Colour Life Services Group Co., Limited
Stock code: 1778

POWER GROWTH

Annual Report 2020

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Pan Jun *(Chairman)*
Mr. Chen Xinyu
Mr. Huang Wei
(Chief Executive Officer)

Non-executive Directors
Mr. Tang Xuebin
Mr. Zhou Hongyi

Independent Non-executive Directors
Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin

AUDIT COMMITTEE

Mr. Tam Chun Hung, Anthony *(Chairman)*
Dr. Liao Jianwen
Mr. Xu Xinmin

REMUNERATION COMMITTEE

Dr. Liao Jianwen *(Chairman)*
Mr. Chen Xinyu
Mr. Tam Chun Hung, Anthony
Mr. Xu Xinmin

NOMINATION COMMITTEE

Mr. Pan Jun *(Chairman)*
Mr. Huang Wei
Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin

COMPANY SECRETARY

Ms. Luo Shuyu

AUTHORISED REPRESENTATIVES

Mr. Chen Xinyu
Ms. Luo Shuyu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS IN THE PRC

10/F, Tower, B
The Platinum Tower
No. 1 Tairan 7th Road
Futian District
Shenzhen, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1202–03
New World Tower 1
16–18 Queen's Road Central
Hong Kong

LISTING INFORMATION

Share Listing
The Stock Exchange of Hong Kong Limited
Stock Code: 1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITOR

Deloitte Touche Tohmatsu
Registered Public Interest Entity Auditors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

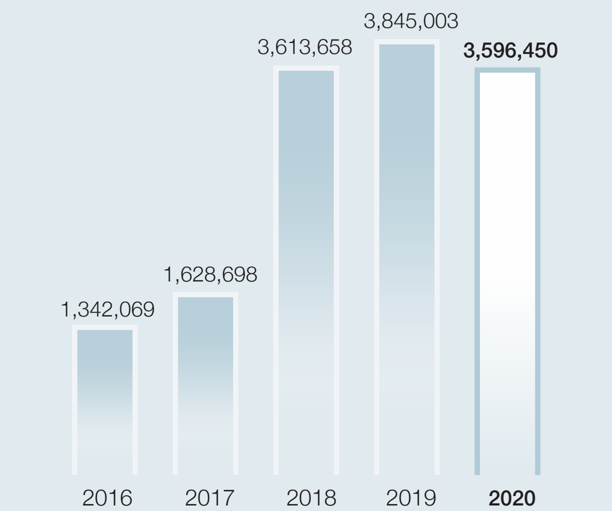
Computershare Hong Kong Investor Services Limited
Shops 1712–1716
17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

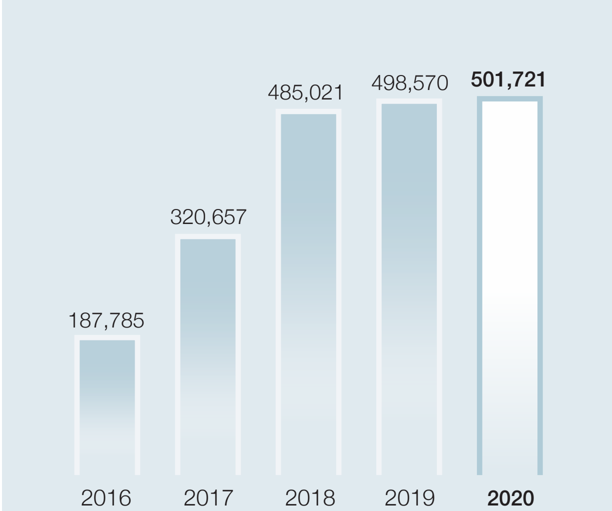
(In alphabetical order)
Bank of China Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

FINANCIAL HIGHLIGHTS

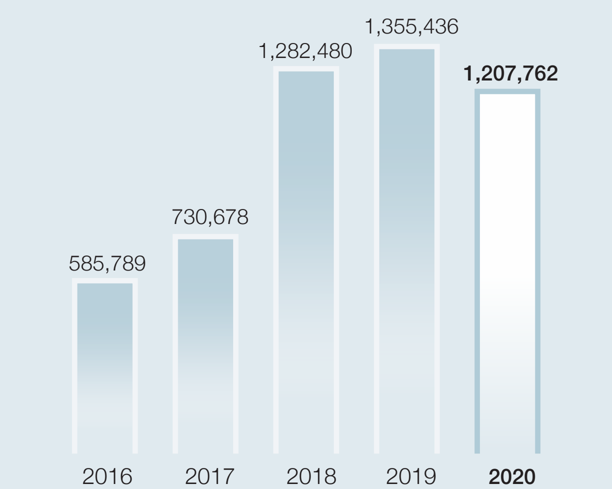
Revenue
(RMB' 000)



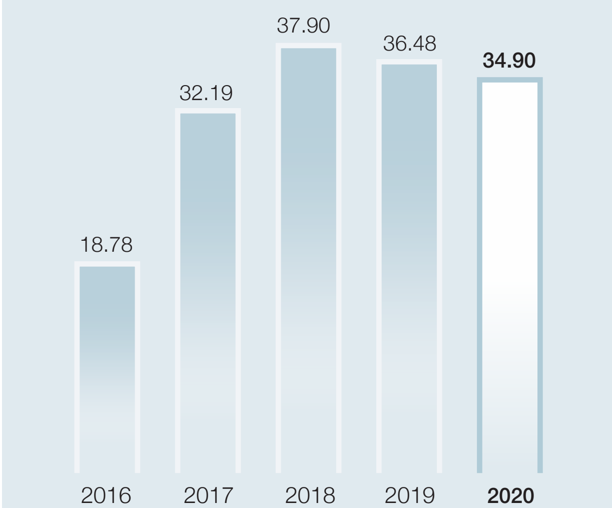
Profit attributable to owners of the Company
(RMB' 000)



Gross profit
(RMB' 000)



Basic earnings per share
(RMB' cent)



	2016 (RMB'000)	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	**2020 (RMB'000)**
Revenue	1,342,069	1,628,698	3,613,658	3,845,003	**3,596,450**
Gross profit	585,789	730,678	1,282,480	1,355,436	**1,207,762**
Profit attributable to owners of the Company	187,785	320,657	485,021	498,570	**501,721**
Basic earnings per share *(RMB cents)*	18.78	32.19	37.90	36.48	**34.90**
Total assets	4,022,608	8,812,109	10,066,293	9,375,943	**10,296,437**
Total liabilities	2,490,136	5,306,930	6,810,154	5,323,947	**5,742,015**
Bank balances and cash	754,837	1,847,528	2,666,922	1,721,228	**2,458,579**

HONORS AND AWARDS

1. The "Most Valuable Property Management Company" by Zhitong Finance (智通財經) and RoyalFlush Finance (同花順財經) in January 2020
2. The "Best Investor Relations Management Award" by Zhitong Finance (智通財經) and RoyalFlush Finance (同花順財經) in January 2020

3. Ranking 2nd in the "2020 Top 20 Property Management Companies of Outstanding Operation Performance in China" by Guandian Index Academy in March 2020

4. "2020 Top 100 Property Management Companies in China" by China Index Academy in May 2020

5. "2020 China Top 10 Property Management Companies in terms of Service Scale" by China Index Academy in May 2020

6. "2020 China Leading Property Management Companies in terms of Technology Application" by China Index Academy in May 2020

7. "2020 China Leading Property Management Companies in terms of Characteristic Service – Intelligent Community" by China Index Academy in May 2020

8. "2020 China TOP 10 Listed Property Management Companies in terms of Comprehensive Strength" by China Index Academy in May 2020

HONORS AND AWARDS

9. “2020 China Excellent Listed Property Management Companies by Investment Value” by China Index Academy in May 2020

10. “2020 Top 10 Listed Company of Property Management Service” by China Property Management Institute in May 2020

11. “2020 Top 10 Listed Company of Property Management Service” by China Property Management Institute in May 2020

12. Ranking 3rd in the “2020 Satisfaction Survey Regarding Epidemic Prevention by Property Management Companies in China” (2020中國物業防疫滿意度調查第三名) by China Property Management Research Institution in July 2020

13. Ranking 3rd in the “2020 TOP 30 Influential Property Management Companies in China” (2020中國年度影響力物業服務TOP 30) by Guandian Index Academy in August 2020

14. “2020 Outstanding Property Management Service Model in China” (2020中國年度物業服務模式大獎) by Guandian Index Academy in August 2020

HONORS AND AWARDS

15. "2020 Excellent Brand of Property Management Service Platform in China" by China Index Academy in September 2020

16. "2020 Leading Property Management Companies in terms of Market-oriented Operation in China" by China Index Academy in September 2020

17. "2020 Top 100 Most Valuable Brand of Property Management Service" by China Property Management Research Institution in September 2020

18. "2020 Top 500 Property Management Companies" by China Property Management Research Institution in September 2020

19. "2019 Shenzhen's Top 100 Property Management Companies in terms of Comprehensive Strengths" (2019年度深圳市物業服務企業綜合實力百強企業) by Shenzhen Property Management Association in September 2020

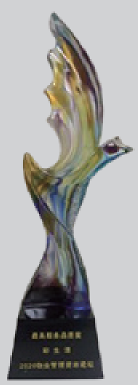
HONORS AND AWARDS

20. "TOP 100 Most Influential WeChat Official Accounts" (影響力微信公眾號TOP 100) by National Property Management Industry Media Collaboration Network (全國物業管理行業媒體協助網) in September 2020

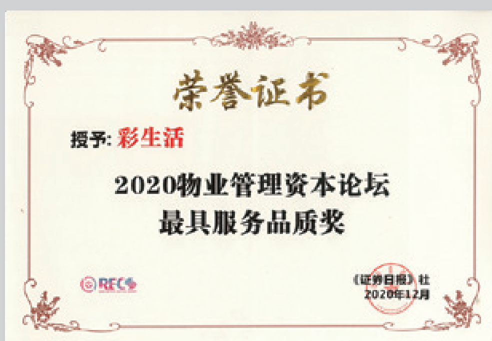
21. "Best Companies with Social Responsibility of the Year" (年度最具社會責任獎) by Gelonghui (格隆匯) in November 2020

23. Ranking 4th in the "2020 China Top 100 Property Management Companies in terms of Market Competitiveness" (2020中國物業服務企業市場競爭力100強第四名) by China Real Estate Business, creb.com.cn and China Real Estate Business School in December 2020

22. Ranking 3rd in the "2020 China Top 30 Property Management Companies in terms of Customer Satisfaction" (2020中國物業服務企業用戶滿意度30強第三名) by China Real Estate Business, creb.com.cn and China Real Estate Business School in December 2020



24. "Best Service Quality Award of 2020 Property Management Capital Forum" (2020物業管理資本論壇最具服務品質獎) by Securities Daily in December 2020



CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2020 left a challenging and unforgettable mark for the property management industry in China in which all parties engaged. From the unexpected epidemic in the beginning of the year to the preparation work against flood disaster in a rainy season, the property management industry was confronted with various challenges, be it moderate or severe. We capitalized on our capacity forged through 18 years' experience and practice in this industry, and overcame all challenges in the fight against the epidemic and the flood, ultimately claiming victory over these "white battles" and withstanding every rigorous test.

