	15	Green office and promotion for environmental protection
Less Important	16	Safeguarding and protecting intellectual properties
	17	Emission of exhaust gases and greenhouse gases
	18	Reasonable marketing and promotion

The ranking of the ESG issues in the Year shows that the issues of most concern to stakeholders involved service and product quality, customer satisfaction and handling of complaints, customer health and safety, recruitment of employees and team building, anti-corruption and integrity establishment, employees' health and safety, and employee training and career advancement. In the Report, we enhanced the disclosure of the Group's work and performance in these areas accordingly and will use the results as an important reference for the Group's sustainable development plan in the coming year.

V. Quality service to build a happy home

The Group insists on creating professional services and products with the spirit of craftsmanship and adheres to the strategy of high quality services, striving to make "good living services (美好生活服務)" more efficient and to continuously improve customer experience. We strictly complied with the requirements of laws and regulations including the "Law of the People's Republic of China on Product Quality", "Law of the People's Republic of China on Urban Real Estate Management" and "Property Management Ordinance" in our daily operation and management, and adopted multiple measures to ensure the quality and safety of our services, striving to become a trustworthy urban service operator.

1. Protecting service quality

We have formulated and implemented internal policies including the "Rules for Regional/Company Property Quality Assessment, Reward and Punishment (區域／公司物業質量考核獎懲辦法制定規則)" and "Quality Inspection Practice Guideline (質量檢查作業指導書)", and established a three-level service quality control system of "Headquarters — Region — Area/Project (總部 — 區域 — 片區／項目)" to achieve full coverage of residents/customers and hierarchical supervision of service quality. We strengthened the supervision at property service sites and quality control by formulating a service standard system and operation guidance documents and by conducting monthly and quarterly quality inspections and evaluations. In 2020, we engaged a third-party advisory company to conduct unannounced visits to the projects under our management to evaluate and assess the service quality of the projects and to further enhance the service quality of the projects and the service level of our staff.

As at 31 December 2020, the Group had 219 projects under management and approximately 25.6 million square metres of GFA under management, covering 18 cities across the PRC, providing services including property management services, community value-added and synergy services and value-added services to non-residents; We have obtained Level One Property Management Qualification* (物業管理一級資歷) and have passed the certification systems of ISO 9001 quality management system, ISO 14001 environmental management system and ISO 45001 occupational health and safety management system.

Case: Six customized services for residents

"Tailor-making fine customized services for residents' needs is the practice of C&D Property (量身定制精細化的個性服務，業主所需，即是建發物業所行)". The Group is committed to providing the most comprehensive and finest services to every property owner. We have created an exclusive communication platform for residents and provided six services customized for property owners, striving to provide greatest satisfaction and surprise.

One-stop service

Set up a one-stop 24-hour customer service centre to ensure efficient response to service demand.

Specialized housekeeping service

Establish specialized housekeeping customer service to provide dedicated services and privilege to customers to enhance their experience.

Zero-interruption service

Set service operation hour scientifically, avoiding operation in peak access period of customers to achieve zero-interruption in weekdays.

Thoughtful service

Stock gadgets for convenient living and regularly organize community services for convenience of the community, with an aim to improve every detail of our services sincerely.

Active service

Set manager reception days and open days to understand resident's needs directly and proactive provide solutions for their issues.

Surprise service

Deliver surprising gifts and provide party services to party owners for their birthdays, relocations and other celebration events.

Case: Timely help for the patient

On 30 August 2020, Auntie Li Xiangying, a cleaning worker of C&D Property, found a female patient unable to stand with pale face. She immediately suspended her task and approached the patient, eased patient's suffering by massaging shoulders and neck, and then quickly contacted the medical staff. Auntie Li accompanied the patient throughout the whole process, until the patient was safely transferred to the hands of medical staff. Afterwards, the patient was very grateful to Auntie Li and thanked her in person. As a member of C&D Property, Auntie Li practiced the Group's service philosophy of "keeping the original aspiration for services (永葆服務初心)" with practical actions.

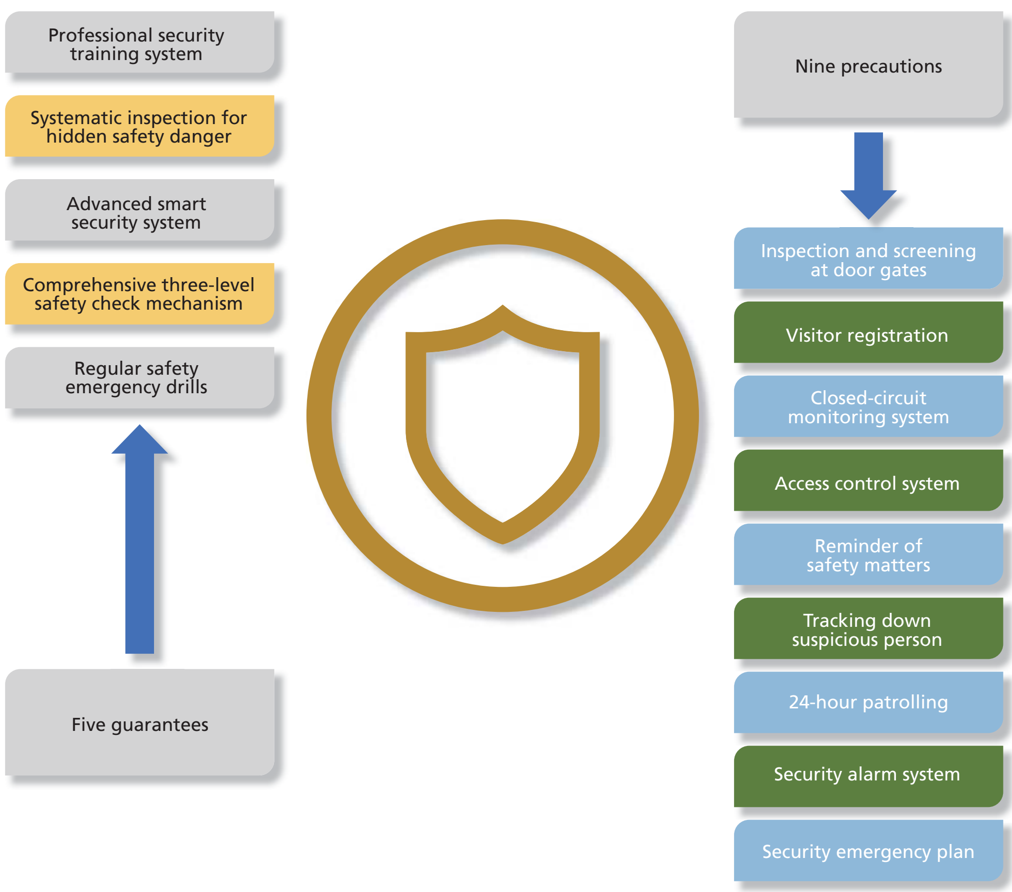
Auntie Li Xiangying (李香英阿姨) looked after the patient carefully

2. Residents' health and safety

The Group attaches great importance to the health and safety of residents and has adopted a series of measures to enhance the safety index of the community, striving to create a harmonious and safe community environment.

1) *Community safety control*

The Group identifies and evaluates potential sources of hazards based on the characteristics of the property management service industry and continues to improve its safety responsibility system of "Five guarantees + Nine precautions". We formulated the "Public Area Hidden Danger Inspection System of C&D Property" and "Penalty System for Safety Supervision of C&D Property" to carry out regular safety management inspections and follow up and rectify the problems found in a timely manner; we have also established a clear reward and punishment mechanism to link the inspection and rectification results with performance appraisal of the persons in charge of the projects in order to clarify management responsibilities at each level. We also conducted regular training and drills on safety contingency plans to further enhance the effectiveness of safety management, and to protect the health and safety of residents in all aspects.



Safety responsibility system of "Five guarantees + Nine precautions"

Case: Fire drills in 2020

To further improve the fire prevention work in the community, enhance the fire safety awareness of all residents and staff, and improve the firefighting and self-rescue emergency response capabilities, C&D Property conducted 630 large-scale joint fire drills in 2020 with more than 6,000 participants. In addition, the Group regularly invited professional firefighters to provide guidance and training to staff on fire safety. During the Year, 22 incidents of fires were prevented in a timely manner, achieving zero safety incidents throughout the Year, demonstrating our responsibilities and insistence to prevent fires at the frontline.

Fire drill members gathered at the site

Firefighters demonstrated operation of fire extinguisher

2) *Prevention and Control of novel coronavirus epidemic*

The novel coronavirus pneumonia ("novel coronavirus") outbreak occurred in early 2020. We quickly responded to the epidemic prevention and control requirements and officially issued the "Notice on Prevention and Control of Novel Coronavirus Infection (關於做好預防新型冠狀病毒傳染防控工作的通知)" on 20 January 2020, promptly commenced epidemic prevention and control tasks in 219 projects under management and certain sales centre projects across 26 cities in the PRC. To protect the physical and mental health of property owners, we actively deployed the following work:

Establish a standardized daily prevention and control mechanism and implement strict prevention and control measures

- Multi-party joint investigation and establishment of epidemic emergency handling mechanism;
- All employees wear masks and have their body temperatures checked before work;
- Strictly enforce disinfection standards to ensure public area hygiene and safety;
- Set new handwashing sinks, place no-rinse hand sanitizer to enhance epidemic prevention and hygiene;
- Implement closed management and strict control against visitors, and measure body temperature of property owners, residents and visitors all-day.

Provide thoughtful services to property owners and residents to provide back support for their health

- Provide free services such as contactless delivery, vegetable distribution and regular garbage disposal services;
- Jointly provide 4,000 sets of fresh vegetables and 100,000 wipes of wet tissues for property owners for free with quality vegetable suppliers;
- Send daily community disinfection information and epidemic prevention tips to the property owners' and residents' WeChat group and housekeepers' friend circles (管家朋友圈).

Facilitate efficient epidemic prevention scientifically through smart measures

- Implement grid-based epidemic management to realise real-time monitoring of epidemic development in the community surrounding to make pre-judgment and early warning;
- The mobile application "Huishenghuo* (慧生活)" enables a new service function of contactless "e-pass (電子通行證)", which allows entry and exit registration and temperature check with one click;
- Install infrared heat-sensing equipment at the office gate to avoid crowding.

3. Smart Property Management

With the continuous advancement of technology, the property management model is bound to transform and upgrade. C&D Property is the pioneer in the industry to develop and introduce smart property technology platform, using mobile Internet, Internet of Things, big data and other technological means to implement property management, making property management work more efficient and service quality more secured.

Smart building	Smart community
Construct a one-stop operation and maintenance service platform for whole life cycle of building facilities and equipment, to realize five-linked control (五連控制), big data management, integrated management and smart control in operation and maintenance processes of building facilities and equipment.	Develop the mobile application "Huishenghuo* (慧生活)" which covers functions such as repair report, complaint, bill payment, neighborhood socializing and access control. The mobile application of the staff pushes work orders at real time to realize refined management, and to provide safe, comfortable and smart community life for residents.
Smart home	**Smart property**
Deploy fully-equipped smart home with the family gateway as the center, to construct a full house smart home scenario covering aspects including environment monitoring, smart control, smart home appliances and security monitoring.	Utilize smart property system platform and application, using "Cloud Agent* (雲坐席)" customer service platform, automatic work order flow, quality inspection, key point planning as core modules, to enhance service accuracy and efficiency in all aspects.

Case: Monitoring system for throwing objects from heights

To solve the problem of hidden safety hazards brought by throwing objects from heights, the Group has activated a detection system for throwing objects from heights, which adopted cloud video storage solution and was equipped with front camera of stellar camera with motorized zoom lenses, to make timely warning for timing of throwing objects from heights. The system facilitated efficient collection of evidence by various parties, effectively solved complex disputes between parties and also improved the service quality and staff efficiency of the property, making great contribution to the construction of a safe and harmonious community.

Monitored site for throwing objects from heights

Case: Remote monitoring system

To further enhance community safety and smart management, the Group has introduced a cloud video system, which allowed real-time viewing of the actual situation at different locations within each community, regular viewing of playback videos, artificial intelligence monitoring and automatic triggering of video recording functions to realize analysis and real-time warning of behaviors such as staff leaving their positions, staff gathering and road occupation.

Screenshots of the cloud video monitoring interface

Case: Smart car parks

The Group upgraded and renovated the car park to provide smart vehicle management, to achieve functions including visitor vehicle management, smart vehicle search, remote gate opening, fault alert, parking space monitoring, voice announcement, report export, so as to enhance efficiency of our operation and management. After the renovation and upgrade, the car park did not need to be manned resulting in reduction of staff costs. The system enabled online payment and accurate reconciliation, improving service efficiency and reducing the risks of circulation of counterfeit money.

Actual view of a smart car park

Illustration of theory of smart car park system

4. Diversified value-added services

In addition to property management services, the Group is committed to providing diversified value-added services which integrate online and offline services to meet the growing service needs of residents and customers, with a view to create a healthier and more convenient living community and further enhance customer experience and satisfaction.

Online retailing
Integrate selected quality products in the online store with offline promotion to provide community residents and corporate customers with quality daily necessities and life complimentary services.

Home decoration service
Provide a one stop home solution to "save efforts and money (省心、省事、省力省錢)".

Space operation
Coordinate planning of the available resources in the community and invite and corporate with businesses through external matching after development.

Community rental and sales service
Provide professional services for real estate assets under C&D Property's housing assets, mainly engaging in brokerage services such as second-hand leasing, trading, new home distribution, at-the-close order (尾盤) sales agency, commercial office building agent.

Smart community service
Provide services for design and development of smart property management services and operation of the mobile application "Huishenghuo* (慧生活)".

Elderly care and health value-added service
Provide community elderly care services to elderly in Yibai Centre including providing meals, hygiene, assistance on daily living, health management, social and recreational activities.

Case: "Huishenghuo* (慧生活)" mobile application

The mobile application "Huishenghuo* (慧生活)" developed by the Group is a platform that combines convenient fundamental property services, neighborhood communication and other value-added services. It can solve residents daily life problems, allowing them to handle daily chores such as reporting for repair and online payment at home. The mobile application also regularly sent community stories to create opportunities for communication between neighbors and create a happy community environment. In addition, the Group has added channels for satisfaction surveys and complaint handing so that residents can express their opinion conveniently, which helped the Group improve its services.

Page view of the mobile application "Huishenghuo (慧生活)"*

Case: "C&D Property Zhenxuan* (建發物業臻選)" online shopping platform

The Group has launched "C&D Property Zhenxuan* (建發物業臻選)" online shopping platform to provide community residents and corporate customers with quality daily necessities and complementary living services. The Group regularly launched promotional activities, such as group purchase for the New Year and Thanksgiving Day group purchase, to provide residents and customers with selected fine products under different scenes, and has received positive feedback from owners and customers with overwhelmingly good reviews.

Page view of "C&D Property Zhenxuan (建發物業臻選)" online shopping platform*

5. Customer rights protection

C&D Property strictly abided by laws and regulations including the Law of the People's Republic of China on Protection of Consumer Rights and Interest, Network Security Law of the People's Republic of China and the Advertising Law of the People's Republic of China and complied consistently on requirement in respect of aspects such as customer rights, consumer information security and privacy protection. The Group has further enhanced its capability of compliance marketing management to effectively protect customers' legal rights from being infringed and to continuously improve customers' satisfaction.

1) *Customer Satisfaction and Complaint Handling*

In 2020, the Group engaged a third-party organization to conduct a full-year customer satisfaction survey. Based on the survey results, we reviewed different needs of residents at each stage, sorted out the existing service processes and key process. We also formulated improvement plans in a timely manner in response to customers' comments and suggestions, and had the responsible personnel at each level monitor and follow up on the implementation of the plans to ensure effective improvement of service quality. During the Year, the Group's customer satisfaction survey covered 8,272 property owners, with result of the customer satisfaction rate was 93%.

During the Year, the Group received customer complaints through online and offline channels such as the project service hotline, the Company's complaint hotline, the mobile application "Huishenghuo* (慧生活)", the 400 call centers and customer service personnel. All received complaints were incorporated into the "Cloud Agent (雲坐席)" system, and customer service personnel conducted procedures to respond to, handle, follow-up, revisit and track and verify the complaints in accordance with the "Manual for Handling Customer Complaints (客戶投訴處理指導手冊)" to ensure timely and efficient handling of complaints to protect reasonable interests of customers.

2) *Information security and privacy protection*

The Group has formulated and implemented the requirements of the "Network Construction Regulations and Network Security Management System (網絡建設規範及網絡安全管理制度)" to ensure the standardized management of information security through the following measures.

Responsibility system

- Strictly implement the responsibility system in accordance with the principle of "who manages, who is responsible (誰管理、誰負責)" and specify responsible person for information security and relevant responsibilities;
- Establish comprehensive management system and implementation measures to clarify specific management and control processes and measures.