While receiving acclamation for our efforts and hard work, the Group also achieved steady growth of its businesses. As of 31 December 2020, the Group recorded an annual revenue from the main business lines of RMB3,596 million and a net profit attributable to owners of the Company of RMB502 million.

IMPROVING SERVICE QUALITY AND BUILDING REPUTABLE BRAND

Property management plays an increasingly important role in community governance and safety protection of residents, with servicing boundary continuously expanding. Substantial changes have had happened concerning the social function and service content of the property management industry. In particular, the experience gained from this epidemic fight gave us a clearer picture that, to consolidate basic property management businesses and improve community service quality are of vital importance for a community service enterprise, and are fundamental for business expansion.

The Group previously came up with the strategy of "consolidating basic businesses and adhering to original mission". This adjustment strategy was implemented gradually during 2020, under which, management details, service standards and owners' satisfaction have become important business indicators for the Group. Quality enhancement plans and scale of fees for services are formulated and customized in accordance with project conditions and respective prevailing price levels. The Group has capitalized on the synergy among principal brands, sub-brands and regional brands to establish a multi-pronged and –dimension strategy, with an aim of satisfying servicing needs from different projects in different cities.

Unprecedented challenges have been brought upon the property management industry by the epidemic, but thanks to the commitment and professional work of all staff of Colour Life, no case of mass infection was reported in any community managed by the Group, and the infection rate of residents in the communities managed by the Group in Wuhan was far below the average infection rate of the city. Moreover, our efforts were well recognised, with over 75% of the projects managed by the Group receiving commendation from the government or compliments and regards from the owners. The Group has been praised 127 times and 603 times for its excellent work by the city– and district-level governments and the sub-district offices and communities, respectively. In the "Satisfaction Survey for Epidemic Prevention and Control" in Season 2 of "Outstanding Property Management Companies (《物業英雄》)" co-organised by Leju Finance (樂居財經) and China

Property Management Research Institute (CPMRI) (中物研協), all communities served by Colour Life achieved high scores in every evaluation item, in particular Wanxiangmei topped the popularity rankings and Colour Life was ranked 3rd in comprehensive grading. The Group has been granted the "2020 Excellent Brand of Property Management Service Platform in China" award by China Property Management Research Institute, the "2020 Top 100 Property Management Companies in China" award by China Index Academy and other industrial awards.

Over the past year, Colour Life has won the recognition from the industry and the society for its performance in epidemic prevention and service satisfaction, which laid a solid foundation for us to further strengthen our presence in the strategic regions, establish exemplary projects and build a boutique brand.

ADJUSTING AND OPTIMISING ORGANISATIONAL STRUCTURE AND BUILDING AN EFFICIENT MANAGEMENT SYSTEM

As a Chinese saying goes, "success in a job presupposes ready tool", over the past years, the Group conducted a comprehensive review and classification on its businesses, integrated certain departments and streamlined the management structure to cope with the ever-changing industry and for its own development. The Group carried out restructuring of its original structure and reorganised its business into five strategic regional and three major regional segments by geographical location, so as to consolidate the business groups and promote further integration between its original businesses and the acquired businesses, which is conducive not only to the unified management of the Group to establish the backbone force, but also to enhance resource utilisation and achieve scale economy, and also helps to export the management and service experiences of some outstanding communities across the Group to promote synergetic effects and cost advantages in more projects.

By implementing the multi-brand development strategy and meticulously-devised quality enhancement plan, the Group formulated and differentiated working and managing standards for different business models and various property fee rates, which were embedded concurrently into the service management system, so as to provide different projects with better tools and lay a foundation for digitized management of housing and residential information. Furthermore, the Group reformed the remuneration and incentive mechanism to motivate the employees to expand business.

Through a series of adjustments and optimisations, the Group is committed to building a flat, efficient and smooth governance system and business management system, with an aim to empower each business and provide all employees with strong support, so that the task of service quality enhancement and establishment of caring communities would be a full success.

CHAIRMAN'S STATEMENT

GRASPING THE POLICY TREND FOR STABLE TRANSFORMATION AND BUILDING CARING COMMUNITIES THROUGH HUMANITARIANISM AND TECHNOLOGY

It is initiated in the 2020 Report on the Work of the Government by the State Council that, more efforts shall be invested in new urbanisation by rigorously renovating old communities in urban areas and improving community management and servicing system. In January 2021, the Notice on Strengthening and Improving Management Work on Residential Properties (《關於加強和改進住宅物業管理工作的通知》) was jointly issued by the Ministry of Housing and Urban-Rural Development and other 9 departments, which stipulates the requirements to enhance the performance and efficiency of residential property management from multiple aspects such as community governance and the governance structure of owners' committee, and encourages property service enterprises to provide extended services including elderly care services, child care services, and home services, etc.

Under the guiding policies and active supports from the government, the property service industry will be more standardized, professional and subdivided in terms of not only basic services but also value-added services, covering every corner of the community, which accords with the business development philosophy of Colour Life. While attaching great importance to basic services, focusing on owners' satisfaction and promoting community harmony, we also continuously explored the on-line business and value-added services.

From the perspective of changes in the industry, the property management industry has become an investment hot spot in the capital market with increasing number of companies listed on the stock markets, which is attributable to not only the industry characteristics of stable income stream and cash flow, but also the tremendous development potential of community consumption scenarios. The management rights stipulated in the property management contracts and the multiple interaction between property management companies and owners constitutes valuable community resources in this industry. Based on the aforesaid, efforts have been made to explore the diversified profit models of the industry, while Colour Life acts as a leader and pioneer in the development of community value-added services.

CHAIRMAN'S STATEMENT

The Group has developed a number of innovative business models based on community scenarios, in an effort to explore a business pattern to promote sustainable development of Colour Life. Our passion towards Internet technology, outstanding innovation capability and sensitivity to industry trends have become one of our core competitiveness. In addition, JD.com and 360.com, two Internet giants, have joined Colour Life as strategic investors to jointly explore community value-added business.

In 2020, the Group joined hands with JD.com to promote the implementation of a pilot business of smart parcel lockers. Compared with the fixed annual rental fees for the community space paid by other smart parcel locker operators under the original arrangement, the income generated under the new cooperation model can be increased through efficient turnover of such cabinets, thus significantly improving the profitability of the business. Moreover, the property management staff of Colour Life provide assistance for order delivery, which offers additional opportunities for communication with the owners, opening up new channels to explore residents' needs and develop new businesses. The smart parcel locker business is only an example of the community value-added services we are embarking on. Based on this business, we will continue to explore other types of community services, making property management services a much more important part of the owner's domestic life.

Driven by the pursuit for refined services, we witnessed change in the service concept of the industry, which has shifted from neighbourhood management to community services and from basic property management services to humanitarian care. In one word, our services have transformed from managing the neighbourhood to serving the community and further to building harmonious community. We place great emphasis on owners' satisfaction. While endeavouring to provide a wide variety of services for the residents, we also made tremendous efforts to promote community harmony by organising a wide range of community activities, with an aim to enrich the cultural activities of the community, promote neighbourhood relationship, improve the happiness of the residents and create interesting, loving and caring communities.

CHAIRMAN'S STATEMENT

In 2020, the Group organised over 8,000 events across the country, covering not only traditional thematic festivals such as the Spring Festival, the Lantern Festival, the Dragon Boat Festival, the Chinese Valentine's Day and the Mid-autumn Festival and also innovative thematic activities such as the summer scout camp, street-stall economy, support for the university entrance examination and the East Blink Day, attracting 550,000 offline participants and 2 million online participants. We set up and optimised communication system with clients by establishing the one-to-one WeChat communication channel between the Company and the clients, so as to promote offline activities and develop relevant community operation plans.

Colour Life achieved transformation from property management to resident service through a thorough and up-to-bottom approach, covering from upgrading and renovation of hardware equipment to planning and organisation of community activities. To this end, we made improvement and optimisation in terms of service concept, work method, operation approach and understanding of residents' needs, so as to provide residents with more refined and comprehensive services and promote more long term and healthy development of the Company. Leveraging on our in-depth knowledge and understanding of the communities, we will continue to discover, explore and promote the value of community services, with an aim to build wonderful communities with humanitarian care, technology and harmony.

BUILDING UP STRENGTHS TO ACHIEVE GROWTH AND PROMOTING DEVELOPMENT WITH UNBOUNDED THINKING

Over the past year, the property management industry received recognition from the society and policy support from the government, and has become an investment hot spot in the capital market. In another word, the property management industry is on the verge of great change due to the external environment and intrinsic causes. Under such circumstance, we need to retain a sense of calm and invest in the future by embracing the existing industry development trend.

The outbreak of the pandemic and the attention received in the capital market have presented challenges and opportunities for the property management industry, while the multi-dimension support granted by the government for property management enterprises (including economic subsidies and policy support) was conducive for the future development of the property management industry and enterprises. To survive and outperform our industry peers amidst intensified competition, we rely on our professional strength and development vision, where professional strength reflects our existing business strength and is essential to our success in holding our ground in such an adverse and turbulent environment, while our development vision dictates our potential for future development and is fundamental to the business growth and expansion of the Company.

Today, technologies such as the Internet, the Interne of Things and artificial intelligence have been widely applied in our daily life and reshaped our lifestyle. To pursue future development, we need to think out of the traditional way of the industry and embrace unbounded thinking in envisioning development strategy. Nevertheless, we also need to stay true to our original mission, that is to provide residents with best services and build a harmonious community.

Looking forward, with a focus on customer satisfaction, Colour Life will strive to achieve growth in scale and improvement in customer satisfaction. By implementing a series of measures such as landmark projects, diverse brand strategy, remuneration reform and incentive mechanism, we aim to increase revenue from existing assets and expedite development of new business, so as to pave the path for rapid development.

In 2020, Colour Life strived to elevate its overall quality and build up professional strength. Emerged as a stronger player after weathering out the pandemic and sharpening its strength, Colour Life is well positioned to push its business to a whole new level at the beginning of the new year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

The Group is a leading property management and community services provider in China, focuses on setting up offline and online service platform via the internet technology and effectively linking the residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

As communities constitute the smallest social component of the city, the services provided by the property management companies are essential in creating a stable and convenient living environment for the residents of the community and promoting the development of the society. The Group strives to meet the basic living needs of the residents through providing Four Basic Guarantees services (defined as cleaning, greening, security and maintenance services), which constitute the solid cornerstone of community services system.

While meeting the basic living needs of the residents of the community, the Group also promotes smart community construction by proactively utilising technologies such as the Internet of Things, big data and artificial intelligence, and introducing the application of intelligent equipment, so as to enhance the Group's efficiency in providing high quality property management services. The Group has established a powerful head office digital "cloud" system, which minimised the dependency on function and scope of "management" and strengthened the service capacity of the "terminal", so as to organise effective community services. For instance, the Group has built the Big Dipper system, by implementing the order-oriented modification on the seven major functions of E-Parking, E-Lift, E-Energy, E-Cleaning, E-Decoration, E-Payment and E-Complaint, the Group has gradually divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

In addition to its efforts in exploring the basic businesses, the Group has classified the projects managed by it into various service levels based on different charging standards, set standards for equipment modification and service packages to ensure well-oriented service experience to satisfy customers' demand for performance-price ratio in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of steadily increasing management areas and securing customer satisfaction.

While focusing on improving service efficiency, the Group is dedicated to building harmonious communities. The Group organised a variety of community activities and proactively established communication channels to strengthen the relationship between the residents as well as between the residents and the property management staff and enrich the residents' off-work life, with an aim to build a better and more caring community. By providing such services, we are able to create a harmonious community for the homeowners, so as to enhance their trust in the Group. The improvement of our relationship with the homeowners also laid a solid foundation for our effort to further expand community consumption scenarios.

The Group is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the communities. In addition, the Group designates a proportional number of customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will carry out following up work and seek feedback relating to customer satisfaction in a timely manner, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges.

MANAGEMENT DISCUSSION AND ANALYSIS

Since JD.com and 360.com invested in the Group as shareholders, JD.com and the Group cooperate in community-based services, establishing front-end warehouses, logistics distribution and enhancement of platform experience. At the same time, based on the technological experience accumulated by 360.com in the field of core security, the Group will cooperate with 360.com in aspects like security, Internet of Things and artificial intelligence. Through the cooperation with JD.com and 360.com to explore "community +" strategy, the online and offline operation capabilities of Colour Life will be further enhanced to improve the living experience of property owners, so as to create a smart community combining humanitarian care, harmony and technology for property owners.

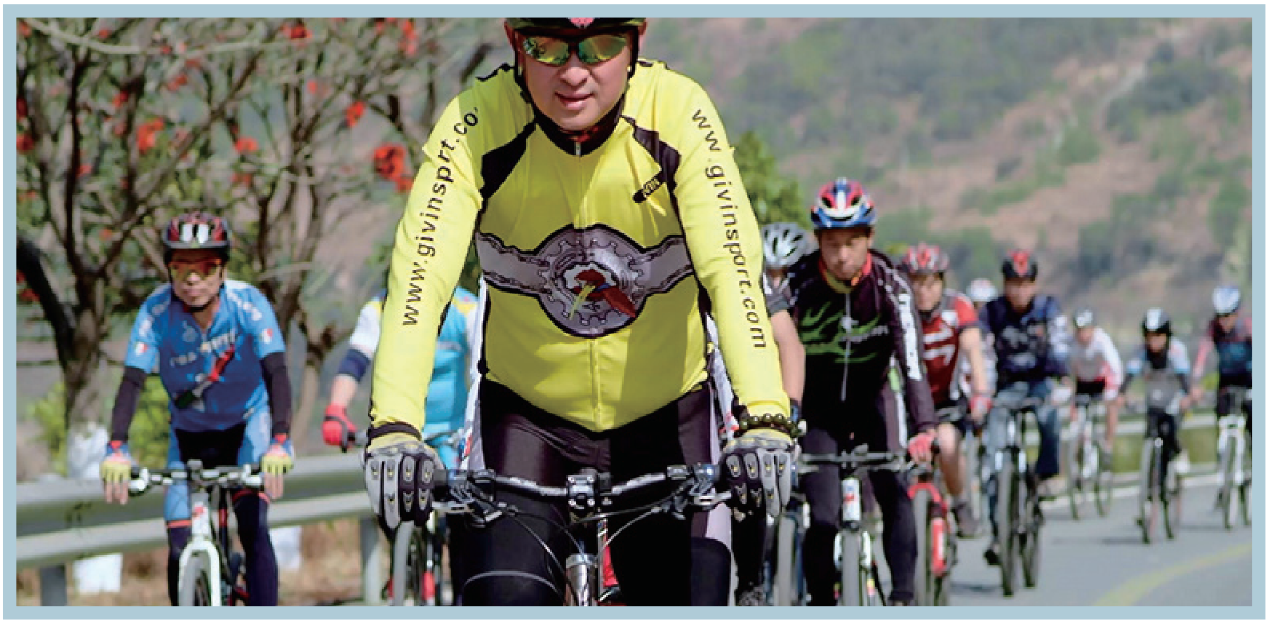
BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group's Managed GFA. Property developers will issue an occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Total Contracted GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service contracts with regional property management companies. The area under the consultancy services contracts will be incorporated into the Group's Consultancy GFA. Aforementioned Managed GFA and Consultancy GFA of the Group are collectively referred to as Total Contracted GFA.

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience, as at 31 December 2020, the Total Contracted GFA of the Group had reached 563.4 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,841. As at 31 December 2020, the area of the Group's revenue-bearing GFA reached 361.0 million sq.m.. At the same time, the Group is actively building up an online platform for its community services, and through providing the platform to collaborative partners, the Group's online platform could serve more communities and families not managed by Colour Life.

MANAGEMENT DISCUSSION AND ANALYSIS



In addition to extending the online platform or providing the relevant technical guidance to other property management companies, the Group continued to expand the scopes under which its online platform technology can be applied. For example, the Group helped Changsha City Public Security Bureau to develop the Changsha Gardener APP for mass prevention and treatment to public order in Changsha City. Citizens can take up patrol orders or traffic violation reporting orders from the Changsha Gardener. Once an order is completed, the users can get relevant points as a coupon when the users make a purchase on the Changsha Gardener APP. This new model has encouraged the general public to participate in the process of building a secure city as well as their harmonious communities, extremely well received by the Changsha Municipal Government. As at 31 December 2020, registered users of the Changsha Gardener APP amounted to 6.1 million. Taking patrol orders as example, there were a total of approximately 3.9 million people participating in the patrol service since the launch of such service on 28 March 2019 up to 31 December 2020, with a total patrol route length of approximately 9.2 million kilometers. The platform has received a total of 1,080.9 thousand reported cases relating to traffic violations and 2.7 thousand reported drug cases, making itself an efficient channel for citizens to jointly participate in the construction of a civilised city. The successful launching of such innovative application indicates that the Group's online platform technology has a wider application.

In addition, following the signing of the comprehensive strategic cooperation agreement between the Group and JD.com, the two parties jointly promoted the implementation of a pilot business of smart parcel lockers in 2020. Under this business model, JD.com is responsible for the installation of smart parcel lockers, while the Group is responsible for the courier delivery within the communities. The fees paid by the couriers for using such cabinets are allocated between the Group and JD.com as income. Instead of fixed annual rental fees paid to the communities in respect of such cabinets under the original arrangement, this business model generates commissions from the efficient turnover of such cabinets, significantly improving the profitability of the business. At the same time, the Group provides assistance for order delivery, which offers more opportunities for communication between our staffs and the residents.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2020, the locations of communities where the Group provided management, consultancy services and which the Group cooperated with are set out as follows:

Southern China

1	Shenzhen
2	Dongguan
3	Foshan
4	Fuzhou
5	Ganzhou
6	Guangzhou
7	Heyuan
8	Huizhou
9	Jingdezhen
10	Nanchang
11	Nankang
12	Putian
13	Qingyuan
14	Shangrao
15	Yangjiang
16	Yichun
17	Yingtan
18	Zhongshan
19	Zhuhai
20	Xiamen
21	Shaoguan
22	Heshan
23	Quanzhou
24	Sanming
25	Zhangzhou
26	Nanxiong
27	Longyan
28	Jiujiang
29	Nanping
30	Xinyu
31	Zhaoqing
32	Haikou
33	Danzhou
34	Fuzhou
35	Shantou
36	Zhanjiang
37	Jinggangshan
38	Fengcheng
39	Ji'an
40	Meizhou
41	Zhangping
42	Sanya
43	Ruijin
44	Wenchang
45	Pingxiang
46	Zhangshu
47	Jinjiang
48	Fuqing
49	Jiangmen
50	Baoting Li and Miao Autonomous County
51	Qionghai
52	Maoming
53	Chaozhou