Authority management

- Classify employees according to their positions and responsibilities and grant them corresponding access rights, and use technical means such as password control for system user identification;
- Enhance the management of access rights to important operational data and avoid granting incompatible responsibilities to the same user;
- Regularly check system logs to record actions of system users to further ensure information security.

Data backup and emergency drills

- Regularly create local and remote backup of data and conduct recovery tests to ensure the validity of the stored information;
- Establish an information security emergency response mechanism, conduct regular emergency drills, and improve the information management system accordingly;
- Organize annual comprehensive risk assessment of information assets, and adjust strategies for information risk control and security management.

3) *Integrity Promotion and Marketing*

The Group strictly complied with requirements of relevant laws and regulations such as Advertising Law of the People's Republic of China, and has established regulations on brand promotion and publicity and review procedures for promotion contents, to clarify relevant requirements on our daily promotion and publicity. Each regional company shall use the promotional material templates and promotional slogans issued by the Group's brand management centre for daily promotion. The visual design of logos and trademarks used externally by each regional company shall be unified with the design style stipulated by the Group's headquarters. At the same time, the promotional materials used by various departments and projects of the Group shall be standardized by the brand management center for authenticity, compliance and reasonableness, to ensure external promotion contains accurate and reliable information and avoid non-complying promotion in any form.

6. Intellectual Property Rights Protection

The Group strictly abided by requirement of laws and regulations including Patent Law of the People's Republic of China, Copyright Law of the People's Republic of China and Trademark Law of the People's Republic of China to regulate management process for intellectual properties of the Group's registered trademarks, patents and software copyrights.

To avoid the risk of infringement, the Group has implemented various internal control measures, including requiring employees to uninstall all unauthorized software, conducting comprehensive checks on employees' work computers, etc., to prohibit employees from using software or materials that are not copyrighted or of unknown ownership to avoid infringement risks.

VI. CARING FOR EMPLOYEES AND BUILDING AN ELITE TEAM

The Group strictly abided by requirement of laws and regulations including the Labour Law of the People's Republic of China, the Labour Contract Law of the People's Republic of China and Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases. It has established and implemented internal system such as "Management Manual for Talent Cultivation and Development (人才培育與發展管理指引)" and has been constantly enhancing establishment of human resource management system to protect legal rights of employees, emphasizing on employee's development and cultivation, taking care of employees' physical and mental health, so as to achieve mutual growth and advancement of employees and the Group.

1. Employment and interests management

The Group has established internal systems such as the "Administrative Measures on Talent Recommendation and Incentives (人才推薦獎勵管理辦法)" and "Management Manual for Employee Resign (員工離職管理指引)" to establish a fair and equitable recruitment system. The Group recruited talents through school recruitment, social recruitment and internal recommendation to ensure that the recruitment process was not affected by factors such as ethnicity, nationality, age, gender, political views, marital status, religious beliefs and social origin. We strictly checked the ID cards to review the age of employees during the recruitment process to prohibit child labor. We did not force employees to work overtime and overtime employees are given corresponding adjusted leaves to protect their entitled rights . The Group has also established a comprehensive resign approval process and management procedures for employees who intend to resign from the Group. The Group standardized handling of matters such as settlement of salary and labor relations of employees. During the Year, the Group did not identify any case of child labor or forced labor.

As at 31 December 2020, the total number of employees of the Group reached 7,488.

Case: "Jingmiaosheng (菁苗生)" school recruitment

In recruitment in the fall of 2020, the Group launched its first on-air presentation, attracting over 31,000 viewers, which further enhanced the impact of brand promotion and publicity of school recruitment. In November and December 2020, the Group visited various famous undergraduate colleges and universities and held 12 offline seminars to introduce the Group's corporate culture, recruitment positions and career development path and cultivation models to job-seeking students, attracting over 700 people attending the offline presentations and interviews.

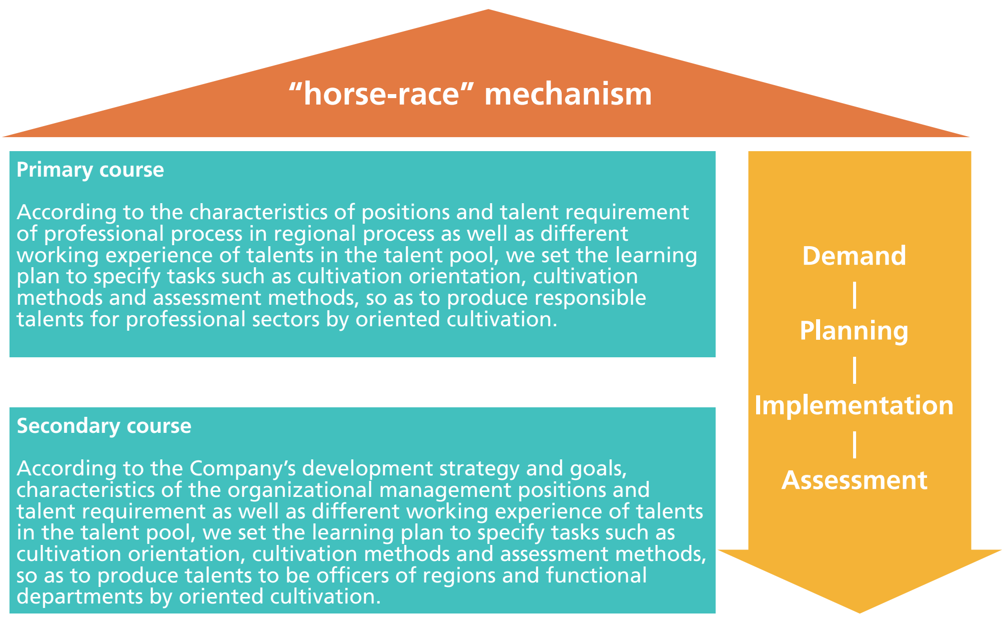
Scenes from seminars of school recruitment

2. **Remuneration and benefits, appraisal and promotion**

The Group determined the fixed part of the salaries of employees by combining characteristics of the positions and the market level, and released bonuses according to the actual performance of the employees to ensure that remuneration of our employees matches with their abilities and performance. In addition, we provided our employees with a welfare system that covered five insurances and one fund (五險一金), commercial insurance, heat stroke and cold prevention expenses, and other subsidies. We also conducted annual market research on salary levels and adjust our salary standard according to the research results to ensure provision of competitive salaries and benefits to our employees, with a view to enhance their happiness and sense of belonging.

The Group has established a comprehensive employee performance appraisal and promotion system. We have formulated internal systems such as the "Administrative Measures on Quarterly Performance Appraisal of Regional and Project Staff of C&D Property (建發物業片區、項目幹部季度績效考核管理辦法)", setting appraisal indicators and details for employees at various levels and in different positions, and appraisal was conducted regularly. The results of the performance appraisal were associated with employees' performance wages/bonuses and were used as a reference for annual merit evaluation, job promotion and internal recruitment.

In terms of staff promotion, the Group implemented a "horse-race (賽馬制)" selection mechanism by regularly conducting an internal talent evaluation to select outstanding potential talents at all levels. After passing the relevant selection assessment, employees would be included in the Company's talent pool; and according to the requirements of the position and the characteristics of the talent, relevant development plan would be designed. At the end of the cultivation cycle, we conducted assessments on the potential candidates uniformly to determine the final promotion results. At the same time, the Group adopted the mechanism of competing for positions (崗位競聘) and set up a dual-channel career development system of "management" and "professionalism" to provide a fast promotion platform for outstanding talents.



3. Training and development

The Group attaches great importance to the cultivation of outstanding talents and team building. We have formulated internal regulations such as the "Administrative Measures on Staff Certification (員工考證管理辦法)" and the "Internal Trainer Management System (內訓師管理制度)". We provide our employees with abundant learning opportunities through a multi-level training system and a variety of training courses, and motivate them to continue to learn and improve themselves.

"Jingying Scheme （「菁英」計劃）"

Select outstanding middle management cadres to participate in the scheme and train them to become excellent regional operation manager through professional courses and guidance of senior management.

"Jinggan Scheme （「菁干」計劃）"

For the outstanding potential cadres, set project manager as the cultivation target to specifically enhance their comprehensive project management ability, leadership, logical thinking and other comprehensive qualities.

"Jingmiao Scheme（「菁苗」計劃）"

Select outstanding graduates of the year as training targets, and provide theoretical courses on professional business knowledge supplemented by practical training on rotation to cultivate them to be excellent potential cadres.

New staff training camp

Implement various training contents such as company introduction, corporate culture promotion, main business knowledge, property management law and regulations and project visits and exchanges to give new staff necessary knowledge to cooperate with each other and adapt quickly.

Internal trainer training camp

Conduct trainings on 45 courses in respect of, for example, courseware design, micro-course production and case extraction for the Group's internal trainer team to improve the general level of tutorials of internal trainers.

In addition, during the Year, the Group has also launched an online training platform "Zhixingli (職行力)", delivering 1,302 courses covering 13 categories, including quality and safety, engineering technology and operation audit, for employees to learn anytime and anywhere to further enhance their professional knowledge and skill levels.

Screenshot of "Zhixingli (職行力)" platform

Case: 2020 Jingmiao Training Camp

This Year, the Group organized the "2020 Jingmiao Training Camp" with contents of quality development training, company introduction, corporate culture promotion, main business knowledge, property management law and regulations, project visits and exchanges, etc. for participants. The training delivered necessary knowledge for Jingmiaosheng (菁苗生) to cooperate with each other and adapt quickly. A total of 35 Jingmiaosheng (菁苗生) in 2020 participated in the training, and the passing rate of the final examination was 100%.

Scenes from 2020 Jingmiao Training Camp

4. Health and Safety

The Group attached great importance to occupational health and safety of employees. It strictly complied with the requirements of the laws and regulations including the "Law of the People's Republic of China on the Prevention and Control of Occupational Diseases", and constantly paid attention to employees' physical and mental health, striving to create a comfortable and safe working environment for our employees.

In the beginning of 2020, facing the sudden hit of novel coronavirus epidemic, our employees took over the frontline to provide effective protection and barriers to residents against the epidemic. Meanwhile, the Group also adopted various measures to offer comprehensive protection for employees' health and safety:

Protective equipment and supplies

- Purchased protective equipment such as alcohol, no-rinse hand sanitizer and masks in bulk for employees;
- Launched consolation activities to frontline staff offering relieving supplies such as Chinese medicines to them.

Temperature check and disinfection

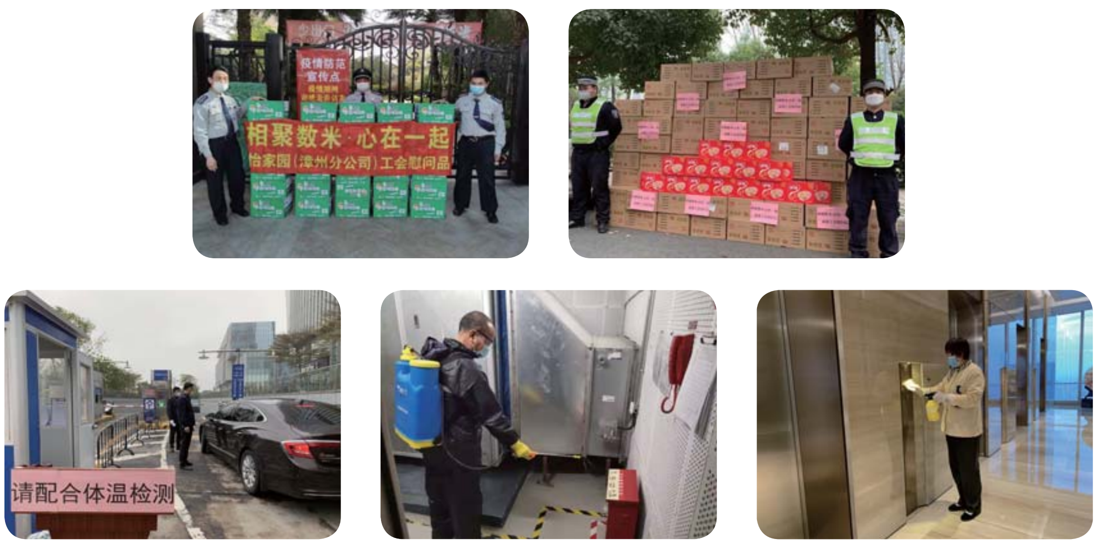
- Strictly performed temperature check and registration for accessing staff;
- Strictly conducted cleaning and disinfection in workplace to fully eliminate any potential hazards.

Epidemic prevention promotion

- Actively carried out various kinds of epidemic prevention promotion such as tips on preventing novel coronavirus, reminders on wearing masks, etc. to enhance employees' awareness of epidemic prevention;
- Launched epidemic prevention program on "Zhixingli (職行力)"online platform to enhance employees' knowledge on epidemic prevention.

Remote office

- Actively encouraged employees to work remotely during early stage of the epidemic, using online video meeting and online approval to ensure smooth process of work.



Inventory for epidemic prevention supplies and preventive measures in office areas

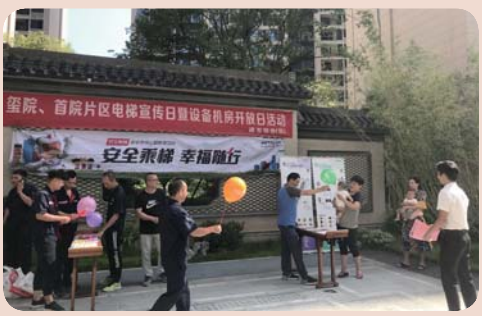
Also, the Group continued to pay attention to the daily occupational safety of employees and has set up a production safety working group and has clearly specified the responsible persons at each level for production safety. We have established a series of measures to protect the occupational health and safety of our employees, the details of which are as follows:

Establishing operation standards	Specialised check for safety	Safety trainings and drills
• Develop documented standards for safe use of electricity, firefighting, and operation at heights and put eye-catching warning signs in corresponding places to enhance safety awareness of employees.	• Regional companies regularly carry out self-inspection on safety production, and to rectify identified hidden safety hazards in a timely manner. The Group's headquarters conducts random checks on key projects under management.	• Regularly launch safe production training, skill competitions, emergency drills for fire, typhoon and flooding, with a view to enhance employ.
Safety protective equipment	**Heat reduction and comforting activities**	**Body check and insurance**
• Provide working clothes, working shoes, and protective gears such as safety helmets to employees at special positions to ensure their safety at work; • Provide employees with manuals on the use of safety and protective equipment and conduct related training.	• Regularly comfort front-line staff working under heat and offer gifts for heat stroke prevention and cooling; • Promote knowledge on heat stroke prevention and cooling and first aid for heat stroke among employees to improve their self-protection ability.	• Regularly arrange annual health check for employees to record their health condition; • Purchase commercial insurance for employees to take the initiative to prevent employees from the risk of accidents.

Case: 2020 "Elevator Safety Month (電梯安全月)"

During the Year, the Group organized the "Elevator Safety Month (電梯安全月)" activity, commencing elevator safety promotion, training staff to use elevators in a safe and civilized manner, enhancing their working skills and cultivating their awareness of protection. The Group also arranged daily safety inspection, with an aim to identify faults in elevators in a timely manner and to rectify uncivilized use of elevator. The Group promptly conducted cleaning work in the elevators to ensure safe usage by staff.

A scene from "Elevator Safety Month (電梯安全月)"



Working staff explaining elevator safety knowledge

Case: Training for "Production Safety Management Competence (安全生產管理資質)"

On 18 August 2020, the Group arranged staff to join the training for "Production Safety Management Competence (安全生產管理資質)" commenced by Xiamen C&D. The training provided introduction and analysis on contents such as definition of dangerous operations such as working at height, fire operation and hoisting operation (吊裝作業), precautions and accident case studies. It further enhanced employees' knowledge on risks and precautionary measures of dangerous operations and improved their knowledge and skills on production safety. After the training, the Group arranged examination on production safety management competence for attended staff and their passing rate was 100%.

5. **Communication and Caring**

The Group actively promoted work-life balance and regularly organized rich cultural and leisure activities for employees, including birthday parties, parent-child activities and holiday activities, to help employees adjust their physical and mental state after a busy work day and enhance their vitality and happiness.

Case: The "The Best in Heat (暑你最美)" heat prevention and cooling activity

In July 2020, the Group's labor union launched a heat prevention and cooling activity with the theme of "The Best in Heat (暑你最美)", sending comforting gifts of heat stroke prevention and cooling to front-line employees at positions exposed to high temperature, and sending our care straight to them. The comforting team communicated with the employees to understand their work and life status and promote knowledge on heat stroke prevention and cooling and first-aid for heat stroke to front-line staff, so as to enhance their self-protection ability when working under hot weather.

The Group sending comforting supplies to front-line staff

Case: Team activity with the theme of "Aspiring life at home (家，向往的生活)"

In October 2020, the Group launched a team activity with the theme of "Aspiring life at home (家，向往的生活)", organizing various activities such as cooking competition, fun development, picking activities and skill competition, to enhance communication among employees, improve teamwork and communication skills, and deepen mutual affection. Under relaxing and warm atmosphere, employees expressed their opinions and gave full play to their strengths, feeling the warmth of home together and enhancing cohesion among the Group.

The fun development competition

The cooking competition

The Group regularly conducted surveys on employee satisfaction to understand employees' suggestions and opinions on the Group's construction, and improve internal management based on their feedback. The labor union established by the Group regularly organized communication events with employees to actively listen to their voices. In addition, employees can also provide feedback and appeals to the Group through channels such as complaint/reporting hotlines and mailbox, and the Group will follow up on the matter immediately.

VII. OPERATION WITH INTEGRITY TO JOINTLY PROMOTE RESPONSIBLE DEVELOPMENT

The Group firmly establishes the awareness of compliance risk prevention and control, carries out the work of integrity construction in an orderly manner, and creates a cultural atmosphere for integrity operation. At the same time, we further strengthen the mutual trust and benefit relationship with our partners and strive to establish a long-term and stable supply chain.

1. Establishing the culture of integrity

The Group strictly complied with laws and regulations including the Anti-Money Laundering Law of the People's Republic of China and the Anti-Unfair Competition Law of the People's Republic of China. We implemented internal policies and regulations such as the "Regulations on Employee Integrity and Self-Discipline (關於員工廉潔自律的若干規定)" and the "Integrity and Self-Discipline Handbook (廉潔自律手冊)" to actively create a good operation culture and prevent the occurrence of corruption.

The Group has gradually intensified the awareness of integrity construction within the Group by launching integrity promotion activities and organizing training on anti-corruption and integrity promotion. The Group has further improved its anti-corruption, anti-money laundering and anti-bribery control measures, to excel in supervision and management.

The Group set up mailboxes, letters by mail and other anonymous whistleblowing channels. After receiving reports, the Group will investigate and strictly deal with the reported incidents in accordance with its internal policies to distinguishing the nature and seriousness of the incident. In addition, the Group regularly conducted special inspections, such as special inspection on epidemic materials and supplies and special inspection on letters and complaints, to improve the integrity and compliance governance system and deepen employees' awareness of anti-corruption.

Case: "Bottom Line and Safety Risks" Training

On 18 August 2020, the Group organized a training on "Bottom Line and Safety Risks", which was attended by 35 employees from Jingmiao training camp. The training mainly introduced the Group's management regulations on integrity, bottom-line awareness and risk prevention measures, and admonished the Group's cherished Jingmiaosheng to ensure that their speaking and behavior are legal and compliant at all times. After the training, the Group organized the trainees to participate in the integrity and self-discipline examination, and the passing rate of the 35 trainees was 100%.

"Bottom Line and Safety Risks" Training

In 2020, there was no legal cases regarding corruption brought against the Group or its employees.

2. Supply chain management

The Group strictly abided by the laws and regulations including the Tendering and Bidding Law of the People's Republic of China and implemented internal policies such as "Administrative Measures on Tenders and Bids", "Implementation Manual of Tender Management (招標管理實施手冊)" and"Implementation Manual of Supplier Management (供方管理實施手冊)" to regulate procurement under the principles of fair and impartiality , with an aim to achieve win-win cooperation and development with our partners.

1) *Admission of suppliers*

The Group arranged professional staff from relevant departments to form a supplier inspection team to score potential suppliers in terms of business qualifications, production licenses, honorary certificates, technical authentication documents, service levels, product quality and prices. The Group aligned and compared suppliers, and finally selected suppliers that meet the requirements to be included in the Group's supplier database.

In addition, the Group attached importance to the environmental and social responsibility risks of the supply chain and paid attention to the performance of suppliers in terms of integrity, quality and safety during the admission process by taking into account the performance of suppliers in fulfilling their social responsibility as an important factor.

2) *Supplier assessment and evaluation*

The Group regularly conducted supplier assessment and evaluation to monitor the service level of each supplier in order to optimize the supply chain management. For suppliers with established cooperative relationships with the Group, we evaluated supplier's performance through individual assessment and annual assessment:

Individual assessment

- The assessment targets are suppliers providing long-term sustaining services;
- According to the procurement contract, performance evaluation is used for assessment, with assessment standards provided by our functionality centre;
- The assessment scores will be used as an important basis for supplier settlement and annual evaluation and grading.

Annual assessment

- The assessment is conducted for suppliers who provide short-term non-sustaining services and annual questionnaire evaluation is used for the assessment;
- Questionnaires are formulated by the Group's operations audit center, and are done by relevant employees worked with the suppliers to review the suppliers in terms of various aspects.
- The evaluation results are reviewed and form an important basis for the annual evaluation and grading of suppliers.

After the above-mentioned assessment, the Group's operations audit center published results of the supplier rating, and those suppliers who were rated as qualified would continue to be included in the list of qualified supplier for contract renewal. Those who are not qualified would be blacklisted and would not be allowed to participate in any tender procurement activities of C&D Property for two years from the date of the published notice.

VIII. GREEN OPERATION TO PROTECT THE BEAUTIFUL ENVIRONMENT

The Group incorporated the idea of green development into its daily management, and strictly enforces the laws and regulations including the "Environment Protection Law of the People's Republic of China", "Environmental Protection Tax Law of the People's Republic of China" and "Law on Prevention and Control of Air Pollution of the People's Republic of China (中華人民共和國大氣污染防治法)". We actively impose measures to reduce impact of our business operation to the nature with a view to create better living environment for the next generation.

1. Green community

The Group has formulated and implemented internal policies such as the "Engineering Technology (2020) No. 2 Public Area Energy Conservation Control Standards (工程技術(2020)2號公區節能管控標準)" to provide specific regulations on savings and use of energy and various resources. We have introduced an energy consumption management platform to monitor water and electricity consumption in projects under our management. The platform detected irregularity in energy consumption in a timely manner and sent warning notice to the relevant person in charge for follow-up. It also analyzed the energy consumption of projects, so as to formulate management optimization measures to enhance energy efficiency.

The energy saving and consumption reduction measures implemented by the Group during the Year and relevant achievement were as follows:

Lighting management in public areas	• Adjusted the public area lighting system in terms of turn-on mode and type of lighting to be turned on to reduce unnecessary energy consumption. Estimated annual energy savings was approximately 1,391,700 kWh
Management on heating, ventilation, and air conditionin (HVAC) system	• Adjusted the operating hours, temperature and mode of the HVAC system in projects under management, without affecting the quality of operation. Estimated annual energy savings was approximately 215,500 kWh
Management on use of elevator	• Adjusted the air-conditioning operation of the elevator engine rooms and cabins and the elevator usage mode, so as to realize energy saving and consumption reduction without affecting the experience of residents. Estimated annual energy savings was is approximately 26,700 kWh
Management on water system	• Regular inspection on public facilities and equipment, recording of meter reading, and analysis on water consumption data were conducted to identify water leaks and repair them in a timely manner so as to reduce water consumption

Case: LED renovation in Suzhou Zhongyang Tiancheng

Suzhou Zhongyang Tiancheng project started the energy-saving renovation of lighting in the underground garage in June 2019, replacing 375 dual-controlled LED lights in total. After the renovation, the project saved approximately 1,119.23 kWh of electricity per month. As at 1 September 2020, the LED energy-saving renovation of the underground garage of the project has been completed.

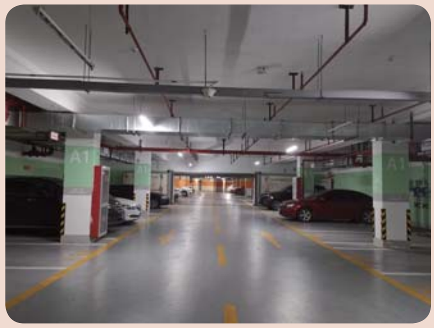


Illustration of dual-controlled LED in underground garage of Suzhou Zhongyang Tiancheng

In addition, the Group actively responded to the government's call to consistently implement internal policies such as the "Solid Waste Management Standard (固廢管理規定)", and in early 2020, aggregating with common issues in promotion of waste classification in previous years, "Guidelines on Waste Classification (垃圾分類工作指引)" was issued to instruct actions to be taken at each key stage before, during and after waste classification. Meanwhile, the Group's property management service staff actively promoted the knowledge of waste classification to residents and encouraged them to participate in the work of waste classification. As at 31 December 2020, the participation rate in waste classification of residents in projects under the Group's management in Xiamen, Fuzhou, Nanping, Suzhou, Shanghai and other cities reached over 90%, and the high participation was recognized by government departments for many times.

Case: Promotion of waste classification in Fuzhou Jianfa Guobinfu

To strengthen the promotion of waste classification, the staff of Fuzhou Jianfa Guobinfu project visited the property owners door-to-door to promote the knowledge of waste classification and distributed garbage bags to enhance the property owners' awareness of waste classification. Through the promotion, property owners highly cooperated with the various measures of waste classification and threw garage strictly following the time and place scheduled. The waste classification effort in this project was highly appreciated by government department.

Waste classification house of Fuzhou Jianfa Guobinfu

2. Green office

The Group's daily operation and management is based on the principle of green office. We paid attention to details and implement tasks from the smallest details, to call on all employees to create a green and energy-saving office environment. During the Year, the green measures adopted by the Group in its office operation mainly included:

Waste management

- Reducing paper document issuance by actively using OA system;
- Facilitating waste classification in offices;
- Setting up specified recycle bin for lunchboxes and used masks during the epidemic.

Material and energy saving

- Requiring employees to switch off office electrical equipment immediately after work;
- Using porcelain cups instead of disposable paper cups;
- Promoting saving of office supplies; Posting a label of "Save Water".

Green promotion

- Not purchasing official vehicles and encouraging employees to travel by public transportation;
- Initiating online and offline charitable activities for energy-saving and emission reduction.

Green environment

- Placing suitable plants and pots in office areas to absorb indoor hazardous gases and reduce indoor air pollution.

The water used in the Group's operations comes mainly from the municipal network and the Group did not encounter any problem in obtaining appropriate water source during the Year.

3. Response to climate change

In recent years, the global community has become increasingly concerned about climate change. Climate change has become an important issue for citizens around the world to address. C&D Property is concerned about the impact of its business on climate and the environment, and has taken a number of climate change mitigation and adaptation measures to address the potential risks brought about by climate change.

We have formulated internal policies such as "Emergency Plan for Extreme Weather and Anti-freezing and Related Emergency Measures (《極端天氣防凍應急預案及相關應急措施》)" and "Classification of Property Facilities and Equipment for Freezing and Emergency Measures (物業設施設備防凍分級及應急措施)" to formulate emergency plans for possible climate disasters in the Group's operation and have conducted emergency drills regularly to enhance the Group's ability to deal with extreme weather and reduce the risks and impacts brought about by climate disasters.

Case: Safety and rescue drills for flood

During the Year, in order to cope with climate disasters such as typhoons and floods, the Group actively carried out emergency and rescue drills for flood to ensure prompt, orderly and efficient response to risks. During the drills, the Group conducted simulations of sudden flooding, fastened potential falling objects, conducted safety inspection and conducted training on placing sandbags and water barriers. After the drills, the Group reviewed the drills to summarize areas for improvement to further enhance the Group's emergency response capability to natural disasters such as extreme weather.

Safety and rescue drills for flood

4. Environmental Key Performance Indicators (KPI)

The 2020 Environmental Key Performance Indicators calculated by the Group in accordance with the ESG Reporting Guide are shown in table below:

No.	Environmental Key Performance Indicators	Unit	Consumption/ emission
A1.2	Greenhouse gas emissions (Scope 2)	Tonnes	152.78
	Total greenhouse gas emissions	Tonnes	152.78
A1.3	Hazardous wastes	Tonnes	0.008
A1.4	Non-hazardous wastes	Tonnes	6.18
A2.1	Electricity consumption	Kilowatt hour	189,878.99
	Indirect energy consumption	Kilowatt hour	189,878.99
	Total energy consumption	Kilowatt hour	189,878.99
	Energy intensity	Kilowatt hour/ square metre	1.93
A2.2	Water consumption	Cubic metre	2,209.48
	Water consumption intensity	Cubic metre/ square metre	0.02

Notes to 2020 Environmental Data:

(1) Time scope of the data: 1 January 2020 to 31 December 2020.

(2) Scope of data: this report discloses the energy and resources consumption of the Group's headquarters, Huijia and Huifeng Jiayuan project (滙豐家園項目) in terms of office areas and property management areas, excluding resource consumption and waste generation with costs bored by residents.

(3) Greenhouse gas emissions (Scope 2) were generated from purchased electricity. As the Group did not use other fuels, it is not subject to waste gases and greenhouse gas (Scope 1) emissions.

(4) Emission factors of greenhouse gas of purchased electricity are based on the Ministry of Ecology and Environment's "China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2017". Other emission factors are based on the "ESG Reporting Guide" of the Hong Kong Stock Exchange.

(5) Non-hazardous wastes were mainly office wastes. Hazardous wastes were mainly waste batteries, waste light tubes and bulbs, waste ink cartridges and toner cartridges.

(6) The type of energy consumed by the Group was purchased electricity.

(7) Energy intensity = Total energy consumption/GFA under management; water intensity = water consumption/GFA under management; of which, scope of statistics of GFA under management is in line with the scope of environmental data collection.

(8) Due to nature of the Group's business, we did not involve use of packaging materials.

XI. GIVING BACK TO THE SOCIETY TO SPREAD THE POWER OF LOVE

While the Group focuses on providing quality services, it also actively participates in community building and fulfills its corporate social responsibility. In 2020, the Group launched a series of community welfare and cultural activities based on actual needs of the community, actively giving back to the community and spreading the power of love.

1. Community welfare activities

Stopping the epidemic, not love (阻斷疫情，不阻深情)

In February 2020, the Group cooperated with quality vegetable suppliers to organize "Fighting the epidemic with vegetables at home (同戰疫，菜到家)", with our housekeepers delivering fresh vegetables door-to-door to residents for free. We also commenced services such as takeaways, delivery transfers and waste disposal agents, to protect the normal operation of the residents' daily life.

Voluntary cleaning to refresh the community (志願清掃，煥新社區)

In October 2020, the Group launched a community voluntary environment cleanup campaign in major projects across the country, organizing volunteer service teams to lead residents to clean up green belts, main roads, hallways, rooftops, etc. in the public areas of their communities, enabling participation of residents to community building and thereby enhancing their sense of community belonging and building a warm and harmonious community atmosphere.

Volunteer medical consultation for convenience of residents (愛心義診，便利居民)
In October 2020, the Group cooperated with a local hospital to provide volunteer medical consultation, providing medical consultation, health knowledge and advice to residents in the community, so that they can enjoy warming medical services "at home".

Warm services to celebrate the Chung Yeung Festival (溫情服務，歡度重陽)
In October 2020, the Group held Chung Yeung Festival activities in various communities, arranging volunteers to provide convenient services such as carpet cleaning, sewing, key cutting, knife sharpening, hair-cutting and volunteer medical consultation to residents, with a view to serve even their minimal needs and bring them with simple convenience.

2. **Community activities**

Cultural events and talent competitions (文化活動，才藝比拼)

In 2020, the Group launched a variety of online community cultural activities, such as a community spring photography contest, an interactive discussion on Mother's Day, a Tang Xiaofeng Chinese style youth talent contest (唐小風國風少年才藝大賽) and a Qixi Run for Love online game (七夕為愛奔跑線上遊戲) to encourage community residents to show their talents, pass on Chinese culture, and compete to spread the Chinese culture.

Support for high school examination and support to dreams (高考應援，助力夢想)

In July 2020, in order to better serve students attending the high school examination, the Group set up caring service stations in communities in nearly 300 projects across the PRC to provide candidates with caring supplies such as bottled water, tissues, heat prevention and cooling products and snacks, as well as common medicines such as patchouli oil (藿香正氣水), band-aid and cooling oil (清涼油), and prepared caring masks and examination stationery kits for candidates to escort them and help make their dreams come true.

Warm heart in winter (熱乎心意，溫暖寒冬)

In November 2020, the Group sent hot glutinous rice balls and boiled dumplings to the residents on the Beginning of Winter (立冬), and sent sincere greetings with smiles. We organized residents to wrap dumplings together, integrating Chinese culture into daily life and adding a sense of life rituals and warming up the whole winter.

Warm companion in enthusiastic park (熱鬧遊園，溫情陪伴)

In November 2020, the Group held a community park event, preparing a variety of fun games for residents. Neighbors in the community were able to get together and play chess, hoops, watch programs and do handcrafts, enriching their amateur cultural life and creating a warm and interesting community cultural atmosphere.