Eastern China

54	Changzhou
55	Dongtai
56	Gaoyou
57	Huai'an
58	Jiangyin
59	Jurong
60	Lianyungang
61	Nanjing
62	Nantong
63	Shanghai
64	Suzhou
65	Wuxi
66	Wuhu
67	Yancheng
68	Yangzhou
69	Changshu
70	Kunshan
71	Xuzhou
72	Hangzhou
73	Chuzhou
74	Huzhou
75	Fuyang
76	Jiaxing
77	Linyi
78	Yantai
79	Zhenjiang
80	Zibo
81	Bengbu
82	Hefei
83	Jining
84	Lu'an
85	Qingdao
86	Shaoxing
87	Taicang
88	Wenzhou
89	Jinan
90	Suqian
91	Tai'an
92	Heze
93	Huaibei
94	Jinhua
95	Liaocheng
96	Taizhou
97	Taihe
98	Zaozhuang
99	Weifang
100	Dongying
101	Dezhou
102	Ningbo
103	Shouguang
104	Xinyi
105	Rizhao
106	Qufu
107	Maanshan
108	Yixing
109	Taizhou
110	Yuyao
111	Zhuji
112	Heze
113	Huangshan
114	Ledong
115	Tongling
116	Anqing

Southwestern China

117	Chengdu
118	Liuzhou
119	Dali
120	Guilin
121	Nanning
122	Zigong
123	Chongzuo
124	Baise
125	Guigang
126	Zunyi
127	Guiyang
128	Fangchenggang
129	Deyang
130	Guang'an
131	Laibin
132	Lijiang
133	Mianyang
134	Pingnan
135	Suining
136	Tongren
137	Yizhou
138	Chongqing
139	Ziyang
140	Anshun
141	Beihai
142	Guanghan
143	Kunming
144	Guangyuan
145	Neijiang
146	Duyun
147	Fuquan
148	Longli
149	Majiang
150	Bazhong
151	Wuzhou
152	Bijie
153	Emeishan
154	Leshan
155	Liupanshui
156	Qiandongnan Miao and Dong Autonomous Prefecture
157	Qinzhou
158	Wenshan
159	Yulin
160	Yibin
161	Meitan
162	Xishuangbanna
163	Meishan
164	Qiannan Buyi and Miao Autonomous Prefecture
165	Qianxinan Buyi and Miao Autonomous Prefecture
166	Nanchong

Northeastern China

167	Gaizhou
168	Harbin
169	Huludao
170	Shenyang
171	Tieling
172	Yingkou
173	Diaobingshan
174	Benxi
175	Changchun
176	Panjin
177	Dalian
178	Mudanjiang
179	Jixi
180	Qiqihar
181	Daqing
182	Jiamusi
183	Fusong
184	Fushun
185	Dandong
186	Chifeng
187	Siping

Northwestern China

188	Xi'an
189	Yinchuan
190	Lanzhou
191	Hancheng
192	Xining
193	Yulin
194	Baoji
195	Ankang
196	Pingliang
197	Hanzhong
198	Weinan
199	Urumqi
200	Bayannur
201	Yili Prefecture
202	Jincheng
203	Yan'an
204	Xianyang
205	Pengyang
206	Yangling

Northern China

207	Beijing
208	Qinhuangdao
219	Tianjin
210	Shijiazhuang
211	Baotou
212	Tongliao
213	Wuhai
214	Taiyuan
215	Tangshan
216	Hulunbuir
217	Ulanqab
218	Langfang
219	Datong
220	Baoding
221	Changzhi
222	Hohhot
223	Xingtai
224	Chengde
225	Cangzhou
226	Xinzhou
227	Luliang
228	Renqiu
229	Hengshui

Central China

230	Changsha
231	Xinxiang
232	Yiyang
233	Zhengzhou
234	Wuhan
235	Chenzhou
236	Kaifeng
237	Anyang
238	Xiangyang
239	Jingmen
240	Puyang
241	Yichang
242	Yueyang
243	Zhangjiajie
244	Zhuzhou
245	Huixian
246	Luohe
247	Xiangtan
248	Huanggang
249	Changde
250	Jingzhou
251	Loudi
252	Luoyang
253	Wugang
254	Suizhou
255	Nanyang
256	Xingyang
257	Shangqiu
258	Enshi
259	Jiaozuo
260	Xiangfan
261	Hengyang
262	Jiyuan
263	Qianjiang
264	Zhoukou
265	Zhumadian
266	Xiaogan
267	Shaoyang
268	Pingdingshan
269	Shiyan
270	Huaihua
271	Yihua
272	Jishou
273	Yongzhou
274	Ruzhou
275	Ezhou
276	Xianning
277	Jingshan
278	Huangshi
279	Yingcheng

As at 31 December 2020, the Group recorded a sustained growth in platform service area. The following table sets out the contracted GFA and the number of communities where the Group provided management and consultancy services and which the Group cooperated with in different regions as at the dates indicated below:

	As at 31 December 2020				As at 31 December 2019			
	Managed by the Group		**Under the Group's consultancy service arrangements**		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted GFA ('000 sq.m.)	**Number of communities**	**Contracted GFA ('000 sq.m.)**	**Number of communities**	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities
Shenzhen	**9,441**	**124**	**727**	**16**	9,596	127	727	16
Southern China (excluding Shenzhen)	**91,781**	**571**	**2,126**	**8**	90,680	570	2,126	8
Eastern China	**143,701**	**939**	**2,453**	**7**	145,195	951	2,469	8
Southwestern China	**99,271**	**373**	**967**	**3**	99,285	385	967	3
Northeastern China	**20,821**	**94**	**1,498**	**5**	21,075	98	1,680	8
Northwestern China	**16,729**	**87**	**3,506**	**2**	16,347	85	3,506	2
Northern China	**36,791**	**152**	**150**	**2**	35,839	145	150	2
Central China	**133,123**	**457**	**300**	**1**	132,087	454	300	1
Total (1)	**551,658**	**2,797**	**11,727**	**44**	550,104	2,815	11,925	48

Note:

(1) As at 31 December 2020, the Group's Total Contracted GFA reached 563.4 million sq.m..

As at 31 December 2020, the Group managed 2,797 communities with an aggregate contracted GFA of approximately 551.7 million sq.m. and entered into consultancy service contracts with 44 communities with an aggregate contracted GFA of approximately 11.7 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management, consultancy services and which the Group cooperated with during the reporting period:

	As at 31 December 2020				As at 31 December 2019			
	Managed by the Group		**Under the Group's consultancy service arrangements**		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted GFA ('000 sq.m.)	**Number of communities**	**Contracted GFA ('000 sq.m.)**	**Number of communities**	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities
As at the beginning of the year	**550,104**	**2,815**	**11,925**	**48**	542,299	2,661	11,353	48
New engagements (1)	**7,665**	**45**	**–**	**–**	22,044	260	598	2
Acquisition (2)	**–**	**–**	**–**	**–**	1,231	9	–	–
Termination (3)	**(6,111)**	**(63)**	**(198)**	**(4)**	(15,470)	(115)	(26)	(2)
As at the end of the year	**551,658**	**2,797**	**11,727**	**44**	550,104	2,815	11,925	48

Notes:

(1) In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities the Group provided consultancy services for, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.

(2) The Group expanded its Managed GFA through acquisitions and gained synergy after the acquisition.

(3) The contracted GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS OVERVIEW

The Group has three main business lines:

- Property management services, which primarily include: (i) provision of services for communities under commission basis; (ii) provision of services for communities under lump sum basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and

- Value-added services, which primarily include: (i) provision of online promotion services; (ii) provision of sales and rental assistance services; and (iii) provision of other value-added services; and

- Engineering services, which primarily include: (i) provision of equipment installation services; (ii) provision of repair and maintenance services; and (iii) provision of energy-saving services.

Scope of Services for Property Management Services

As at 31 December 2020, the Group employed over 55,001 on-site personnel (including staffs employed by the Group and the staffs outsourced to third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December 2020		As at 31 December 2019	
	Under commission basis (RMB/sq.m./month)	**Under lump sum basis (RMB/sq.m./month)**	Under commission basis (RMB/sq.m./month)	Under lump sum basis (RMB/sq.m./month)
Shenzhen	**0.4–11.4**	**1.8–16.9**	0.4–11.4	1.8–16.9
Southern China (excluding Shenzhen)	**0.5–5.9**	**0.7–16.9**	0.5–5.9	0.7–16.9
Eastern China	**0.4–17.0**	**1.1–16.0**	0.4–17.0	1.1–16.0
Southwestern China	**0.5–6.1**	**0.3–25.0**	0.5–6.1	0.3–25.0
Northeastern China	**0.4–3.3**	**2.0–18.0**	0.4–3.3	2.0–18.0
Northwestern China	**0.5–4.0**	**1.4–22.7**	0.5–4.0	1.4–22.7
Northern China	**0.7–5.5**	**1.2–25.0**	0.7–5.5	1.2–25.0
Central China	**0.6–5.3**	**0.9–16.9**	0.6–5.3	0.9–16.9

Property management services, which primarily include: (i) provision of services for communities under commission basis; (ii) provision of services for communities under lump sum basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for regional property management companies.

Property Management Services under Commission Basis

Under commission basis, the Group is essentially acting as an agent of the property owners. The Group reserves the right to retain the specified percentage (usually 10%) of the owner's property management fees as required by the relevant local authorities as the Group's revenue. The remaining property management fees will be used as operating funds to cover the expenses associated with the management of the property.

Property Management Services under Lump Sum Basis

Under lump sum basis, the Group is entitled to recognise all property management fees charged from the property owners as revenue and pay the expenses related to property management from the property management fees. Accordingly, the related costs are recognised as the Group's cost of sales.