APPENDIX 1: HONORS OF THE GROUP IN 2020

Serial no.	Award	Awarding entity
1	36th in 2020 China Top 100 Real Estate Services Enterprises (2020中國物業服務百強企業第36位) 	China Index Academy
2	2020 Top 100 Blue-Chip Property Enterprise (2020年藍籌物業百強企業) 	The Economic Observer* (經濟觀察報)
3	2020 Regional Leading Value Enterprise (2020年區域領先價值企業) 	The Economic Observer* (經濟觀察報)
4	37th in TOP 500 Property Service Enterprises in terms of General Strength (2020物業服務企業綜合實力500強第37位) 	China Property Management Research Institute* (中物研協), Shanghai E-House Real Estate R&D Institution* (上海易居房地產研究院), China Real Estate Appraisal Centre* (中國房地產測評中心)

APPENDIX 2: INDUSTRY ASSOCIATION JOINED BY THE GROUP

Serial no.	Name of joined association	Membership level
1	Chengdu City Property Management Association (成都市物業管理協會)	Vice president
2	Chengdu Tianfu New Area Property Management Association (成都天府新區物業管理協會)	Vice president
3	Chengdu Hi-Tech Zone Construction Industry Association (成都高新區建設行業協會)	Standing council member
4	Changsha City Property Management Association (長沙市物業管理協會)	Member
5	Changsha County Property Management Association (長沙縣物業管理協會)	council member
6	Hunan Province Real Estate Association (湖南省房地產協會)	Member
7	Wuhan City Property Management Association (武漢市物業管理協會)	Vice president
8	Zhangzhou City Property Management Association (漳州市物業管理協會)	Vice president
9	Quanzhou City Property Association (泉州市物業協會)	Member
10	Qunazhou City Licheng District Property Association (泉州市鯉城區物業協會)	Vice president
11	Qunazhou City Luojiang District Property Association (泉州市洛江區物業協會)	Vice president
12	Qunazhou City Nan'an City Property Association (泉州市南安市物業協會)	Member
13	Suzhou City Property Management Association (蘇州市物業管理協會)	Vice president
14	Wuxi City Property Management Association (無錫市物業管理協會)	Member
15	Nanjing City Property Management Association (南京市物業管理協會)	Member
16	Hefei City Property Management Association (合肥市物業管理協會)	Standing council member
17	Zhangjiagang City Property Management Association (張家港市物業管理協會)	council member
18	Shanghai Property Management Association (上海物業管理協會)	Member
19	Taicang Property Management Association (太倉物業管理協會)	council member
20	Taicang Property Management Association (太倉物業管理協會)	Member
21	Hanzhou Property Management Association (杭州物業管理協會)	Member
22	Fuzhou City Property Management Association (福州市物業管理協會)	council member

Serial no.	Name of joined association	Membership level
23	Lianjiang County Property Management Association (連江縣物業管理協會)	council member
24	Yongtai County Property Management Association (永泰縣物業管理協會)	council member
25	Longyan City Property Management Association (龍巖市物業管理協會)	Standing council member
26	Nanping City Property Management Association (南平市物業管理協會)	Vice president
27	Sanming City Property Management Association (三明市物業管理行業協會)	Vice president
28	Nanning City Property Management Association (南寧市物業管理行業協會)	Member
29	Guangzhou City Property Management Association (廣州市物業管理行業協會)	Member
30	Zhuhai City Property Management Association (珠海市物業管理協會)	Member
31	Shenzhen City Property Management Association (深圳市物業管理協會)	Member
32	Xiamen City Property Management Association (廈門市物業管理協會)	Vice president
33	Fujian Province Property Management Association (福建省物業管理協會)	Standing council member
34	Fujian Province Property Management Association (福建省物業管理協會)	Vice president
35	Chinese Property Management Institute	council member

Grant Thornton
致同

To the members of C&D Property Management Group Co., Ltd
(formerly known as Li Chi International Limited and C&D Property Development Group Co., Ltd)
(incorporated in the British Virgin Islands with limited liability)

OPINION

We have audited the consolidated financial statements of C&D Property Management Group Co., Ltd (formerly known as Li Chi International Limited and C&D Property Development Group Co., Ltd) (the "Company") and its subsidiaries (together, the "Group") set out on pages 98 to 179, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTER

Key audit matter is the matters 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 ("ECL") allowance on trade receivables
Refer to notes 2.10, 4(b) and 20 to the consolidated financial statements.

The Key Audit Matter	How the matter was addressed in our audit
As at 31 December 2020, the Group had trade receivables amounting to approximately RMB90,205,000, net of ECL allowance amounting to RMB7,266,000. Trade receivables have been grouped based on shared credit risk characteristics and the past due status. The Group determines the ECL allowance on trade receivables based on an assessment of the risk of default and the expected loss rate. In performing the assessment, the Group considered the credit quality of the customers by considering their historical settlements record, ageing profile, financial position and other factors, and taking into account of current market condition and forward-looking information at each reporting date. We identified the ECL allowance of trade receivables as a key audit matter due to considerable amounts of judgement and estimation being applied in the assessment of credit risk under the ECL model. These judgements and assumptions including but not limited to the debtors' payment history and creditworthiness, historical default rates, and forward-looking macroeconomic factors.	Our audit procedures in relation to the ECL allowance included: — obtaining understanding on management's assessment on the ECL model of trade receivables, assessed its reasonableness by considering the historical payment records and ageing profile, evaluated adjustment made to the historical loss rates based on current market conditions and forward-looking information with reference to our industry knowledge and market information; — involving our external valuation expert to evaluate the management's judgements in assessing the valuation methodology; — testing, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by the management to supporting documents; and — checking the mathematical accuracy of the calculation of the ECL allowance.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2020 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion 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.

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

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

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

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

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

- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with 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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
Level 12
28 Hennessy Road
Wanchai
Hong Kong

26 March 2021

Lin Ching Yee Daniel
Practising Certificate No.: P02771

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
Revenue	5	**1,028,574**	801,330
Cost of sales		**(776,894)**	(617,933)
Gross profit		**251,680**	183,397
Other income	6	**26,243**	7,943
Selling and marketing expenses		**(1,716)**	(552)
Administrative and other operating expenses		**(136,708)**	(114,040)
Provision for expected credit losses allowance on trade and other receivables, net		**(259)**	(1,663)
Finance income, net	7	**15,683**	20,835
Listing-related expenses		**(9,787)**	–
Share of results of associates		**(1,262)**	(2,257)
Profit before income tax	8	**143,874**	93,663
Income tax expense	10	**(37,036)**	(25,378)
Profit for the year		**106,838**	68,285
Other comprehensive income			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		**207**	–
Total comprehensive income for the year		**107,045**	68,285
Profit for the year attributable to:			
— Equity holders of the Company		**106,118**	68,181
— Non-controlling interests		**720**	104
		106,838	68,285
Profit and total comprehensive income attributable to:			
— Equity holders of the Company		**106,325**	68,181
— Non-controlling interests		**720**	104
		107,045	68,285
Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)			
Basic and diluted	12	**0.09**	0.06

The notes on pages 105 to 179 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out on note 11.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	**2020** **RMB'000**	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	14	**27,328**	9,063
Right-of-use assets	15	**21,415**	7,784
Interests in associates	16	**–**	13,423
Goodwill	17	**578**	–
Other financial assets	18	**–**	34,190
Deferred tax assets	26	**3,874**	5,892
		53,195	70,352
Current assets			
Inventories	19	**2,139**	3,415
Trade and other receivables	20	**135,087**	77,217
Amounts due from related parties	23(a)	**31**	1,344,229
Restricted bank deposits	21	**20,219**	726
Cash and cash equivalents	21	**886,159**	57,121
		1,043,635	1,482,708
Current liabilities			
Trade and other payables	22	**446,923**	313,488
Contract liabilities	5(a)	**178,186**	119,353
Amounts due to related parties	23(b)	**5,333**	322
Income tax payables		**32,644**	30,717
Lease liabilities	25	**4,914**	2,787
		668,000	466,667
Net current assets		**375,635**	1,016,041
Total assets less current liabilities		**428,830**	1,086,393

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current liabilities			
Lease liabilities	25	**9,242**	4,852
Receipts under securitisation arrangements	24	**–**	902,774
Deferred tax liabilities	26	**4,935**	1,343
		14,177	908,969
Net assets		**414,653**	177,424
CAPITAL AND RESERVES			
Share capital	27	**9,982**	12
Reserves	28	**393,821**	176,308
Equity attributable to the equity holders of the Company		**403,803**	176,320
Non-controlling interests		**10,850**	1,104
Total equity		**414,653**	177,424

Qiao Haixia
Director

Huang Danghui
Director

The notes on pages 105 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share capital RMB'000 (note 27)	**Other reserve*** RMB'000 (note 28(b))	**Statutory reserve*** RMB'000 (note 28(a))	**Exchange reserve*** RMB'000 (note 28(c))	**Retained profits*** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2019	12	(75,960)	12,326	–	122,699	59,077	–	59,077
Profit and total comprehensive income for the year	–	–	–	–	68,181	68,181	104	68,285
Transactions with owners								
— Capital contribution from non-controlling shareholders	–	–	–	–	–	–	1,000	1,000
— Dividend received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation (note 28(b))	–	49,062	–	–	–	49,062	–	49,062
— Appropriation to statutory reserve	–	–	9,189	–	(9,189)	–	–	–
	–	49,062	9,189	–	(9,189)	49,062	1,000	50,062
Balance at 31 December 2019	12	(26,898)	21,515	–	181,691	176,320	1,104	177,424

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to equity holders of the Company							
	Share capital RMB'000 (note 27)	**Other reserve*** RMB'000 (note 28(b))	**Statutory reserve*** RMB'000 (note 28(a))	**Exchange reserve*** RMB'000 (note 28(c))	**Retained profits*** RMB'000	**Sub-total** RMB'000	**Non-controlling interests** RMB'000	**Total equity** RMB'000
Balance at 1 January 2020	**12**	**(26,898)**	**21,515**	**–**	**181,691**	**176,320**	**1,104**	**177,424**
Total comprehensive income								
Profit for the year	**–**	**–**	**–**	**–**	**106,118**	**106,118**	**720**	**106,838**
Other comprehensive income								
— Exchange differences on translation of financial statements of foreign operations	**–**	**–**	**–**	**207**	**–**	**207**	**–**	**207**
Profit and total comprehensive income for the year	**–**	**–**	**–**	**207**	**106,118**	**106,325**	**720**	**107,045**
Transactions with owners								
— Dividends declared and paid (note 11)	**–**	**–**	**–**	**–**	**(1,485)**	**(1,485)**	**–**	**(1,485)**
— Capital contribution from non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**490**	**490**
— Considerations received for the equity transfers of the Excluded Companies to the Remaining Group and regarded as deemed contribution arising from Reorganisation (note 28(b))	**–**	**289,756**	**–**	**–**	**–**	**289,756**	**–**	**289,756**
— Considerations paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from Reorganisation (note 28(b))	**–**	**(227,200)**	**–**	**–**	**–**	**(227,200)**	**–**	**(227,200)**
— Dividends received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation (note 28(b))	**–**	**48,653**	**–**	**–**	**–**	**48,653**	**–**	**48,653**
— Repurchase of shares (note 27)	**(12)**	**–**	**–**	**–**	**–**	**(12)**	**–**	**(12)**
— Allotment of shares (note 27)	**9,982**	**–**	**–**	**–**	**–**	**9,982**	**–**	**9,982**
— Change in ownership interests in subsidiary without change of control (note 35)	**–**	**1,464**	**–**	**–**	**–**	**1,464**	**8,536**	**10,000**
— Appropriation to statutory reserve	**–**	**–**	**6,131**	**–**	**(6,131)**	**–**	**–**	**–**
	9,970	**112,673**	**6,131**	**–**	**(7,616)**	**121,158**	**9,026**	**130,184**
Balance at 31 December 2020	**9,982**	**85,775**	**27,646**	**207**	**280,193**	**403,803**	**10,850**	**414,653**

* The total of these amounts as at the reporting date represent "Reserves" in the consolidated statement of financial position.

The notes on pages 105 to 179 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before income tax		**143,874**	93,663
Adjustments for:			
Depreciation of property, plant and equipment	8	**4,720**	2,652
Depreciation of right-of-use assets	8	**5,586**	3,041
Gain on changes in fair value of financial assets measured at FVTPL	6	**(14,660)**	(3,220)
Gain on disposal of financial assets measured at FVTPL	6	**(1,150)**	–
Written off of property, plant and equipment	8	**381**	78
Provision for ECL allowance on trade and other receivables, net	8	**259**	1,663
Interest expense	7	**51,522**	55,748
Interest income	7	**(67,205)**	(76,583)
Gain on re-measurement of previously held interest in an associate	6	**(2,993)**	–
Share of results of associates		**1,262**	2,257
Operating profit before working capital changes		**121,596**	79,299
Decrease/(Increase) in inventories		**1,276**	(1,887)
Increase in trade and other receivables		**(56,874)**	(10,134)
Increase in trade and other payables		**135,806**	54,567
Increase in contract liabilities		**58,833**	54,828
Increase/(Decrease) in restricted bank deposits		**5,861**	(16)
Decrease in other financial assets		**50,000**	–
Cash generated from operations		**316,498**	176,657
Income tax paid		**(29,812)**	(21,342)
Net cash from operating activities		**286,686**	155,315

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(7,867)**	(4,032)
Investments in associates		**(7,350)**	(15,680)
Decrease/(Increase) in amounts due from related parties		**1,344,198**	(54,576)
Interest received		**67,205**	76,583
Net cash outflow on acquisition of a subsidiary	34	**(20,811)**	–
Proceeds from the equity transfers of the Excluded Companies	28(b)	**289,756**	–
Considerations paid for the registered capital of the Excluded Companies and regarded as deemed distribution arising from Reorganisation	28(b)	**(227,200)**	–
Dividends received from the Excluded Companies and regarded as deemed contribution arising from Reorganisation	28(b)	**48,653**	49,062
Proceed from disposal of ownership interests in subsidiary without change of control	35	**10,000**	–
Net cash from investing activities		**1,496,584**	51,357
Cash flows from financing activities			
Capital contribution from non-controlling interests		**490**	1,000
Repurchase of shares	27	**(12)**	–
Issuance of shares	27	**9,982**	–
Repayments to related parties	33	**(62)**	–
Advances from related parties	33	**5,073**	311
Dividends paid	11	**(1,485)**	–
Interest paid		**(43,323)**	(55,371)
Payments of lease liabilities	33	**(4,895)**	(2,956)
Repayments for receipts under securitisation arrangements	33	**(920,000)**	(124,905)
Net cash used in financing activities		**(954,232)**	(181,921)
Net increase in cash and cash equivalents		**829,038**	24,751
Cash and cash equivalents at beginning of year		**57,121**	32,370
Cash and cash equivalents at end of year, represented by bank balances and cash		**886,159**	57,121

The notes on pages 105 to 179 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION AND REORGANISATION

1.1 General information

C&D Property Management Group Co., Ltd (the "Company", formerly known as Li Chi International Limited and C&D Property Development Group Co., Ltd) was incorporated as a company with limited liability in the British Virgin Islands ("BVI") on 4 May 2016. The address of the registered office of the Company is 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Room 3517, 35/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (collectively, the "Group") are principally engaged in the provision of property management services, community value-added and synergy services and the value-added services to non-property owners in the People's Republic of China (the "PRC") (the "Listing Business").

On 23 December 2020, the board of directors of C&D International Investment Group Limited ("C&D International") declared a special dividend to be satisfied by way of a distribution in specie to its then qualifying shareholders of an aggregate of 1,176,711,106 shares of the Company, in proportion to their respective shareholdings in C&D International as at 28 December 2020 (the "C&D International Distribution").

On 31 December 2020, the Company has its shares listed on the Main board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") ("the Listing").

The C&D International Distribution was completed upon the Listing. Prior to the C&D International Distribution, the immediate holding company of the Company was C&D International, an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange; after the C&D International Distribution, the Company's immediate holding company is Well Land International Limited ("Well Land"), a company incorporated in the BVI with limited liability; C&D Real Estate Corporation Limited* (建發房地產集團有限公司) ("C&D Real Estate") which was incorporated in the PRC with limited liability is the Company's intermediate holding company, whereas the directors of the Company regard Xiamen C&D Corporation Limited* (廈門建發集團有限公司) ("Xiamen C&D"), a state-owned enterprise incorporated in the PRC with limited liability, as the Company's ultimate holding company and controlling party.

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the Board of Directors on 26 March 2021.