MANAGEMENT DISCUSSION AND ANALYSIS

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services for the property developers in preparation for the pre-sale activities and recognises the proceeds based on the fees charged. The relevant expenses are calculated based on the number of employees and positions deployed by the Group, and the related staff costs incurred are the sales costs incurred in providing the services.

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, making its brand more widely known and expanding the customer base for its value-added services, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future. As at 31 December 2020, the Group provided consultancy services for 44 communities and the Consultancy GFA was 11.7 million sq.m..

Scope of Services for Value-added Services

Adhering to the value and concept of "Service to Your Family", the Group has been focusing on providing diversified value-added services for community property owners. With 17 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management, consultancy or which the Group cooperates with, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

With the promotion of more convenient ports such as WeChat applet, the number of users logging onto Caizhiyun through WeChat has increased significantly. At the same time, the ecosystem product companies have developed rapidly. Specifically, the E-Energy has established a strategic cooperation partnership with Tencent Park. With number of users continuing to rise, in order to reflect the actual operation more realistically, we decided to change the statistical criteria of registered and active users to the ecosystem standard with effect from 2018, including Caizhiyun users at APP and WeChat, and users of ecosystem product companies. As at 31 December 2020, registered users of Colour Life's ecosystem increased to approximately 37.8 million, of which 16.7 million were ecosystem active users. For the year ended 31 December 2020, the accumulated value-added services revenue was RMB256.4 million. The gross profit margin remained at a relatively high level of 95.0%.

MANAGEMENT DISCUSSION AND ANALYSIS

At the same time, the Group's new cooperation model with property developers is designed to provide quality property management services and facilitate the destocking of property developers' existing assets, namely Colour Life Parking Lots (彩生活車位). Such model mainly targets at parking lots that are difficult for property developers to sell, and part of the purchase fee paid by buyers is returned to their Caizhiyun accounts year after year, which can be used to pay consumptions on the Caizhiyun platform, thereby offering cost saving to buyers in future.

The product of Colour Life Parking Lots facilitated good interactions between the Group and property developers, helping the Group to gain property service resources.

The Group's value-added services primarily include (i) online promotion services; (ii) sales and rental assistance; and (iii) other value-added services.

Online promotion services
The Group collaborates with providers of various products and services and promotes products or services to property owners through Caizhiyun, the online platform run by the Group. Product and service providers pay certain amount of commission according to their sales ordered through the Caizhiyun platform to the Group. Further, the Group provides system or software for projects that it provides management, consultancy services for and cooperates with, and charges amount of usage fees from using information system software.

Sales and rental assistance
The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges the agent on every successful referral and generates revenue from authorizing property agents rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services
Other value-added services include (i) purchase assistance; (ii) energy management services; (iii) other value-added services.

Scope of Services for Engineering Services
The Group provides engineering services for property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and cooperation with qualified third-party contractors and through its subsidiaries that are mainly engaged in engineering services and energy management services, namely Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji") and Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua").

Engineering services provide a safe and comfortable environment for property owners of the communities. It also laid the hardware foundation for accelerating the smart transformation of communities which the Group serves and implementing the Big Dipper strategy.

MANAGEMENT DISCUSSION AND ANALYSIS

In recent years, the Group continued to carry out the Internet-based smart transformation to the projects under its management. Focusing on the property owners' multi-dimension needs for easy community life, we strengthened the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR code/face recognition access control, vehicle licence recognition system in car park etc., so as to realise central management control, replace labour with equipment, save energy and posts, and enhance efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group's cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group's management will be sent to its head office using remote monitoring technology, and it will promptly assign rectification tasks for areas with potential problem and follow up the results.

The Group's engineering services primarily include (i) automation and other hardware equipment installation services; (ii) community utility facilities repair and maintenance services; and (iii) energy-saving services.

Installation service fees from provision of engineering services
In order to enhance the management efficiency in the relevant communities to achieve the purpose of reducing the service costs of property management, the Group strives to provide installation services of automation equipment for communities.

The Group also provides automation and other hardware equipment installation services for property developers in accordance with their requirements, aiming to diversify the Group's revenue sources and develop business relationships with property developers which have engaged the Group or may subsequently engage the Group to provide property management services after the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies systems.

In recent years, as part of the development of Colour Life Parking Lots sales business, the Group also offers intelligent improvement services to property developers' parking lots which improves the quality of properties delivered to property owners.

Service fees from provision of repair and maintenance services
The Group provides repair and maintenance services for various building hardware such as elevators, fire protection equipment and drainage systems in communities. With the further implementation of Smart Community Model of the Group, the Group has promoted an equipment management model in the communities that it manages, to reduce the occurrence of major failures requiring large-scale repairs through regular maintenance of the above hardware and equipment.

Service fees from provision of energy-saving services
The Group renders energy-saving services to communities that it provides management, consultancy services or which it cooperates with, including the installation of energy-saving devices. By installing and using cutting-edge energy saving equipment, the Group helps communities reduce their energy consumption.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the year ended 31 December 2020, the total revenue decreased by 6.5% to approximately RMB3,596.5 million from approximately RMB3,845.0 million for last year.

The decrease in revenue was mainly attributable to the decrease in revenue from property management services, value-added services and engineering services as a result of the Group's business transformation and outbreak of Covid-19.

	For the year ended 31 December					
	2020		2019		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services	**3,284,494**	**91.3%**	3,341,501	86.9%	(57,007)	(1.7%)
Value-added services	**256,380**	**7.1%**	401,301	10.4%	(144,921)	(36.1%)
Engineering services	**55,576**	**1.6%**	102,201	2.7%	(46,625)	(45.6%)
Total revenue	**3,596,450**	**100.0%**	3,845,003	100.0%	(248,553)	(6.5%)

Property Management Services

For the year ended 31 December 2020, revenue from property management services slightly decreased by 1.7% to approximately RMB3,284.5 million from approximately RMB3,341.5 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2020		2019		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management service fees under lump sum basis	**3,015,899**	**83.8%**	2,989,342	77.8%	26,557	0.9%
Property management service fees under commission basis	**202,187**	**5.6%**	196,041	5.1%	6,146	3.1%
Pre-delivery services	**48,987**	**1.4%**	123,695	3.2%	(74,708)	(60.4%)
Property management consultancy service fees	**17,421**	**0.5%**	32,423	0.8%	(15,002)	(46.3%)
Total of property management service fees	**3,284,494**	**91.3%**	3,341,501	86.9%	(57,007)	(1.7%)

Such changes were mainly attributable to:

(a) An increase in revenue from property management services under lump sum basis and commission basis by RMB26.6 million and RMB6.1 million, respectively, which were mainly due to the conversion of certain pre-delivery services projects into property management projects under lump sum basis or commission basis upon the delivery of properties to property buyers/residents by the property developers;

(b) A decrease in pre-delivery services by RMB74.7 million, which was mainly due to the property developers' sales activities were restricted during the outbreak of Covid-19 and the pre-delivery services provided by the Group were significantly reduced;

(c) A decrease in property management services under consultancy services arrangement by approximately RMB15.0 million, which was mainly due to the expiry of certain consultancy services agreements and no extension of consultancy services due to the cost control strategy adopted by certain property management companies due to the outbreak of Covid-19.

Value-added Services

For the year ended 31 December 2020, value-added services income decreased by 36.1% to approximately RMB256.4 million from approximately RMB401.3 million of last year.

Breakdown of revenue from value-added services are as below:

	For the year ended 31 December					
	2020		2019		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Sales and rental assistance	**111,238**	**3.1%**	147,316	3.8%	(36,078)	(24.5%)
Online promotion services	**85,692**	**2.4%**	148,295	3.9%	(62,603)	(42.2%)
Other value-added services	**59,450**	**1.6%**	105,690	2.7%	(46,240)	(43.8%)
Total of value-added service fees	**256,380**	**7.5%**	401,301	10.4%	(144,921)	(36.1%)

MANAGEMENT DISCUSSION AND ANALYSIS

The decrease in revenue from value-added services was mainly attributable to:

(a) A decrease in revenue from sales and rental assistance by RMB36.1 million, which was mainly due to the sales activities were restricted and sales volume of properties were significantly decreased during the outbreak of Covid-19.

(b) A decrease in revenue from online promotion services by RMB62.6 million, which mainly represented the decrease in revenue from commission relating to E-wealth, as a result of the impact of Covid-19 and the declined online investment demand.

(c) A decrease in revenue from other value-added services by RMB46.2 million, which was mainly due to the Group's business transformation. After digging into the value-added services in recent years, the Group targets to decline those "high input" and/or "high risk" services and concentrate the resources to develop the "high quality" and "high return" services.

Engineering Services

For the year ended 31 December 2020, revenue from engineering services decreased by approximately RMB46.6 million or 45.6% to approximately RMB102.2 million from that of last year. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December					
	2020		2019		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Equipment installation service fees	**36,289**	**1.0%**	71,333	1.9%	(35,044)	(49.1%)
Repair and maintenance service fees	**6,263**	**0.2%**	14,041	0.4%	(7,778)	(55.4%)
Energy-saving service fees	**13,024**	**0.4%**	16,827	0.4%	(3,803)	(22.6%)
Total of engineering services fees	**55,576**	**1.6%**	102,201	2.7%	(46,625)	(45.6%)

The decrease in revenue from engineering services was primarily attributable to:

(a) A decrease in revenue from equipment installation services by RMB35.0 million, which was mainly due to the decrease in transaction volume under Colour Life Parking Lots model and the intelligent improvement services decrease accordingly.

(b) A decrease in revenue from repair and maintenance services by RMB7.8 million, which was mainly due to the Group's business transformation and act as an agent instead of a principal in providing such repair and maintenance services to residents.

(c) A decrease in revenue from energy-saving services by RMB3.8 million, as during the outbreak of Covid-19, the promotion/expansion of energy-saving services was restricted.