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 Reorganisation

Prior to the completion of the reorganisation on 29 June 2020 (the "Reorganisation") described below, C&D International indirectly owned the companies operating the Listing Business ("Operating Companies") and other companies, which are engaged in commercial assets management and entrusted construction services (the "Excluded Companies"). Details of the Reorganisation are more fully explained in the section headed "History, Reorganisation and corporate structure" in the listing document of the Company dated 28 December 2020 (the "Listing Document").

In the preparation of the listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganisation was undertaken pursuant to which the Company and its subsidiaries engaged in the Listing Business were transferred to the Company and the Excluded Companies were transferred to C&D International. The Reorganisation mainly involved the following steps:

(a) On 25 May 2020, Xiamen Yiyuexin Management Consultancy Company Limited* (廈門怡悅新管理諮詢有限公司) ("Xiamen Yiyuexin"), a wholly owned subsidiary, entered into equity transfer agreements with Xiamen Pinchuan Real Estate Consulting Co., Ltd* (廈門品傳置業顧問有限公司) ("Xiamen Pinchuan"), a fellow subsidiary, pursuant to which Xiamen Pinchuan agreed to sell and Xiamen Yiyuexin agreed to purchase 5% equity interests in Chengdu Yijiayuan Property Management Company Limited* (成都怡家園物業管理有限公司) ("Chengdu Yijiayuan") and 10% equity interests in Changsha Yisheng Property Management Company Limited* (長沙怡盛物業管理有限公司) ("Changsha Yisheng") at total cash considerations of approximately RMB984,000 ("Chengdu Yijiayuan Acquisition") and RMB545,000 ("Changsha Yisheng Acquisition") respectively. Chengdu Yijiayuan Acquisition and Changsha Yisheng Acquisition were completed on 11 June 2020 and 12 June 2020 respectively, and Chengdu Yijiayuan and Changsha Yisheng became wholly owned subsidiaries.

(b) On 25 May 2020, Xiamen Yiyuexin entered into an equity transfer agreement with a fellow subsidiary, Shanghai Zhaorui Investment Development Co., Ltd.* (上海兆瑞投資發展有限公司) ("Shanghai Zhaorui"), pursuant to which Shanghai Zhaorui agreed to sell and Xiamen Yiyuexin agreed to purchase 5% equity interests in Shanghai Yixiang Property Management Company Limited* (上海怡祥物業管理有限公司) ("Shanghai Yixiang") at a total cash consideration of approximately RMB48,000 ("Shanghai Yixiang Acquisition"). Shanghai Yixiang Acquisition was completed on 18 June 2020, and Shanghai Yixiang become a wholly owned subsidiary.

1. GENERAL INFORMATION AND REORGANISATION *(Continued)*

1.2 Reorganisation *(Continued)*

(c) In June 2020, all equity interests of the entities including Xiamen C&D Guangyue Business Management Limited* (廈門建發廣悦商業管理有限公司), Xiamen C&D Zhaocheng Construction and Operation Management Co., Ltd.* (廈門建發兆誠建設運營管理有限公司), Shanghai C&D Zhaoyu Asset Management Co., Ltd.* (上海建發兆昱資產管理有限公司), Xiamen Zhaoxu Construction Development Co., Ltd.* (廈門兆旭建設發展有限公司), Xiamen Wanxinlian Commercial Factoring Co., Ltd.* (廈門萬鑫聯商業保理有限公司), Xiamen Lihe Engineering Management Co., Ltd.* (廈門利和工程管理有限公司), Xiamen Liyue Enterprise Management Co., Ltd.* (廈門利悦企業管理有限公司), Xiamen Zhaoyang Housing Expropriation Service Co., Ltd.* (廈門兆陽房屋征遷服務有限公司), Xiamen C&D Yipin Cultural Development Co., Ltd.* (廈門建發一品文化發展有限公司), Xiamen C&D Home Furnishing Co., Ltd.* (廈門建發家居有限公司) (together "Excluded Companies") were transferred to the C&D International at total cash considerations of approximately RMB291,301,000 and Xiamen C&D Youkehui Network Technology Co., Ltd.* (廈門建發優客會網絡科技有限公司) was transferred to Xiamen C&D at a total cash consideration of approximately RMB32,000 and such equity transfers were completed on 29 June 2020.

* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation

Pursuant to the Reorganisation, the companies now comprising the Group, engaging in the Listing Business were under common control of Xiamen C&D, the ultimate holding company, immediately before and after the Reorganisation. Accordingly, the Reorganisation is regarded as a business combination under common control, and for the purpose of this report, the consolidated financial statements have been prepared using the principles of merger accounting, as prescribed in Hong Kong Accounting Guideline 5 "Merger Accounting for Common Control Combinations" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as if the current group structure had been in existence throughout the year presented, or since the date when the combining companies first came under the control of Xiamen C&D, whichever is a shorter period. The consolidated financial statements have been prepared as if the transfer of the Excluded Companies had taken place at the beginning of the year presented (i.e. 1 January 2019). Accordingly, the results of the Excluded Companies during the year and all assets and liabilities directly related to the Excluded Companies have been excluded in the consolidated financial statements.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2020 and 2019 include the results and cash flows of all companies now comprising the Group but excluding the results of the Excluded Companies from the earliest date presented or since the date when the subsidiaries and/or business first came under the common control of Xiamen C&D, where this is a shorter period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of presentation *(Continued)*

The consolidated statement of financial position of the Group as at 31 December 2019 have been prepared to present the assets and liabilities of the combining companies using the existing book values from the Xiamen C&D's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of combination under common control, to the extent of the continuation of the controlling party's interest.

For companies acquired from a third party during the year ended 31 December 2020, they are included in the consolidated financial statements from the date of the acquisition and accounted for using acquisition method as set out in note 2.3.

Inter-company transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

2.2 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting periods commencing from 1 January 2020 including amendments to HKFRS 3 "Definition of a Business" ("HKFRS 3") have been early adopted by the Group in the preparation of the consolidated financial statements. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules").

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of issued but not yet effective HKFRSs and the impacts on the consolidated financial statement of the Group, if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost convention, except for financial assets at fair value through profit and loss ("FVTPL") (see note 2.8) which are stated at fair value. The Company's functional currency is Hong Kong Dollars ("HK$"). However, the consolidated financial statements are presented in Renminbi ("RMB"), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the transactions of the Listing Business in the PRC are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of RMB ("RMB'000") unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Basis of preparation *(Continued)*

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

2.3 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group 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 over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Non-controlling interests in the results and equity of subsidiaries are presented separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

(i) *Business combinations under common control*

The consolidated financial statements incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Basis of consolidation *(Continued)*

(ii) Business combinations not under common control

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference, after reassessment, is recognised directly in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.3 Basis of consolidation *(Continued)*

(iii) Change in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment loss. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee’s net assets including goodwill in the consolidated statement of financial position.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the Group's interest in associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate and any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in associate.

Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the reporting date whether there is any objective evidence that the investment in the associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying value and recognises the amount adjacent to share of result from associate in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Associates *(Continued)*

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9. The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

2.5 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the individual financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average rate is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting currency translation differences are recognised in other comprehensive income and accumulated separately in "Exchange reserve" in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (see note 2.20). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on items of property, plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	12.50% to 33.33%
Furniture, fixtures and office equipment	20% to 50%
Motor vehicles	12.50% to 33.33%

Accounting policy for depreciation of right-of-use assets is set out in note 2.14.

The assets' depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.7 Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses (see note 2.20). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in associates (see note 2.4). On disposal of a cash-generating unit or an associate, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

2.8 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial instruments *(Continued)*

Financial assets (Continued)

Classification and initial measurement of financial assets *(Continued)*

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

— amortised cost; or

— FVTPL.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance income, net", except for provision for expected credit losses ("ECL") allowance of trade and other receivables which is presented as a separate item in the consolidated statement of profit or loss and other comprehensive income.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Non-equity investments held by the Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.18).

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Finance income, net" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, restricted bank deposits, amounts due from related parties and trade and other receivables (excluding prepayments and value-added tax receivables) and the Company's amount due from a subsidiary and amount due from an immediate holding company fall into this category of financial assets.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL. The Group's investment in subordinated tranche securities fall into this category of financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.8 Financial instruments *(Continued)*

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, amounts due to related parties, lease liabilities and receipts under securitisation arrangements. They are separately shown on the face of the consolidated statement of financial position.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22).

Accounting policies of lease liabilities is set out in note 2.14.

Other financial liabilities

Other financial liabilities including trade and other payables and amounts due to related parties, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Receipts under securitisation arrangements

Receipts under securitisation arrangements are recognised initially at fair value, net of transaction costs incurred. Receipts under securitisation arrangements are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period using the effective interest method. Transaction costs are included in the carrying amount of the receipts under securitisation arrangements and amortised over the period of the arrangements using the effective interest method. Receipts under securitisation arrangements are derecognised from the Group's consolidated statement of financial position when the obligation specified in the relevant arrangement is discharged, cancelled or expired. The difference between the carrying amounts of the receipts under securitisation arrangements and the consideration paid or payable is recognised in profit or loss.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Group or the counterparty.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of expected credit losses over the expected life of the financial asset.

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators of the trade receivables with similar credit risk characteristics, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of financial assets *(Continued)*

Other financial assets measured at amortised cost

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

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

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

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

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

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 36.2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.11 Inventories

(a) *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expenses 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 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.

(b) *Other contract costs*

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventories (note 2.11(a)) or property, plant and equipment (note 2.6).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventory, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.17.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.10.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.8). For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.14 Leases

Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as ‘a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration’. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct ‘how and for what purpose’ the asset is used throughout the period of use.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.14 Leases *(Continued)*

Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Provisions and contingent liabilities

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

All provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

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 uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deduction from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2.17 Revenue recognition

The Group provides property management services, community value-added and synergy services, and value-added services to non-property owners.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Revenue recognition *(Continued)*

Property management services

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

For property management services income from properties managed on a lump-sum basis, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed on a commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property owners, or total property management cost incurred or accrual by the property owners, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community value-added and synergy services

Community value-added and synergy services mainly include (i) home living services to property owners and residents, such as housekeeping and cleaning services, repair and maintenance services and group-purchasing services, which are charged for each service provided and recognised when the relevant services are rendered; (ii) commission income from real estate brokerage and asset management services for secondary sales and rental of properties and/or car parking spaces, which is billed to property owners and third parties immediately upon the services are provided and is recognised on a net basis at point in time; (iii) revenue from valued-added services for public areas, such as leasing out public area and advertising spots and temporary parking management, which is recognised over the time when such services are rendered; (iv) revenue from elderly-care and health value-added service through operation of an elderly-care centre, which is recognised over time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties; (v) smart community services mainly include design, construction operation and maintenance of smart property management systems and sales of intelligent equipment and software as part of the design and construction services of smart property management system. Revenue from smart community services is recognised over time as the Group's performance creates or enhances an assets that the customer controls. The progress towards complete satisfaction of performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining service promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the engineering works certified by the customers or their agents). Revenue from the sale of intelligent hardware devices and software for a fixed fee is recognised at point in time when (or as) the Group transfers control of the assets to the customer.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.17 Revenue recognition *(Continued)*

Value-added services to non-property owners

Value-added services to non-property owners mainly includes (i) reception, order maintenance and cleaning services, such as visitor reception, security and order maintenance, daily utilities and maintenance services and assistance on the pre-sales activities at the pre-sales centre, which are billed on a monthly basis and revenue is recognised over time as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; and (ii) consultancy services, which are billed based on the pre-determined price calculated under estimated cost plus method and revenue is recognised over time when the services are provided.

2.18 Interest income

Interest income is recognised on a time-proportion basis using 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.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.20 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, goodwill and interest in a subsidiary in the statement of financial position of the Company are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions 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 assessment of time value of money and the risk specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Impairment of non-financial assets *(Continued)*

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Retirement benefit

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contributions retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assure the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independent administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.21 Employee benefits *(Continued)*

Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable at the reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

2.22 Borrowing costs

Given the Group has no qualifying assets during the year, all borrowing costs are recognised in the consolidated statement of profit or loss and other comprehensive income in the period in which they are incurred.

2.23 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.23 Accounting for income tax *(Continued)*

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

    (i) the same taxable entity; or

    (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM") (i.e. executive directors), who is responsible for allocating resources and assessing performance of the operating segments.

2.25 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the period which the dividends are approved by the Company's shareholders or board of directors, where appropriate.

2.26 Related parties

For the purpose of the consolidated financial statements, a party in considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and if that person:

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

(ii) has significant influence over the Group; or

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

(b) the party is an entity and if any of the following conditions applies:

(i) the entity and the Group are members of the same group.

(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) the entity and the Group 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 parent of the Group.

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.

3. ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not early applied the following new and amended standards, amendments and interpretations ("new and amended HKFRSs") which have been issued but are not yet effective:

HKFRS 17	Insurance Contract and related amendments[4]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current[4]
Amendments to HKFRS 3	Reference to the Conceptual Framework[6]
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[5]
Amendments to HKFRS 16	COVID-19-Related Rent Concessions[1]
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use[3]
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract[3]
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020[3]
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination[6]

1 Effective for annual periods beginning on or after 1 June 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective for annual periods beginning on or after 1 January 2022
4 Effective for annual periods beginning on or after 1 January 2023
5 Effective date to be determined
6 Effective for business combinations/common control combination for which the acquisition/combination date is on or after the beginning of the first annual period beginning on or after 1 January 2022

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. These new and amended HKFRSs are not expected to have a material impact on the consolidated financial statements.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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.

(a) Critical accounting judgements

Current and deferred income taxes

As detailed in note 10, the Group is subject to corporate income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. As at 31 December 2020, the carrying amounts of deferred tax assets are RMB3,874,000 (2019: RMB5,892,000). Details of deferred tax assets are set out in note 26.

Deferred tax liabilities have not been recognised as at 31 December 2020 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of approximately RMB268,325,000 (2019: RMB181,730,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

Control over Zhangzhou Yijiayuan Yuegang Property Management Company Limited 漳州怡家園月港物業服務有限公司 ("Zhangzhou Yijiayuan Yuegang")*

Although the Group only holds 50% equity interests in Zhangzhou Yijiayuan Yuegang, the Group has the power to appoint and remove the majority members of the board of directors of Zhangzhou Yijiayuan Yuegang and holds more than half of the voting rights by virtue of an agreement with other investors. The management of the Group considered that the Group has sufficiently dominant voting interest to direct the relevant activities of Zhangzhou Yijiayuan Yuegang and therefore has control over Zhangzhou Yijiayuan Yuegang. As a result, Zhangzhou Yijiayuan Yuegang is classified as a subsidiary of the Company.

* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

(b) Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of impairment of trade and other receivables (excluding prepayments and value-added tax receivables), and amounts due from related parties within the scope of ECL under HKFRS 9

The Group follows the guidance of HKFRS 9 to makes allowances on items subjects to ECL including trade and other receivables (excluding prepayments and value-added tax receivables), and amounts due from related parties, based on assumptions about risk of default and expected 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 each reporting date as set out in note 2.10. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables, and amounts due from related parties and provision for impairment in the periods in which such estimate has been changed.

As at 31 December 2020, the carrying amounts of trade and other receivables (excluding prepayments and value-added tax receivables) and amounts due from related parties are RMB124,746,000 (2019: RMB72,374,000) and RMB31,000 (2019: RMB1,344,229,000), respectively. Details of the provision for ECL allowance of trade and other receivables and amounts due from related parties are set out in notes 20 and 23 respectively.

Estimated impairment of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are stated at costs less accumulated depreciation and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value of future cash flows projections, used in the impairment test. The carrying amounts of property, plant and equipment and right-of-use assets at the reporting date are set out in notes 14 and 15 to the consolidated financial statements respectively.

Depreciation charges of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation expenses to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The carrying amounts of property, plant and equipment at each reporting date are set out in note 14 to the consolidated financial statements.

5. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Group.

During the years ended 31 December 2020 and 2019, the Group is principally engaged in the provision of property management services and value-added services in the PRC. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is monitored to make strategic decision.

Revenue mainly comprises proceeds from property management services and value-added services. An analysis of the Group's revenue by category for the year ended 31 December 2020 is as follows:

	2020	2019
	RMB'000	RMB'000
Revenue from customers and recognised over time		
Property management services	**578,461**	486,314
Value-added services		
— Community value-added and synergy services	**68,763**	51,562
— Value-added services to non-property owners	**329,585**	234,795
	976,809	772,671
Revenue from customers and recognised at point in time		
Community value-added and synergy services	**51,765**	28,659
	1,028,574	801,330

Information about major customers

For the year ended 31 December 2020, revenue from entities controlled by Xiamen C&D and its associates contributed to 35% (2019: 32%) of the Group's revenue. Other than entities controlled by Xiamen C&D and associates of Xiamen C&D, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years ended 31 December 2020 and 2019. As at 31 December 2020 and 2019, substantially all of the specified non-current assets (other than deferred tax assets and financial assets at FVTPL) of the Group were located in the PRC.

(a) Contract liabilities

The Group recognises the following revenue-related contract liabilities:

	2020	2019
	RMB'000	RMB'000
Property management services	**127,248**	89,162
Community value-added and synergy services	**50,938**	30,191
	178,186	119,353

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

(b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the year ended 31 December 2020 related to carried-forward contract liabilities:

	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	**87,594**	37,571
Community value-added and synergy services	**27,060**	18,590
	114,654	56,161

5. REVENUE AND SEGMENT INFORMATION *(Continued)*

Geographical information *(Continued)*

(c) *Unsatisfied performance obligations*

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. For value-added services to non-property owners, the Group expects that the majority of the contract amounts allocated to unsatisfied performance obligations will be recognised as revenue from providing services during the next reporting period.

For community value-added and synergy services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2020 is as follows:

	2020 **RMB'000**	2019 RMB'000
Within one year	**14,026**	6,847
More than one year	**–**	5,845
	14,026	12,692

6. OTHER INCOME

	2020 **RMB'000**	2019 RMB'000
Government subsidy income (note)	**6,930**	3,085
Gain on re-measurement of previously held interest in an associate (note 34)	**2,993**	–
Gain on changes in fair value of financial assets measured at FVTPL	**14,660**	3,220
Gain on disposal of financial assets measured at FVTPL	**1,150**	–
Sundry income	**510**	1,638
	26,243	7,943

Note: The amounts represent the subsidies received from the local government bureau in the PRC regarding value-added tax refund, social welfare refund and subsidies for the operation of elderly-care centre. There were no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

7. FINANCE INCOME, NET

	2020 RMB'000	2019 RMB'000
Interest income on bank deposit	**563**	83
Interest income on amounts due from related parties (note 23(b))	**66,642**	76,500
Finance income	**67,205**	76,583
Interest charges on receipts under securitisation arrangements (note 24)	**(35,593)**	(55,504)
Loss on early redemption on receipts under securitisation arrangements (note 24)	**(15,050)**	–
Interest charges on lease liabilities	**(879)**	(244)
Finance costs	**(51,522)**	(55,748)
Finance income, net	**15,683**	20,835

8. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2020 RMB'000	2019 RMB'000
Auditor's remuneration (note (a))	**757**	–
Cost of inventories (note (b))	**15,322**	16,491
Depreciation of property, plant and equipment (note 14)	**4,720**	2,652
Depreciation of right-of-use assets (note 15)	**5,586**	3,041
Written off of property, plant and equipment	**381**	78
Government subsidies	**(6,930)**	(3,085)
Provision for ECL allowance on trade and other receivables, net	**259**	1,663
Lease charges on short-term leases	**7,948**	7,744
Loss on early redemption on receipts under securitisation arrangement	**15,050**	–

Note:

(a) Auditor's remuneration for the year ended 31 December 2019 of RMB200,000 was borne by the Company's intermediate holding company which has waived the right of recovery of such expenses from the Company.

(b) During the year ended 31 December 2020, the cost of inventories recognised as expenses and included in "Cost of sales" amounted to approximately RMB12,517,000 (2019: RMB15,886,000).

Other contract costs are recognised as expenses and included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income in the year in which revenue is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2020 was RMB2,805,000 (2019: RMB605,000). There was no impairment in relation to the costs capitalised during the year ended 31 December 2020 (2019: RMBNil)

9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 RMB'000	2019 RMB'000
Salaries, bonus and allowances	**541,012**	441,545
Retirement benefit scheme contributions (note)	**23,343**	37,920
	564,355	479,465

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

10. INCOME TAX EXPENSE

	Note	2020 RMB'000	2019 RMB'000
Current income tax			
PRC Enterprise Income Tax ("EIT")		**31,735**	26,260
Deferred tax	26	**5,301**	(882)
Total income tax expense		**37,036**	25,378

10. INCOME TAX EXPENSE *(Continued)*

The difference between the actual income tax charge in the consolidated statement of profit or loss and comprehensive income and the amount which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2020 **RMB'000**	2019 RMB'000
Profit before income tax	**143,874**	93,663
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	**34,308**	23,355
Tax effect on non-deductible expenses	**4,361**	1,465
Tax effect on non-taxable income	**(4,701)**	–
Tax effect on unrecognised tax losses	**806**	558
Utilisation of tax loss previously not recognised	**(637)**	–
Withholding tax on distributable profits of a subsidiary (note 26)	**2,899**	–
Income tax expense	**37,036**	25,378

Notes:

(a) BVI Income tax

Pursuant to the relevant rules and regulations of the BVI, the Group is not subject to any income tax in the BVI during the years ended 31 December 2020 and 2019.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the years ended 31 December 2020 and 2019.

(c) PRC EIT

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years ended 31 December 2020 and 2019.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2020 and 2019. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB1,000,000 for the years ended 31 December 2020 and 2019, were also entitled a tax concession for 20% of its taxable income.

11. DIVIDENDS

The board does not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: RMBNil).

In January 2020, dividends of RMB1,020,000 and RMB465,000 have been proposed, approved and paid by the subsidiaries of the Company, Chengdu Yijiayuan and Changsha Yisheng respectively, to their then shareholder, Xiamen Pinchuan.

12. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue or deemed to be in issue during the years ended 31 December 2020 and 2019. The earnings per share is calculated using the weighted average number of ordinary shares of 1,176,711,106 shares issued during the Reorganisation as if the Reorganisation had been completed on 1 January 2019 for meaningful comparison purpose.

	2020 **RMB'000**	2019 RMB'000
Profit for the year attributable to equity holders of the Company (RMB'000)	**106,118**	68,181
Basic earnings per share (RMB)	**0.09**	0.06

(b) Diluted earnings per share

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

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

(a) Directors' remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	Notes	Fees	Basic salaries and allowances	Discretionary bonuses (Notes (vi))	Retirement benefit scheme contributions	Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2020						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	–	**638**	**570**	**4**	**1,212**
Mr. Huang Danghui	(ii), (iii)	–	**606**	**493**	**4**	**1,103**
		–	**1,244**	**1,063**	**8**	**2,315**
Non-Executive directors:						
Mr. Zhuang Yuekai	(iv)	–	–	–	–	–
Mr. Lin Weiguo	(iv)	–	–	–	–	–
		–	–	–	–	–
Independent Non-Executive directors:						
Mr. Cheung Kwok Kwan, J.P.	(v)	–	–	–	–	–
Mr. Lee Cheuk Yin Dannis	(v)	–	–	–	–	–
Mr. Li Kwok Tai James	(v)	–	–	–	–	–
Mr. Wu Yat Wai	(v)	–	–	–	–	–
		–	–	–	–	–
Year ended 31 December 2019						
Executive directors:						
Ms. Qiao Haixia	(i), (ii), (iii)	–	617	252	25	894
Mr. Huang Danghui	(ii), (iii)	–	579	160	25	764
		–	1,196	412	50	1,658

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(a) Directors' remuneration *(Continued)*

Notes:

(i) Ms. Qiao Haixia is also the chief executive officer of the Group.

(ii) The emoluments of the executive directors of the Group, Ms. Qiao Haixia and Mr. Huang Danghui in relation to their services rendered for the Group for the years ended 31 December 2020 and 2019 were borne by C&D Real Estate and their emoluments were partly allocated to the Group.

(iii) Appointed as the Group's director on 22 September 2020 and re-designated as the Group's executive director on 28 September 2020.

(iv) Appointed as the Group's director on 22 September 2020 and re-designated as the Group's non-executive director on 28 September 2020.

(v) Appointed as the Group's independent non-executive director on 23 December 2020.

(vi) The discretionary bonus is determined by reference to the individual performance of the Directors and performance of the Group as a whole.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the years ended 31 December 2020 and 2019.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2019: 1) director(s), whose emoluments are reflected in the analysis presented in note 13(a). The emoluments paid to the remaining 3 (2019: 4) individuals during the year are as follows:

	2020 RMB'000	2019 RMB'000
Basic salaries and allowances	**1,347**	1,601
Discretionary bonuses	**1,226**	2,209
Retirement benefit scheme contributions	**9**	104
	2,582	3,914

The emoluments fell within the following bands:

	2020 Number of individuals	2019 Number of individuals
Emolument bands		
Nil–HK$1,000,000	**3**	2
HK$1,000,001–HK$1,500,000	**–**	2
	3	4

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

(c) Senior management personnel

The emolument paid or payable to member of senior management was within following band:

	2020 Number of individuals	2019 Number of individuals
Emolument bands		
Nil–HK$1,000,000	**1**	1

14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
At January 2019				
Cost	1,006	14,854	613	16,473
Accumulated depreciation	(640)	(7,734)	(338)	(8,712)
Net book amount	366	7,120	275	7,761
Year ended 31 December 2019				
Opening net book amount	366	7,120	275	7,761
Additions	303	3,598	131	4,032
Written off	–	(78)	–	(78)
Depreciation	(244)	(2,343)	(65)	(2,652)
Closing net book amount	425	8,297	341	9,063
At 31 December 2019 and 1 January 2020				
Cost	**1,309**	**17,960**	**744**	**20,013**
Accumulated depreciation	**(884)**	**(9,663)**	**(403)**	**(10,950)**
Net book amount	**425**	**8,297**	**341**	**9,063**
Year ended 31 December 2020				
Opening net book amount	**425**	**8,297**	**341**	**9,063**
Additions	**3,263**	**4,438**	**166**	**7,867**
Acquisition through business combination (note 34)	**14,079**	**1,420**	**–**	**15,499**
Written off	**–**	**(303)**	**(78)**	**(381)**
Depreciation	**(1,584)**	**(3,016)**	**(120)**	**(4,720)**
Closing net book amount	**16,183**	**10,836**	**309**	**27,328**
At 31 December 2020				
Cost	**18,651**	**21,316**	**557**	**40,524**
Accumulated depreciation	**(2,468)**	**(10,480)**	**(248)**	**(13,196)**
Net book amount	**16,183**	**10,836**	**309**	**27,328**

14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2020	2019
	RMB'000	RMB'000
Administrative and other operating expenses	**4,720**	2,652

15. RIGHT-OF-USE ASSETS

The carrying amount of the Group's right-of-use assets and the movement during the year ended 31 December 2020 are as follows:

	Building	**Car parking space**	**Others**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000
At January 2019	–	2,235	1,726	3,961
Additions	–	6,085	779	6,864
Depreciation	–	(2,236)	(805)	(3,041)
At 31 December 2019 and 1 January 2020	–	6,084	1,700	7,784
Additions	–	–	6,595	6,595
Acquisition through business combination (note 34)	12,622	–	-	12,622
Depreciation	(357)	(2,028)	(3,201)	(5,586)
At 31 December 2020	12,265	4,056	5,094	21,415

The right-of-use assets represented leases offices, car parking space, building and staff quarter in the PRC. The leases of offices, car parking space, building and staff quarter in the PRC typically run for an initial period of 2 to 20 years. The Group has entered into an agreement with the local government department to operate an elderly-care centre for 20 years, in which the lessor provided a rent-free period during the first 15 years and the rentals would increase progressively by a fixed annual percentage of 3% starting from the 17th year until the end of the rental period. None of the leases includes variable lease payments. Certain leases include an option to renew the lease for an additional period after the end of the contract term. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and concluded that it is not reasonably certain to exercise the extension options. Accordingly, the future lease payments during the extension periods are not included in the measurement of the right-of-use assets.

15. RIGHT-OF-USE ASSETS *(Continued)*

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2020 RMB'000	2019 RMB'000
Cost of sales	**2,481**	2,236
Administrative and other operating expenses	**3,105**	805
	5,586	3,041

16. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Unlisted shares, at cost	**980**	15,680
Share of post-acquisition results	**(980)**	(2,257)
	–	13,423

The details of the associates of the Group as at 31 December 2020 are set out below:

Name of company	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of registered capital	Proportion of effective interest held	Principal activities
Zhangjiagang City Hexi Property Services Co, Ltd.* ("Zhangjiagang Hexi") 張家港市和璽物業服務有限公司 (Note (a))	Incorporated	PRC	RMB1,000,000	49% (2019: Nil)	Property management services #
Nanping Huihe Property Management Company Limited* ("Nanping Huihe") 南平市匯禾物業管理有限公司 (Note (b))	Incorporated	PRC	RMB5,000,000	49% (2019: 49%)	Property management services

16. INTERESTS IN ASSOCIATES *(Continued)*

Note:

(a) During the year ended 31 December 2020, the Group and an independent third party, entered into a cooperation agreement (the "Cooperation Agreement") for the formation of Zhangjiagang Hexi for carrying out property management services. The Group has subscribed 49% of the registered share capital of Zhangjiagang Hexi at a cash consideration of RMB490,000, which has not yet been paid in cash during the year. Pursuant to the Cooperation Agreement, the board of directors of Zhangjiagang Hexi consists of five directors, of whom two are nominated by the Group, three are nominated by the remaining investor. As specified in the Cooperation Agreement, certain key corporate matters of Zhangjiagang Hexi require a majority vote of directors (present in person in the board meeting). Accordingly, the Group has significant influence over Zhangjiagang Hexi and it is classified as an associate and have been accounted for in the consolidated financial statements using equity method.

(b) During the year ended 31 December 2019, the Group has injected capital to Nanping Huihe amounting to RMB980,000 and subscribed for RMB1,470,000 registered capital of Nanping Huihe, representing 49% of its total registered capital.

In accordance with PRC corporation laws, the subscriber has to pay in respective amounts of subscribed capital in prescribed schedule or when those amounts fall due. The subscriber is liable to any liabilities of the underlying entity up to the respective amounts subscribed. As at 31 December 2020, the registered capital of Nanping Huihe has not been paid up in full.

Zhangjiagang Hexi not yet commenced business as at 31 December 2020.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

Financial information of material associate, Xiamen Bairui, which is accounted for using the equity method:

	Xiamen Bairui 2019 RMB'000
Revenue	38
Loss for the year	(3,827)
Other comprehensive income for the year	–
Total comprehensive expense for the year	(3,827)

16. INTERESTS IN ASSOCIATES *(Continued)*

Information to the carrying amount of interest in Xiamen Bairui is set out below:

	2019 RMB'000
Total net assets of associate	26,173
Proportion of ownership interests held by the Group	49%
Carrying amount in the consolidated statement of financial position	12,825

Information of associates that are not individually material:

	2020 **RMB'000**	2019 RMB'000
Carrying amount of an individually immaterial associate in the consolidated statement of financial position	**–**	598
Amount of the Group's share of this associate's:		
Loss and total comprehensive expense for the year	**(1,262)**	(382)

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

The accumulated losses not recognised was RMB2,316,000 (2019: RMBNil) as at 31 December 2020.

17. GOODWILL

	RMB'000
Cost	
At 1 January and 31 December 2019	–
Arising on acquisition through business combination (note 34)	578
At 31 December 2020	**578**
Carrying amounts	
At 31 December 2020	**578**
At 31 December 2019	–

As disclosed in note 34, the Group further acquired 51% of the equity interests in Xiamen Bairui Health Industry Company Limited* (廈門市佰睿健康產業有限公司) ("Xiamen Bairui"). Upon the completion of acquisition, the Group owned 100% equity interests in Xiamen Bairui. Accordingly, goodwill is allocated to the cash-generating unit of Xiamen Bairui, net of any impairment loss.

The recoverable amount for the cash-generating unit was based on the fair value less cost of disposal using company transactions method under market approach. Fair value less cost of disposal of this cash-generating unit falls within Level 3 of fair value hierarchy. Based on the valuation prepared by an external independent professional valuer, Xiamen Dacheng Fanghua Asset Appraisal Land Real Estate Appraisal Co., Ltd.* (廈門大成方華資產評估土地房地產估價有限公司), no impairment was recognised for the year ended 31 December 2020.

* The English translation of the names of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

18. OTHER FINANCIAL ASSETS

	2020 RMB'000	2019 RMB'000
Other non-current financial assets:		
Financial assets measured at FVTPL		
Subordinated tranche securities (note)	–	34,190

Note: As at 31 December 2019, the balances comprised the non-tradable zero coupon subordinated tranche securities as stipulated in the receipts under securitisation arrangements. The subordinated tranche securities were early settled in November 2020.

19. INVENTORIES

	2020 RMB'000	2019 RMB'000
Finished goods	**102**	3,110
Other contract costs	**2,037**	305
	2,139	3,415

Finished goods mainly represent intelligent hardware devices and software products.

Other contract costs relate to fulfillment costs that generates or enhances resources of the Group that will be used in satisfying performance obligations and expected to be recovered.