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the year ended 31 December 2020, cost of services decreased by approximately RMB100.9 million or 4.1% from approximately RMB2,489.6 million of last year to approximately RMB2,388.7 million. The decrease in cost of services was in line with the decrease in revenue.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2020, the overall gross profit decreased by approximately RMB147.7 million or 10.9% to approximately RMB1,207.8 million from approximately RMB1,355.4 million for last year.

The overall gross profit margin for the year ended 31 December 2020 was approximately 33.6%, representing a decrease of 1.7 percentage points as compared to 35.3% of last year.

(i) Property Management Services

For the year ended 31 December 2020, the gross profit of property management services increased by RMB10.5 million from RMB922.6 million for last year to RMB933.1 million for the year ended 31 December 2020 and gross profit margin slightly increased by 0.8 percentage point from 27.6% for last year to 28.4% for the year ended 31 December 2020, which is primarily due to the reduction of social insurance by local governments overweight the additional costs incurred for epidemic prevention materials.

(ii) Value-added Services

For the year ended 31 December 2020, the gross profit of value-added services decreased by RMB128.3 million from RMB371.7 million for last year to RMB243.4 million for the year ended 31 December 2020 and profit margin increased by 2.3 percentage points from 92.7% for last year to 95.0% for the year ended 31 December 2020, which was mainly due to the Group's business transformation. After digging into the value-added services in recent years, the Group targets to decline those "high input" and/or "high risk" services and concentrate the resources to develop the "high quality" and "high return" services.

MANAGEMENT DISCUSSION AND ANALYSIS

(iii) Engineering Services

For the year ended 31 December 2020, the gross profit of engineering services decreased by RMB29.9 million from RMB61.2 million for last year to RMB31.2 million for the year ended 31 December 2020, which was mainly due to the Group's target to decline the engineering services with low gross profit margin, and the gross profit margin decreased by 3.7 percentage points from 59.9% for last year to 56.2% for the year ended 31 December 2020, which was mainly due to the increase in cost relating to intelligent improvement services during the outbreak of Covid-19.

Other Gains and Losses

For the year ended 31 December 2020, the Group's other gains and losses increased by approximately RMB100.4 million to a gain of approximately RMB81.2 million from a loss of approximately RMB19.2 million of last year. The change was primarily due to the exchange gain of RMB84.4 million arised from certain borrowings and senior notes originally denominated in USD as the USD was depreciated significantly during the outbreak of Covid-19 in 2020, while the Group on the other hand recorded exchange loss of RMB11.7 million for last year.

Other Income

For the year ended 31 December 2020, other income of the Group increased by approximately 43.2% to approximately RMB69.7 million from approximately RMB48.7 million of last year, which was mainly attributable to (i) an increase of approximately RMB6.0 million in exemption of VAT; and (ii) an increase of approximately RMB17.7 million in unconditional government subsidy regarding the epidemic.

Selling and Distribution Expenses

For the year ended 31 December 2020, selling and distribution expenses of the Group amounted to approximately RMB16.9 million, representing a decrease of 73.1% from approximately RMB62.9 million of last year. The decrease was mainly due to the restricted and reduction in sales activities, especially in promotion of Colour Life Parking Lots and online value-added services, during the outbreak of Covid-19.

Administrative Expenses

The administrative expenses of the Group slightly increased by 2.1% from approximately RMB413.3 million of last year to approximately RMB421.8 million for the year ended 31 December 2020. The increase was mainly due to the additional cost incurred for purchasing epidemic prevention materials.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2020, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB78.1 million, representing a slight decrease of approximately 3.7% as compared to approximately RMB81.0 million of last year. The recharged amount is based on the administrative time cost spent on the communities managed under commission basis. The administrative hours incurred by regional executives and allocated to the communities decreased due to the travel restriction during the outbreak of Covid-19.

Finance Costs

For the year ended 31 December 2020, the Group's finance costs was approximately RMB210.4 million, which increased by approximately 4.3% as compared to approximately RMB201.7 million of last year. The increase was in line with the increase in Group's total debts by approximately 10.2% from approximately RMB2,294.6 million as at 31 December 2019 to approximately RMB2,529.6 million as at 31 December 2020.

Income Tax Expenses

The Group's income tax expenses decreased by 12.1% to approximately RMB158.7 million for the year ended 31 December 2020 from approximately RMB180.6 million for the year ended 31 December 2019. The decrease in effective tax rate by 2.6 percentage points from 25.2% for last year to 22.6% for the year ended 31 December 2020, was primarily attributable to the exchange gain of RMB84.4 million arose from offshore subsidiary of the Company which was not subjected to income tax.

Intangible Assets

As at 31 December 2020, the carrying amount of intangible assets decreased by RMB137.7 million to approximately RMB953.5 million from approximately RMB1,091.2 million as at 31 December 2019. The decrease mainly represented the amortisation of intangible assets for the year ended 31 December 2020.

Goodwill

As at 31 December 2020 and 2019, the carrying amount of goodwill was remained at RMB2,317.3 million, as there were no business combination and impairment recognised for the year ended 31 December 2020.

Bank Balances and Cash

As at 31 December 2020, the Group's bank balances and cash increased by 42.8% to approximately RMB2,458.6 million from approximately RMB1,721.2 million as at 31 December 2019. The increase in bank balances and cash was primarily attributable to: (i) net cash inflows of approximately RMB825.8 million generated from operating activities; (ii) net cash outflows of approximately RMB293.1 million used in investing activities; and (iii) net cash inflows of approximately RMB227.0 million generated from financing activities.

Trade and Other Receivables and Prepayments

Trade receivables are mainly arisen from property management services income under lump sum basis, property management services income from pre-sale services, property management service income from consultancy services, engineering services income and value-added services income.

As at 31 December 2020, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB547.0 million, which decreased by approximately RMB111.2 million as compared to approximately RMB658.2 million as at 31 December 2019. The decrease was mainly attributable to the improved customer relationship between the Group and the residents and the improvement in collection rates for property management fee for major communities.

As at 31 December 2020, other receivables and prepayments slightly increased by approximately RMB4.3 million from approximately RMB751.8 million as at 31 December 2019 to approximately RMB756.1 million.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under commission basis. These property management offices of residential communities usually have no separate bank accounts because they have no separate legal identity status. For the daily management of these property management offices of residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenses, are settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenses paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of the residential community. A net payable balance to the property management office of the residential community represents property management fees collected from residents of the residential community in excess of the expenses paid by the Group on behalf of the residential community.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Payables and Accruals

Trade and other payables and accruals primarily comprised amounts payables for subcontracting services, deposits received, accrued staff costs, other taxes payable, provision for retirement benefits contribution and consideration payable for acquisition of subsidiaries.

Trade payables slightly increased from approximately RMB401.2 million as at 31 December 2019 to approximately RMB405.6 million as at 31 December 2020.

Other payables and accruals decreased by RMB82.2 million from approximately RMB886.7 million as at 31 December 2019 to approximately RMB804.5 million as at 31 December 2020. The decrease was mainly attributable to (i) the decrease in accrued staff cost as a result of cost control and the decrease in bonus distributed; and (ii) the decrease in provision for social insurance contributions as a result of the exemption policy adopted by local governments during the outbreak of Covid-19.

Senior Notes and Bonds

As at 31 December 2020, the carrying amount of the Group's senior notes and bonds amounted to approximately RMB1,552.7 million (31 December 2019: RMB149.8 million).

In November 2017, Shenzhen Colour Life Services Group Co., Ltd. (深圳市彩生活服務集團有限公司) ("Shenzhen Colour Life") issued corporate bonds in an aggregate principal amount of RMB150,000,000. The domestic corporate bonds are guaranteed by Fantasia Group (China) Co., Ltd. (花樣年集團（中國）有限公司) ("Fantasia China"), carrying interest at the rate of 7% per annum. The corporate bonds were due in November 2020. The aforesaid corporate bonds were fully repaid upon maturity in 2020.

In February 2020, the Company issued senior notes in principal amount of US$100 million. The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company, and carry interest rate of 8% per annum. The senior notes will mature in February 2021, unless earlier redeemed.

In July 2020, the Company issued senior notes in principal amount of US$130 million. The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company, and carry interest rate of 10% per annum. The senior notes will mature in July 2021, unless earlier redeemed.

Asset-backed Securities Issued

As at 31 December 2020, the carrying amount of the Group's asset-backed securities issued amounted to approximately RMB20.2 million (31 December 2019: RMB104.5 million).

In August 2016, Shenzhen Colour Life issued asset-backed securities due 2021 with an aggregate principal amount of approximately RMB300 million. As at 31 December 2020, the carrying amount was approximately RMB20.2 million and was classified as current liabilities as at 31 December 2020.

Share Capital

As at 31 December 2020, the total number of issued shares of the Company was approximately 1,454,868,000 (31 December 2019: approximately 1,422,746,000) and the share capital was approximately RMB118.0 million (31 December 2019: approximately RMB115.1 million). In July 2020, approximately 32,122,000 ordinary shares were issued to the shareholders of the Company as scrip dividend.

Cash Position

As at 31 December 2020, the Group's total cash (including pledged bank deposits) increased by approximately 35.0% from approximately RMB1,935.9 million as at 31 December 2019 to approximately RMB2,612.7 million. Among the total cash, bank deposits of approximately RMB154.1 million (31 December 2019: approximately RMB214.6 million) were pledged or restricted.

The financial position remained stable. As at 31 December 2020, the current ratio (current assets/current liabilities) of the Group was approximately 1.2 (31 December 2019: approximately 1.3).

Borrowings and Charges on the Group's Assets

As at 31 December 2020, the Group had bank and other borrowings of approximately RMB956.7 million (31 December 2019: approximately RMB2,040.3 million), of which the borrowings of approximately RMB268.0 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, and the remaining borrowings of approximately RMB688.7 million were unsecured.