20. TRADE AND OTHER RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables			
— Third parties		**69,229**	52,751
— Related parties		**28,242**	779
		97,471	53,530
Less: Provision for ECL allowance of trade receivables		**(7,266)**	(7,483)
	(a)	**90,205**	46,047
Other receivables			
Deposits		**5,568**	5,795
Prepayments		**6,940**	3,558
Other receivables		**6,394**	4,659
Payment on behalf of property owners		**24,263**	17,081
Value-added tax receivables		**3,401**	1,285
		46,566	32,378
Less: Provision for ECL allowance of other receivables		**(1,684)**	(1,208)
	(b)	**44,882**	31,170
		135,087	77,217

(a) Trade receivables

Trade receivables mainly arise from property management services managed under lump-sum basis and value-added services.

Property management services income under lump-sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services is due for payment by property owners upon rendering of services.

Income from value-added services other than smart community services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice. Smart community services income are received in accordance with the terms of the relevant service agreements, and the Group normally allows credit period ranged from 5 days to 60 days to its customers.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

20. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) Trade receivables *(Continued)*

The ageing analysis of trade receivables, net of ECL allowance, based on invoice date, is as follows:

	2020 **RMB'000**	2019 RMB'000
0–180 days	**51,459**	27,141
181–365 days	**27,769**	9,673
1–2 years	**8,136**	5,742
2–3 years	**2,093**	2,081
3–4 years	**580**	1,026
4–5 years	**168**	384
	90,205	46,047

(b) Other receivables

The balances mainly represent the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in note 36.2.

21. CASH AND CASH EQUIVALENTS

	2020 **RMB'000**	2019 RMB'000
Cash at banks and on hand	**906,378**	57,847
Less: Restricted bank deposits (note)	**(20,219)**	(726)
	886,159	57,121

Note: As at 31 December 2020, restricted bank deposits mainly represent the deposits in banks as the maintenance fund held on behalf of the residents according to the requirements of local government authorities and designated bank account for the operation of elderly-care centre.

As at 31 December 2020, included in cash and cash equivalents of the Group of RMB877,515,000 (2019: RMB56,018,000) is denominated in RMB and placed with banks in the PRC.

RMB is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

22. TRADE AND OTHER PAYABLES

	Note	**2020 RMB'000**	2019 RMB'000
Trade payables			
— Third parties	(a)	**27,783**	17,649
Other payables			
Accrued charges and other payables		**85,005**	47,287
Amounts collected on behalf of property owners		**92,011**	63,900
Deposit received		**96,506**	63,153
Interest payables		**–**	9,140
Value-added tax payable		**17,120**	9,730
Staff costs and welfare accruals		**128,498**	102,629
	(b)	**419,140**	295,839
		446,923	313,488

(a) Trade payables

The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of the trade payables based on invoice date, is follows:

	2020 RMB'000	2019 RMB'000
0 to 30 days	**18,729**	9,198
31 to 60 days	**3,720**	4,021
61 to 90 days	**2,388**	1,595
Over 90 days	**2,946**	2,835
	27,783	17,649

(b) Other payables

The balances mainly include accrued listing expenses and temporarily received from property owners to be paid to related services providers.

23. AMOUNTS DUE FROM/(TO) RELATED PARTIES

(a) Amounts due from related parties

	2020 **RMB'000**	2019 RMB'000
Ultimate holding company	**–**	140
Companies controlled by Xiamen C&D	**31**	1,342,671
Associates of Xiamen C&D	**–**	1,418
	31	1,344,229

(b) Amounts due to related parties

	2020 **RMB'000**	2019 RMB'000
Ultimate holding company	**2,526**	–
Companies controlled by Xiamen C&D	**508**	322
Associates of Xiamen C&D	**2,299**	–
	5,333	322

As at 31 December 2020, the amounts due from/(to) related parties are non-trade nature, unsecured, interest-free and repayable on demand. As at 31 December 2019, the amounts due from/(to) related parties were non-trade nature, unsecured, interest-free and repayable on demand, except for amounts due from related parties of RMB812,620,000, which borne interests ranging from 6.3% to 6.8% per annum.

The amount due from a subsidiary and amount due from an immediate holding company in the statement of financial position of the Company are unsecured, interest-free and repayable on demand.

24. RECEIPTS UNDER SECURITISATION ARRANGEMENTS

These represented proceeds received from issuance of receipts under securitisation arrangements collateralised by certain future trade receivables for the remaining receipts from property management services, less amounts repaid. These securities bear an effective interest rates ranging from 5.93% to 6.64% per annum and are repayable in July 2026. The Group holds all subordinated tranche securities and the senior tranche securities were guaranteed by C&D Real Estate. During the year ended 31 December 2020, all the remaining balances of these securities have been early redeemed. The guarantees from C&D Real Estate was released in November 2020.

The movement of the receipts under securitisation arrangements during the year is set out below:

	Other payables — Interest payables (note 22) RMB'000	**Receipts under securitisation arrangements** RMB'000	**Total** RMB'000
At 1 January 2019	10,687	1,025,639	1,036,326
Interest expenses	53,464	2,040	55,504
Repayments	(55,011)	(124,905)	(179,916)
At 31 December 2019 and 1 January 2020	**9,140**	**902,774**	**911,914**
Interest expenses (note 7)	**33,417**	**2,176**	**35,593**
Repayments	**(42,557)**	**(920,000)**	**(962,557)**
Loss on early redemption (note 7)	**–**	**15,050**	**15,050**
At 31 December 2020	**–**	**–**	**–**

25. LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2020 RMB'000	2019 RMB'000
Total minimum lease payments:		
Within one year	**5,651**	3,198
After 1 year but within 2 years	**4,416**	2,978
After 2 years but within 5 years	**531**	2,250
After 5 years	**10,087**	–
	20,685	8,426
Future finance charge on lease liabilities	**(6,529)**	(787)
Present value of lease liabilities	**14,156**	7,639

	2020 RMB'000	2019 RMB'000
Present value of minimum lease payments:		
Within one year	**4,914**	2,787
After 1 year but within 2 years	**3,945**	2,717
After 2 years but within 5 years	**253**	2,135
After 5 years	**5,044**	–
	14,156	7,639
Less: Portion due within one year included under current liabilities	**(4,914)**	(2,787)
Portion due after one year included under non-current liabilities	**9,242**	4,852

During the year ended 31 December 2020, the total cash outflows for the leases is RMB13,609,000 (2019: RMB10,944,000).

26. DEFERRED TAXATION

The amounts recognised in the consolidated statement of financial position are as follows:

	2020 RMB'000	2019 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**3,874**	5,892
Deferred tax liabilities recognised in the consolidated statement of financial position	**(4,935)**	(1,343)
Net deferred tax (liabilities)/assets	**(1,061)**	4,549

The movement of net deferred tax (liabilities)/assets is as follows:

	2020 RMB'000	2019 RMB'000
At the beginning of the year	**4,549**	3,667
(Charged)/Credited to profit or loss (note 10)	**(5,301)**	882
Acquisition through business combination	**(309)**	–
At the end of the year	**(1,061)**	4,549

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets

	Tax losses RMB'000	Impairment loss on trade and other receivables RMB'000	Total RMB'000
At 1 January 2019	2,448	1,757	4,205
Credited to profit or loss	1,271	416	1,687
At 31 December 2019 and 1 January 2020	**3,719**	**2,173**	**5,892**
(Charged)/Credited to profit or loss	**(3,810)**	**65**	**(3,745)**
Acquisition through business combination (note 34)	**1,727**	**–**	**1,727**
At 31 December 2020	**1,636**	**2,238**	**3,874**

26. DEFERRED TAXATION *(Continued)*

Deferred tax liabilities

	Fair value adjustments arising on business combination RMB'000	Change in fair value of financial assets measured at FVTPL RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2019	–	(538)	–	(538)
Recognised in profit or loss	–	(805)	–	(805)
At 31 December 2019 and 1 January 2020	**–**	**(1,343)**	**–**	**(1,343)**
Credited/(Charged) to profit or loss	**–**	**1,343**	**(2,899)**	**(1,556)**
Acquisition through business combination (note 34)	**(2,036)**	**–**	**–**	**(2,036)**
At 31 December 2020	**(2,036)**	**–**	**(2,899)**	**(4,935)**

Pursuant to the EIT Law of the PRC, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between the PRC and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by the subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

As at 31 December 2020, deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB268,325,000 (2019: RMB181,730,000), because the Group controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future.

As at 31 December 2020, the Group has not recognised deferred tax assets of approximately RMB1,540,000 (2019: RMB1,371,000) in respect of tax losses of approximately RMB6,160,000 (2019: RMB5,484,000) may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

27. SHARE CAPITAL

	Notes	Number of shares	Nominal value of shares HK$0.01	US$1
Authorised				
At 1 January 2019 and 31 December 2019	(a)	50,000	–	50,000
Increase in authorised share capital	(b)	3,000,000,000	30,000,000	–
Change of ordinary shares	(c)	(50,000)	–	(50,000)
At 31 December 2020		3,000,000,000	30,000,000	–

	Notes	Number of shares	Nominal value of shares HK$0.01	US$1	Equivalent nominal value of shares RMB'000
Issued and fully paid					
At 1 January 2019 and 31 December 2019	(a)	2,000	–	2,000	12
Allotment of shares on 25 September 2020	(b)	1,560,000	15,600	–	13
Repurchase and cancellation of ordinary shares	(b)	(2,000)	–	(2,000)	(12)
Allotment of shares on 23 November 2020	(c)	1,175,151,106	11,751,511	–	9,969
At 31 December 2020		1,176,711,106	11,767,111	–	9,982

Note:

(a) The Company was incorporated in the BVI on 4 May 2016 with an authorised share capital of US$50,000 divided into 50,000 ordinary shares of par value of US$1 each. On incorporation, 2,000 ordinary shares were issued at par to the sole shareholder of the Company.

(b) Pursuant to the written resolutions of the sole shareholder of the Company dated 25 September 2020, (i) the maximum number of shares that the Company was authorised to issue was changed to 3,000,050,000 shares comprising 50,000 shares with par value of US$1 each and 3,000,000,000 shares with par value of HK$0.01 each; (ii) 1,560,000 shares were allotted and issued to the sole shareholder at par value of HK$0.01 each for cash; and (iii) the 2,000 ordinary shares of US$1.00 par value each in the Company originally held by the sole shareholder were repurchased by the Company and cancelled.

(c) Pursuant to the written resolutions of the sole shareholder of the Company dated 23 November 2020, (i) the maximum number of shares that the Company is authorised to issue will further be changed to 3,000,000,000 shares with par value of HK$0.01 each of a single class; and (ii) the Company will further allot and issue 1,175,151,106 shares to the sole shareholder at par value of HK$0.01 each.

28. RESERVES

(a) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

(b) Other reserve

Other reserve mainly included the dividends received from the Excluded Companies, the excess of proceeds from the equity transfers of the Excluded Companies over the share capital of Excluded Companies and the excess of investments cost over the share capital of the common control entities. It also resulted from the disposal of ownership interest in a subsidiary without change of control which represents the difference between the fair value of the considerations received and the carrying amount of the net assets attributable to the disposal ownership interest in a subsidiary to non-controlling interests.

(c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2020 RMB'000	2019 RMB'000
ASSETS AND LIABILITIES			
Non-current assets			
Interest in a subsidiary		**–**	–
Current assets			
Amount due from a subsidiary		**1,010**	–
Amount due from an immediate holding company		**–**	5
Cash and cash equivalents		**8,819**	–
		9,829	5
Current liabilities			
Accrued charges and other payables		**(621)**	–
		(621)	–
Net current assets		**9,208**	5
Net assets		**9,208**	5
Equity			
Share capital	27	**9,982**	12
Reserves (note)		**(774)**	(7)
Total equity		**9,208**	5

Approved and authorised for issue by the board of directors on 26 March 2021.

Qiao Haixia
Director

Huang Danghui
Director

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

Note: Movements of the Company's reserves

	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019, 31 December 2019 and 1 January 2020	–	(7)	(7)
Loss and total comprehensive expense for the year	–	(729)	(729)
Currency translation differences	(38)	–	(38)
At 31 December 2020	(38)	(736)	(774)

30. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries, each of which is a limited liability company, at 31 December 2020 are as follows:

Name of company	Country/place and date of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Effective interest held by the Group	Principal activities
Directly held by the Company				
Li Chi (Hong Kong) Limited 利馳(香港)有限公司	Hong Kong/ 6 June 2016	HK$10,000	100% (2019: 100%)	Investment holding
Indirectly held by the Company				
Xiamen Lirong Investment Management Limited* 廈門利融投資管理有限公司	The PRC/ 4 July 2016	RMB30,000,000	100% (2019: 100%)	Enterprises management consultancy services
Xiamen Yirui Investment Management Limited* 廈門益睿投資管理有限公司	The PRC/ 19 July 2016	RMB100,000,000	100% (2019: 100%)	Enterprises management consultancy services
C&D Property Service Group Limited* 建發物業服務集團有限公司	The PRC/ 1 March 2018	RMB50,000,000	100% (2019: 100%)	Property management services
Xiamen Zhaohui Internet Technology Company Limited* 廈門兆慧網絡科技有限公司	The PRC/ 7 September 2015	RMB10,000,000	100% (2019: 100%)	Provision of community value-added and synergy service
Xiamen Bairui (notes 34 and 35)	The PRC/ 20 July 2018	RMB50,000,000	80% (2019: 49%)	Provision of elderly-care and health value-added services

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Country/place and date of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held by the Company				
Xiamen C&D Gongjian Property Management Company Limited* 廈門建發公建物業管理有限公司	The PRC/ 29 June 2018	RMB50,000,000	100% (2019: 100%)	Property management services, provision of community value added and synergy services and value added services to non-property owners
Yijiayuan (Xiamen) Property Management Company Limited* 怡家園(廈門)物業管理有限公司	The PRC/ 17 February 2005	RMB50,000,000	100% (2019: 100%)	Property management services, provision of community value-added and synergy services and value-added services to non-property owners
Shanghai Yixiang	The PRC/ 11 May 2006	RMB11,300,000	100% (2019: 100%)	Property management services
Chengdu Yijiayuan	The PRC/ 5 March 2010	RMB3,100,000	100% (2019: 100%)	Property management services
Huzhou Yisheng Property Management Company Limited* 湖州市怡晟物業管理有限公司	The PRC/ 11 October 2018	RMB1,000,000	100% (2019: 100%)	Property management services
Putian Yirui Property Management Company Limited* 莆田怡瑞物業管理有限公司	The PRC/ 6 March 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Wuhan Yiran Property Management Company Limited* 武漢怡然物業管理有限公司	The PRC/ 14 August 2018	RMB50,000,000	100% (2019: 100%)	Property management services
Putian Yixin Property Management Company Limited* 莆田市怡信物業管理有限公司	The PRC/ 23 October 2018	RMB1,000,000	100% (2019: 100%)	Property management services
Wuyishan Yichen Property Management Company Limited* 武夷山怡辰物業管理有限公司	The PRC/ 24 January 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Guangzhou Yijiayuan Property Management Company Limited* 廣州怡家園物業管理有限公司	The PRC/ 3 August 2018	RMB1,000,000	100% (2019: 100%)	Property management services

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Country/place and date of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held by the Company				
Nanping Yanping District Yijiayuan Property Management Company Limited* 南平市延平區怡家園物業管理有限公司	The PRC/ 23 August 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Zhangzhou Yizhuo Property Management Company Limited* 漳州怡卓物業管理有限公司	The PRC/ 15 October 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Hangzhou Yixing Property Management Company Limited* 杭州怡興物業管理有限公司	The PRC/ 26 June 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Shenzhen Yijiayuan Property Management Company Limited* 深圳市怡家園物業管理有限公司	The PRC/ 6 August 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Shanghang Yicheng Property Management Company Limited* 上杭怡誠物業管理有限公司	The PRC/ 15 October 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Ningde Yishun Property Management Company Limited* 寧德怡順物業管理有限公司	The PRC/ 27 June 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Yongtai Yijiayuan Property Management Company Limited* 永泰怡家園物業管理有限公司	The PRC/ 26 August 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Zhuhai Yixin Property Management Company Limited* 珠海市怡欣物業管理有限公司	The PRC/ 27 August 2018	RMB1,000,000	100% (2019: 100%)	Property management services
Zhangzhou Yijiayuan Property Management Company Limited* 漳州怡家園物業服務有限公司	The PRC/ 6 December 2019	RMB1,000,000	100% (2019: 100%)	Property management services
Zhangzhou Yiping Property Management Company Limited* 漳州怡平物業服務有限公司	The PRC/ 8 May 2018	RMB1,000,000	100% (2019: 100%)	Property management services
Changsha Yisheng	The PRC/ 20 July 2006	RMB3,000,000	100% (2019: 100%)	Property management services

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

Name of company	Country/place and date of incorporation/ establishment and operation	Particulars of issued share capital/registered capital	Effective interest held by the Group	Principal activities
Indirectly held by the Company				
Zhangzhou Yijiayuan Yuegang (note 4(a))	The PRC/ 30 April 2019	RMB2,000,000	50% (2019: 50%)	Property management services
Minhou Yijiayuan Property Management Company Limited*# 閩侯怡家園物業管理有限公司	The PRC/ 8 June 2020	RMB1,000,000	100% (2019: Nil)	Property management services
Huijia (Xiamen) Property Management Company Limited* 匯嘉(廈門)物業管理有限公司	The PRC/ 2 June 1995	RMB5,000,000	100% (2019: 100%)	Property management services, provision of community value-added and synergy services to non-property owners
Nanping Huijia Property Management Company Limited* 南平匯嘉物業管理有限公司	The PRC/ 18 May 2018	RMB1,000,000	100% (2019: 100%)	Property management services
Nanan Huijia Property Management Company Limited* 南安匯嘉物業管理有限公司	The PRC/ 23 July 2018	RMB1,000,000	100% (2019: 100%)	Property management services
Xiamen Yiyuexin Management Consultancy Company Limited* 廈門怡悅新管理諮詢有限公司	The PRC/ 1 February 2018	RMB5,000,000	100% (2019: 100%)	Property management consultancy services
Xiamen Zaijiayiju Information Technology Company Limited* 廈門在家怡居信息科技有限公司	The PRC/ 28 April 2015	RMB4,000,000	100% (2019: 100%)	Provision of community value-added and synergy services
Guiyang Yijiayuan Property Management Company Limited*# 貴陽怡家園物業管理有限公司	The PRC/ 28 August 2020	RMB1,000,000	100% (2019: Nil)	Property management consultancy services
Beijing Yichuang Property Management Company Limited*# 北京怡創物業管理有限公司	The PRC/ 20 August 2020	RMB2,000,000	51% (2019: Nil)	Property management consultancy services

Company incorporated during the year ended 31 December 2020.

* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

30. PARTICULARS OF SUBSIDIARIES *(Continued)*

In May 2020, the Group and Shanghai Bairen Health Industry Co., Ltd.* (上海佰仁健康產業有限公司) ("Shanghai Bairen"), an independent third party injected paid-in capital in accordance with their proportionate share of subscribed capital in Xiamen Bairui amounting to RMB7,350,000 and RMB7,650,000, respectively. On 29 June 2020, the Group acquired 51% additional equity interests of Xiamen Bairui from Shanghai Bairen at a cash consideration of RMB24,000,000. As a result, as at the completion date, the Group's equity interests in Xiamen Bairui increased from 49% to 100%. Accordingly, the Group is able to control over Xiamen Bairui by directing the relevant activities of Xiamen Bairui. Xiamen Bairui became a subsidiary of the Company. Further details of this transaction are set out in note 34.

During the year ended 31 December 2020, the Group disposed 20% equity interests of Xiamen Bairui to a related company of Shanghai Bairen at a cash consideration of RMB10,000,000.

The following table lists out the information related to Xiamen Bairui, the subsidiary of the Group which have material non-controlling interests as at 31 December 2020. The summarised financial information presented below represents the amounts before any intercompany elimination.

	Xiamen Bairui 2020 RMB'000
Non-controlling interests percentage	**20%**
Non-current assets	**32,158**
Current assets	**29,126**
Current liabilities	**(12,082)**
Non-current liabilities	**(6,853)**
Net assets	**42,349**
Carrying amount of non-controlling interests	**8,470**
Revenue	**996**
Profit for the period	**250**
Total comprehensive income for the period	**250**
Profit and total comprehensive income attributable to non-controlling interests	**50**
Dividends paid to non-controlling shareholders	**–**
Cash flows from operating activities	**2,174**
Cash flows used in investing activities	**(5,906)**
Cash flows from financing activities	**15,000**
Net cash inflows	**11,268**

31. COMMITMENTS

(a) Lease commitments — as lessee

As at the reporting date, the lease commitments for short-term leases are as follows:

	2020 RMB'000	2019 RMB'000
Within one year	**4,087**	2,753

(b) Capital commitments

As at the reporting date, the Group had the following capital commitment:

	2020 RMB'000	2019 RMB'000
Contracted but not provided for subscribed capital in associates	**1,960**	11,270

32. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.26. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions.

(a) During the year ended 31 December 2020, the transactions with related parties of the Group carried in the ordinary course of business are as follows:

	2020 **RMB'000**	2019 RMB'000
Revenue from provision of property management services		
Ultimate holding company	**3,357**	3,789
Companies controlled by Xiamen C&D	**35,552**	46,695
Associates of Xiamen C&D	**440**	289
Revenue from provision of community value-added and synergy services		
Ultimate holding company	**1,240**	845
Companies controlled by Xiamen C&D	**7,200**	3,258
Associates of Xiamen C&D	**7**	75
Revenue from provision of value-added services to non-property owners		
Companies controlled by Xiamen C&D	**264,838**	182,911
Associates of Xiamen C&D	**44,607**	16,881
Interest income received from related parties		
Companies controlled by Xiamen C&D (note 7)	**66,642**	76,500
Rentals paid for short-term lease		
Ultimate holding company	**1,407**	1,696
Rentals paid for lease liabilities		
Ultimate holding company	**2,143**	2,143
Interest expense on lease liabilities		
Ultimate holding company	**327**	116

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

32. MATERIAL RELATED PARTY TRANSACTIONS *(Continued)*

(b) Other than the balances with related parties set out in note 23, The Group also had the following related party balance as at 31 December 2020 and 2019:

	2020	2019
	RMB'000	RMB'000
Lease liabilities		
Ultimate holding company	**7,450**	6,084

(c) **Key management personnel remuneration**

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2020	2019
	RMB'000	RMB'000
Salaries and allowances	**1,589**	1,458
Discretionary bonuses	**1,369**	675
Retirement benefit scheme contributions	**12**	117
	2,970	2,250

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of liabilities arising from financing activities

The tables below set out the reconciliation of liabilities arising from financing activities:

	Amounts due to related parties	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**322**	11
Cash flows:		
— Repayments	**(62)**	–
— Additions	**5,073**	311
At the end of the year	**5,333**	322

	Receipts under securitisation arrangements	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**902,774**	1,025,639
Cash flows:		
— Repayments	**(920,000)**	(124,905)
Non-cash:		
— Interest expenses (note 24)	**2,176**	2,040
— Loss on early redemption	**15,050**	–
At the end of the year	**–**	902,774

33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(Continued)*

Reconciliation of liabilities arising from financing activities *(Continued)*

	Lease liabilities	
	2020	2019
	RMB'000	RMB'000
At the beginning of the year	**7,639**	3,731
Cash flows:		
— Capital element of lease payments paid	**(4,895)**	(2,956)
— Interest element of lease payments paid	**(766)**	(244)
Non-cash:		
— Interest expenses (note 7)	**879**	244
— Entering into new lease	**6,595**	6,864
— Acquisition through business combination (note 34)	**4,704**	–
At the end of the year	**14,156**	7,639

34. BUSINESS COMBINATION

On 24 June 2020, the Group has entered into an agreement to acquire an additional equity interest of 51% of Xiamen Bairui at the consideration of RMB24,000,000, the acquisition was completed on 29 June 2020. Xiamen Bairui was previously an associate of the Group. After the acquisition, the Group held effective equity interest of 100% of Xiamen Bairui.

Accordingly, the Group re-measured the fair value of its previously held interests in Xiamen Bairui at the date of acquisition and recognised the resulting gain of RMB2,993,000 on the re-measurement of the Group's previously held interests in Xiamen Bairui to acquisition-date fair value.

Goodwill arose because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisition is not expected to be deductible for tax purpose.

Details of the carrying value and fair value of the Group's previously held interests in Xiamen Bairui at the acquisition-date are summarised as follows:

	RMB'000
Share of net assets	19,511
Less: Fair value of previously held interests	(22,504)
Gain on re-measurement of previously held interest in an associate	(2,993)

34. BUSINESS COMBINATION *(Continued)*

Details of the aggregate fair values of the identifiable assets and liabilities of Xiamen Bairui as at the date of acquisition are as follows:

	Xiamen Bairui RMB'000
Property, plant and equipment (note 14)	15,499
Right-of-use assets (note 15)	12,622
Deferred tax assets (note 26)	1,727
Trade and other receivables	1,255
Restricted bank deposits	25,354
Cash and cash equivalents	3,189
Trade and other payables	(6,976)
Income tax liabilities	(4)
Lease liabilities	(4,704)
Deferred tax liabilities (note 26)	(2,036)
Net assets acquired	45,926
Less: fair value of previously held interests	(22,504)
	23,422
Less: cash consideration	(24,000)
Goodwill (note 17)	(578)
Cash consideration paid	(24,000)
Cash and cash equivalents acquired	3,189
Cash outflow arising on acquisition of subsidiary through business combination	(20,811)

Included in the profit for the year is approximately RMB8,576,000 attributable to the additional business generated by Xiamen Bairui. Revenue for the year includes approximately RMB3,577,000 in respect of Xiamen Bairui.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been approximately RMB1,029,216,000 and RMB104,999,000 respectively.

35. CHANGE IN OWNERSHIP INTERESTS IN SUBSIDIARY WITHOUT CHANGE OF CONTROL

On 18 November 2020, the Group entered into an equity transfer agreement with a related company of Shanghai Bairen, pursuant to which the Group has conditionally agreed to sell, and the related company of Shanghai Bairen has conditionally agreed to acquire 20% equity interests of Xiamen Bairui at a cash consideration of RMB10,000,000 (the "Equity Transfer"). As the result of the Equity Transfer, the Group's shareholding in Xiamen Bairui was decreased from 100% to 80% without change in control. The Equity Transfer was accounted for as equity transactions, whereby adjustments were made to reflect an increase in non-controlling interests of approximately RMB8,536,000 and an increase in other reserve of approximately RMB1,464,000.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk).

The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

36.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2020 **RMB'000**	2019 RMB'000
Financial assets		
Financial assets at amortised cost		
— Trade and other receivables	**124,746**	72,374
— Amounts due from related parties	**31**	1,344,229
— Restricted bank deposits	**20,219**	726
— Cash and cash equivalents	**886,159**	57,121
	1,031,155	1,474,450
Financial assets at FVTPL		
— Subordinated tranche securities	**–**	34,190
	1,031,155	1,508,640
Financial liabilities		
Financial liabilities measured at amortised cost		
— Trade and other payables	**429,803**	303,758
— Amounts due to related parties	**5,333**	322
— Receipts under securitisation arrangements	**–**	902,774
Lease liabilities	**14,156**	7,639
	449,292	1,214,493

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

36.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables and amounts due from related parties. The Group's maximum exposure to credit risk in relation to financial assets is limited their the carrying amounts as disclosed in note 36.1.

(i) Trade receivables — Third parties

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms except for the customers of smart community services with credit period ranged from 5 to 60 days, and related party customers with no credit terms. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the reporting date based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the past due status. The ECL model also incorporate forward-looking information.

As at 31 December 2020 and 2019, the loss allowance provisions on third parties trade receivables were determined, based on due date, as follows:

		As at 31 December 2020			As at 31 December 2019		
	Expected loss rate	**Gross carrying amount RMB'000**	**Loss allowance provision RMB'000**	**Net carrying amount RMB'000**	Gross carrying amount RMB'000	Loss allowance provision RMB'000	Net carrying amount RMB'000
Trade receivables — third parties							
Within 1 year	5%	**54,675**	**(2,734)**	**51,941**	37,995	(1,866)	36,129
1 to 2 years	10%	**8,088**	**(808)**	**7,280**	6,333	(633)	5,700
2 to 3 years	30%	**2,956**	**(887)**	**2,069**	2,902	(871)	2,031
3 to 4 years	50%	**1,019**	**(510)**	**509**	2,048	(1,024)	1,024
4 to 5 years	80%	**820**	**(656)**	**164**	1,921	(1,537)	384
Over 5 years	100%	**1,671**	**(1,671)**	**–**	1,552	(1,552)	–
		69,229	**(7,266)**	**61,963**	52,751	(7,483)	45,268

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

36.2 Credit risk *(Continued)*

(ii) Trade receivables — Related parties

The Group expects that the credit risk associated with amounts due from related parties are considered to be low after considering the factors as set out in note 2.10, since related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Thus, the impact of ECL is insignificant to the consolidated financial statements.

(iii) Other receivables

For other receivables, management makes periodic collective assessments on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. Thus, ECL recognised during the year presented was limited to 12-month ECL and the ECL model also incorporates forward-looking information.

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

— internal credit rating based on historical information;

— actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;

— actual or expected significant changes in the operating results of the debtor; and

— significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As at 31 December 2020, the Group has adopted average expected loss rate of 5% (2019: 4%) on the gross carrying amounts of other receivables amounted to RMB36,225,000 (2019: RMB27,535,000). The loss allowance as at 31 December 2020 is RMB1,684,000 (2019: RMB1,208,000).

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

36.2 Credit risk *(Continued)*

Movements of the Group's loss allowance on trade receivables are as follows:

	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**7,483**	5,979
(Reversal of)/Provision for ECL allowance	**(217)**	1,504
At the end of the year	**7,266**	7,483

Movements of the Group's loss allowance on other receivables based on 12-month ECL are as follows:

	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**1,208**	1,049
Provision for ECL allowance	**476**	159
At the end of the year	**1,684**	1,208

For cash and cash equivalents and restricted bank deposits, the Group has assessed that they were placed at banks with high-credit ratings assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

36.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to related parties, lease liabilities and receipts under securitisation arrangements and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

36.3 Liquidity risk *(Continued)*

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted contractual amount RMB'000	Carrying amount RMB'000
As at 31 December 2020						
Trade and other payables	**429,803**	**–**	**–**	**–**	**429,803**	**429,803**
Amounts due to related parties	**5,333**	**–**	**–**	**–**	**5,333**	**5,333**
Lease liabilities	**5,651**	**4,416**	**531**	**10,087**	**20,685**	**14,156**
	440,787	**4,416**	**531**	**10,087**	**455,821**	**449,292**
As at 31 December 2019						
Trade and other payables	303,758	–	–	–	303,758	303,758
Amounts due to related parties	322	–	–	–	322	322
Receipts under securitisation arrangements	53,274	53,274	517,777	561,310	1,185,635	902,774
Lease liabilities	3,198	2,978	2,250	–	8,426	7,639
	360,552	56,252	520,027	561,310	1,498,141	1,214,493

36.4 Interest rate risk

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk for its bank deposits and lease liabilities, respectively. Both of which are mainly concentrated on the fluctuation of the market interest rate from banks. No sensitivity analysis is presented since the directors consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits and lease liabilities, respectively, will not be significant in the near future.

36.5 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates mainly in PRC and majority of the transactions are denominated and settled in the functional currency of respective entities within the Group, RMB. For the years ended 31 December 2020 and 2019, the Group did not have significant foreign currency risk from its operations.

36. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

36.6 Fair value measurements of financial instruments

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs.
- Level 3: unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

The reconciliation of the carrying amounts of the Group's financial instruments classified within Level 3 of the fair value hierarchy is as follows:

	Subordinated tranche securities RMB'000
1 January 2019	30,970
Fair value gain recognised in profit or loss	3,220
As at 31 December 2019 and 1 January 2020	34,190
Fair value gain recognised in profit or loss	14,660
Gain on disposal of financial assets measured at FVTPL	1,150
Disposal	(50,000)
As at 31 December 2020	–

Fair value gain on subordinated tranche securities is recognised in profit or loss and included under "Other income" (note 6).

There have been no transfers into or out of Level 3 during the years ended 31 December 2020 and 2019.

36.7 Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2020 and 2019.

37. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as receipts under securitisation arrangements less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the shareholders, issue new shares and raise new debt financing.

During the year ended 31 December 2020, the Group's strategy in monitoring its capital structure was to maintain a sufficient cash level to meet its liquidity requirements. In order to maintain or adjust the cash level, the Group may issue new shares, raise new debts financing or sell assets to increase the cash level.

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

FOUR-YEAR FINANCIAL SUMMARY

FINANCIAL RESULTS

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**1,028,574**	801,330	608,618	447,051
Gross profit	**251,680**	183,397	140,891	116,996
Profit before income tax	**143,874**	93,663	66,451	44,273
Profit for the year	**106,838**	68,285	48,483	32,459
Profit for the year attributable to the equity owners of the Company	**106,118**	68,181	47,835	30,750

ASSETS, LIABILITIES AND EQUITY

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
Non-current assets	**53,195**	70,352	46,897	39,052
Current assets	**1,043,635**	1,482,708	1,393,007	1,558,061
Non-current liabilities	**14,177**	908,969	1,027,200	1,230,417
Current liabilities	**668,000**	466,667	353,627	315,816
Net current assets	**375,635**	1,016,041	1,039,380	1,242,245
Total equity	**414,653**	177,424	59,077	50,880