Net Gearing Ratio

The net gearing ratio was calculated by net debt (being the total of borrowings, senior notes and bonds, asset-backed securities issued, after deduction of bank balances and cash and pledged/restricted bank deposits) over the total equity. As at 31 December 2020, the total of bank balances and cash and pledged/restricted bank deposits amounting to RMB2,612.7 million exceeded the total debt amounting to RMB2,529.6 million, no net gearing ratio was presented as at 31 December 2020, accordingly, and the net gearing ratio was 8.9% as at 31 December 2019.

Currency Risk

The Group mainly operates its business in China. Other than certain borrowings and senior notes denominated in foreign currency, the Group does not have any other material direct exposure to foreign exchange fluctuations risk. During the year, the Group recorded a net exchange gain of approximately RMB84.4 million.

The Group had not entered into any derivative contracts to minimise the currency risk exposure as at 31 December 2020 and the Group's operating cash flows are not subject to currency risk. The Group will consider hedging significant currency risk should the need arise.

Employees and Remuneration Policies

As at 31 December 2020, excluding the employees for communities under commission basis, the Group had approximately 14,459 employees (31 December 2019: approximately 15,289 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

Commitments

As at 31 December 2020, the Group had committed payment for acquisition of property, plant and equipment and acquisition of subsidiaries amounting to RMB26,865,000 and RMB33,517,000 (2019: RMB26,672,000 and RMB34,302,000), respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. PAN Jun (潘軍) ("Mr. Pan"), aged 50, is the chairman of the board (the "Board") of directors (the "Directors"), an executive director and the chairman of the nomination committee of the Company. He is also the president of Fantasia Group (China) Company Limited ("Fantasia China Group"), chairman of Shenzhen Fantasia Property Group Limited (深圳市花樣年地產集團有限公司) and the chairman, chief executive officer and executive director of Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a substantial shareholder of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1777). Mr. Pan joined the Fantasia Group in 1999. He is responsible for the overall operation of the Group's projects, formulation of the Group's business strategies, supervising the project planning and the management of the Group's operation and business. Prior to joining the Fantasia Group, Mr. Pan had successively served as the project manager, manager of the marketing department, manager of the valuation department and assistant to general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology (成都科技大學) (now known as Sichuan University (四川大學)) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Mr. CHEN Xinyu (陳新禹) ("Mr. Chen"), aged 52, is the executive director and a member of the remuneration committee of the Company. He reports to the Chairman of the Board and is primarily responsible for assisting the Chairman on investment, financing and financial and capital management matters. Mr. Chen is also an executive director and chief financial officer of Fantasia Holdings, a substantial shareholder of the Company whose shares are listed on the Stock Exchange (stock code: 1777) where he is responsible for capital operation and planning management, investor relations and management of the information disclosure matters of the Fantasia Group. He is also an executive director and general manager of the finance and capital center and the investment management department of Fantasia China Group.

Prior to joining the Group, Mr. Chen was the deputy general manager of the investment relations and finance department of Country Garden Group form March 2015 to May 2019. Before that, Mr. Chen worked as the investment director in China Overseas Qingyi Care Services Co., Ltd. (中海親頤養老服務有限公司, an analyst in Seagate Global Advisors LLC., Redondon Beach and the bond portfolio manager in Godesk LLC., Elsegando in USA. Mr. Chen was the director of the finance department of China State Construction Engineering Corporation Limited. Mr. Chen graduated from Shijiazhuang Tiedao Institute and holds a master's degree in corporate finance from Xi'an Jiaotong University and a MBA degree from the University of Illinois in Chicago. Mr. Chen has nearly 30 years of experience in investment, capital market and corporate financing.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. HUANG Wei (黃瑋) ("Mr. Huang"), aged 50, was appointed as an executive director and chief executive officer of the Company on 20 July 2018 and 19 September 2019, respectively. He is also a member of the nomination committee of the Company. Mr. Huang joined the Group in June 2015 upon the completion of acquisition of Shenzhen Kaiyuan International Property Management Co., Limited (深圳市開元國際物業管理公司) ("Shenzhen Kaiyuan") by the Company. He has been the general manager of Shenzhen Kaiyuan since January 2002 and was mainly responsible for the management and operation of Shenzhen Kaiyuan.

Mr. Huang has over 20 years of experience in property management. Prior to joining the Group, he served as an engineer and manager of China Overseas Building Development (Shenzhen) Co., Ltd. from July 1992 to November 1997. From September 1998 to January 2002, he served as a director and chief engineer of China Overseas Property Management Limited (which is principally engaged in property development) and was mainly responsible for the management and operation of property development projects. Mr. Huang studied at the College of Civil Engineering of Tongji University in China from July 1988 to July 1992. He obtained an engineer certificate in August 1998.

NON-EXECUTIVE DIRECTORS

Mr. TANG Xuebin (唐學斌) ("Mr. Tang"), aged 52, was appointed as a director of the Company on 30 October 2012 and was redesignated as an executive director of the Company on 11 June 2014 and subsequently redesignated as a non-executive director of the Company on 3 December 2019. He joined the Group in 2002 and is responsible for the operation and management of the Group. He also serves as a general manager of a number of subsidiaries of the Group. Mr. Tang has over 15 years of experience in property management. Prior to joining the Group, he worked at China Overseas Property Management Co., Ltd. (中海物業管理有 限公司), a company primarily engaged in property management, from 1997 to 2001, where his last position held was the deputy general manager and was primarily responsible for the management of engineering department. Mr. Tang obtained a Bachelor's degree in industrial electrical automation (工業電氣自動化) from Tongji University (同濟大學) in July 1993, an EMBA degree from China Europe International Business School (中歐國際工商學院) in September 2010 and an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in June 2012, and graduated from the entrepreneurship and operation programme of China Europe International Business School in July 2017.

Mr. ZHOU Hongyi (周鴻禕) ("Mr. Zhou"), aged 50, was appointed as a non-executive director of the Company on 15 May 2015. He is the chairman of Qihoo 360 Technology Co. Ltd. ("Qihoo 360"), a leading company in internet industry in China. He has been a co-founder and the chief executive officer of Qihoo 360 since August 2006. Mr. Zhou has over 10 years of managerial and operational experience in China's Internet industry. Prior to founding Qihoo 360, Mr. Zhou was a partner at IDG Ventures Capital since September 2005, a global network of venture capital funds, where he assisted small– to medium– sized software companies in sourcing funding to support their growth. Mr. Zhou was the chief executive officer of Yahoo! China from January 2004 to August 2005. In 1998, Mr. Zhou founded www.3721.com, a company engaged in Internet search and online marketing business in China, and served as its chairman and chief executive officer until www.3721.com was acquired by Yahoo! China in January 2004. He also serves as a director of a number of privately owned companies based in China. Mr. Zhou received a Bachelor's degree in computer software in 1992 and a Master's degree in system engineering in 1995 from Xi'an Jiaotong University, China.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TAM Chun Hung, Anthony (譚振雄) ("Mr. Tam"), aged 70, was appointed as an independent non-executive director of the Company on 11 June 2014. He has extensive experience in finance and advisory services in Hong Kong and the PRC. Since 2013, Mr. Tam has been a tax partner of Mazars CPA Limited, a firm primarily engaged in accounting and management consulting. Prior to that, he was a partner of Deloitte Touche Tohmatsu, a firm primarily engaged in accounting and management consultancy, from 1989 to 2013. He is the Deputy Chairman of the Tax Faculty of the Hong Kong Institute of Certified Public Accountants and one of the two program directors of the Advanced Taxation Program of the HKICPA. Mr. Tam is the assistant director and district treasury of Rotary International District 3450. Mr. Tam obtained a Bachelor's degree in engineering and management from McMaster University in May 1976 and a Master's degree in business administration from the University of Toronto in November 1983. Mr. Tam is a fellow member of the Hong Kong Institute of Certified Public Accountants, a member of the Institute of Chartered Accountants of Ontario and a certified tax advisor of the Taxation Institute of Hong Kong. Currently, Mr. Tam is also an independent non-executive director of Sundart Holdings Limited, the shares of which are listed on the Main Board of the Stock Exchange.

Dr. LIAO Jianwen (廖建文) ("Dr. Liao"), aged 53, was appointed as an independent non-executive director of the Company on 11 June 2014. Dr. Liao has extensive business research and teaching experience in the United States, Hong Kong and the People's Republic of China (the "PRC"). He is well-known for his interdisciplinary research, teaching and consulting in strategy, innovation and entrepreneurship, with a work experience across North America and Asia, and early entrepreneurial experience in the biotechnology industry. Dr. Liao has been an associate dean and professor of managerial practice in strategy and innovation at the Cheung Kong Graduate School of Business (長江商學院) since January 2012. Prior to that, he was an associate professor at IIT Stuart School of Business from 2006 to 2012. In 2001, Dr. Liao was also a visiting professor at Hong Kong University of Science and Technology. Dr. Liao received a Doctoral degree in business administration from Southern Illinois University at Carbondale (USA) in August 1996, a Master's degree in economics from Renmin University of China (中國人民大學) in February 1991, and a Bachelor's degree in industry engineering from Northeastern University (東北大學) (formerly known as Northeastern Institute of Technology (東北工學院)) in July 1988. Currently, Dr. Liao is an independent non-executive director of Fantasia Holdings Group Co., Limited, a controlling shareholder of the Company and is listed on the Main Board of the Stock Exchange; and chief strategy officer of JD Group, a company listed on both the NASDAQ Stock Exchange and the Stock Exchange.

Mr. XU Xinmin (許新民) ("Mr. Xu"), aged 69, was appointed as an independent non-executive director of the Company on 29 September 2014. Mr. Xu has the title of real estate economist with over 20 years of experience in the real estate industry. Mr. Xu has participated in the setting up of the China Property Management Institute (中國物業管理協會) and all of its subsequent national member congresses since 2000. Since March 2001, he has served as the general officer of the integration division of the China Property Management Institute. Since June 2003, Mr. Xu has been the deputy secretary general of the China Property Management Institute and is primarily responsible for the organisation and implementation of the national property management model evaluation and acceptance. From 2004 to 2009, Mr. Xu was a senior adviser of the Property Management Branch of the Higher Education Academy of China (中國高等教育學會). From June 1991 to February 2001, Mr. Xu was the director of each of the Housing Management Bureau (房管處) and the Property Management Bureau (物業管理處) of Changzhou, Jiangsu Province where he was primarily responsible for the setting up of the Changzhou Property Management Institute (常州市物業管理協會). Mr. Xu obtained a Bachelor's Degree in Business Administration from China Forestry University (中國林業大學) in 2005.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. CHANG Rong (昌榮) ("Mr. Chang"), aged 46, is a vice president of the Group. He joined the Group in 2002 and is responsible for the operation and management of the fundamental service division of the Group. He was appointed as the vice president of Shenzhen Colour Life since January 2015. He has about 19 years of experience in property management. Prior to joining the Group, Mr. Chang worked as the project director and assistant manager in China Overseas Property Management Co., Ltd. (中海物業管理有限公司), a company primarily engaged in property development, from July 1998 to December 2002, where he was primarily responsible for management of property development projects. Mr. Chang graduated from Tongji University (同濟大學) with a Bachelor's degree in industrial electrical automation (工業電氣自動化) in July 1998. He obtained an executive education program certificate from Cheung Kong Graduate School of Business (長江商學院) in July 2013 and the EMBA degree from Tsinghua University (清華大學), Beijing in September 2018.

Ms. YANG Lan (楊瀾) ("Ms. Yang"), aged 45, is the Chief Financial Officer of the Group. Ms. Yang joined the Group in 2018 and is responsible for the financial management of Group. She has approximately 20 years of experience in financial management. Prior to joining the Group, Ms. Yang worked at TCL Multimedia Technology Holdings Limited from July 1998 to February 2018. Her last position was financial controller. She was primarily responsible for financial management. Ms. Yang obtained a Bachelor's Degree in Economics from Xi'an Jiaotong University in July 1998, a Master's Degree in Economics from Peking University in December 2010 and a Master's Degree in Business Administration from Peking University HSBC Business School in August 2020.

REPORT OF DIRECTORS

The board of directors (the "Board") is pleased to present the annual report together with the audited consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 47 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73. A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement, Financial Review and Business Review sections respectively from pages 8 to 12, 22 to 29 and 13 to 21 of this annual report. The future development of the Group's business is discussed throughout this annual report including in the Chairman's Statement from pages 8 to 12 of this annual report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report from pages 56 to 65 of this annual report and the Environmental, Social and Governance Report (the "ESG Report"), which will be published separately.

ESG REPORT

As a corporate citizen, the Group is committed to promoting the sustainable development of business, the environment and even the community. For the strategy and performance of the Group in relation to sustainable development, please refer to the ESG Report to be published separately. The ESG Report will be uploaded to the websites of the Company and the Stock Exchange as close as possible to, and in any event no later than three months after, the publication of this annual report.

DIVIDEND

The Directors recommended the payment of a final dividend at the rate of RMB8.73 cents per share, equivalent to HK$10.38 cents, amounting to approximately RMB127,010,000 payable on Wednesday, 21 July 2021 to all persons registered as holders of shares of the Company on Tuesday, 8 June 2021 (the "Eligible Shareholders"), subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"). The aggregate amount shall be paid out of the Company's share premium account. The Eligible Shareholders will be given an option to elect to receive the final dividend all in new shares or partly in new shares and partly in cash or all in cash (the "Scrip Dividend Scheme").

The proposed final dividend shall be declared in RMB and distributed in Hong Kong dollars. The final dividend to be distributed in Hong Kong dollars will be converted from RMB at the average median parity rate of RMB1.00 to Hong Kong dollar 1.19 as announced by the People's Bank of China on 25 March 2021.

The Scrip Dividend Scheme is subject to The Stock Exchange of Hong Kong Limited (the "Stock Exchange") granting the listing of and permission to deal in the new Shares to be issued pursuant thereto. A circular giving full details of the Scrip Dividend Scheme together with the relevant form of election will be sent to the Eligible Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(a) For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from Monday, 24 May 2021 to Friday, 28 May 2021, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 21 May 2021.

(b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the shareholders at the AGM), the register of members of the Company will be closed from Thursday, 3 June 2021 to Tuesday, 8 June 2021, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 2 June 2021.

SHARE CAPITAL

As at 31 December 2020, the total number of issued shares of the Company was approximately 1,454,868,000 (31 December 2019: 1,422,746,000) and the share capital was RMB118,036,000 (31 December 2019: RMB115,134,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2020, calculated under the Cayman Islands Companies Law, amounted to RMB1,764 million (2019: RMB1,640.0 million) representing share premium of RMB1,778 million, after net of accumulated losses of RMB14 million.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Pan Jun *(Chairman)*
Mr. Chen Xinyu
Mr. Huang Wei *(Chief Executive Officer)*

REPORT OF DIRECTORS

Non-executive Directors:
Mr. Tang Xuebin
Mr. Zhou Hongyi

Independent non-executive Directors:
Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin

On 25 March 2021, Mr. Huang Wei, Mr. Tang Xuebin, Mr. Zhou Hongyi and Dr. Liao Jianwen tendered their resignation as directors of the Company with effect from 26 March 2021. The Company announces on 25 March 2021 the appointment of (i) Mr. Zhu Guogang as executive Director; (ii) Mr. Wu Qingbin as non-executive Director; (iii) Mr. Zheng Hongyan as non-executive Director; (iv) Ms. Sun Dongni as non-executive Director; and (v) Mr. Zhu Wuxiang as independent non-executive Director, with effect from 26 March 2021.

In accordance with Article 84 of the Articles of Association ("Articles"), Mr. Tam Chun Hung, Anthony and Mr. Xu Xinmin shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM. In addition, in accordance with Article 83 of the Articles, Mr. Zhu Guogang, Mr. Wu Qingbin, Mr. Zheng Hongyan, Ms. Sun Dongni and Mr. Zhu Wuxiang shall hold office until the AGM and be subject to re-election at the AGM.

No Director proposed for re-election at the AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing Company within one year without payment of compensation other than statutory compensation.

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2020 is set out below:

	Number of individuals
Nil to HK$1,000,000	5
HK$1,000,000 to HK$2,000,000	6
HK$2,000,000 to HK$3,000,000	–
HK$3,000,000 to HK$4,000,000	4
Above HK$4,000,000	1
	16

Details of the remuneration of each of the Directors for the year ended 31 December 2020 are set out in note 12 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2020, the interests and short positions of the directors of the Company (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

(i) Long positions in the shares and underlying shares of the Company

Name of director	Capacity/Nature of interest	Number of shares held	Number of underlying shares held	Total	Approximate percentage of issued share capital
Mr. Pan Jun	Beneficial owner	–	1,755,440[1]	1,755,440	0.12%
Mr. Huang Wei	Beneficial owner	–	500,000[1]	500,000	0.03%
Mr. Tang Xuebin	Beneficial owner	–	1,598,940[1]	1,598,940	0.11%
	Interest of spouse	450,000[2]	–	450,000	0.03%
Mr. Zhou Hongyi	Beneficial owner	–	560,000[1]	560,000	0.04%
	Interest of controlled corporation	44,686,372	–	44,686,372	3.07%
Mr. Tam Chun Hung, Anthony	Beneficial owner	–	710,000[1]	710,000	0.05%
Dr. Lian Jianwen	Beneficial owner	–	710,000[1]	710,000	0.05%
Mr. Xu Xinmin	Beneficial owner	–	710,000[1]	710,000	0.05%

Notes:

(1) The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of the Company.

(2) The 450,000 shares are beneficially owned by Ms. Dai Minglei, the spouse of Mr. Tang Xuebin.

(3) As at 31 December 2020, the total number of issued shares of the Company is 1,454,867,299.

REPORT OF DIRECTORS

(ii) Long positions in the shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity/ Nature of interest	Number of shares/ underlying shares/equity interest held	Approximate percentage of interest
Mr. Pan Jun	Fantasia Holdings Group Co., Limited ("Fantasia Holdings")	Beneficial owner	9,980,000[(1)]	0.17%
	Shenzhen Cai Yun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network")	Beneficial owner	RMB7,000,000	70%[(2)]
	Fantasy Pearl International Limited ("Fantasy Pearl")	Interest of controlled corporation	20 shares	20%[(3)]
Mr. Tang Xuebin	Fantasia Holdings	Beneficial owner	990,720[(1)]	0.02%
	Shenzhen Caizhiyun Network	Beneficial owner	RMB3,000,000	30%[(2)]

Notes:

(1) These underlying shares are unlisted physically settled options granted pursuant to the share option scheme of Fantasia Holdings.

(2) Shenzhen Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Shenzhen Caizhiyun Network have been consolidated and accounted for as a subsidiary of the Company by virtue of various structured contracts, details of which are disclosed in the section headed "History, Reorganisation and the Group Structure" in the Company's prospectus dated 17 June 2014.

(3) Fantasy Pearl is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"), which is wholly owned by Mr. Pan Jun.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company had any interests or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2020, so far as the Directors are aware and as set out in the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had interest or short position in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held	Approximate percentage of issued share capital
Ms. Zeng Jie, Baby	Interest of controlled corporation [3]	982,640,851 (L) [1] 218,001,477 (S) [2]	67.54% 14.98%
Ice Apex	Interest of controlled corporation [3]	982,640,851 (L) [1] 218,001,477 (S) [2]	67.54% 14.98%
Fantasy Pearl	Interest of controlled corporation [3]	980,408,486 (L) [1] 218,001,477 (S) [2]	67.39% 14.98%
	Beneficial owner	2,232,365 (L) [1]	0.15%
Fantasia Holdings	Beneficial owner[3]	974,246,508 (L) [1]	66.96%
Splendid Fortune Enterprise Limited ("Splendid Fortune")	Beneficial owner[3]	6,161,978 (L) 218,001,477 (S) [2]	0.42% 14.98%
Mr. Liu Qiangdong, Richard	Beneficiary of a trust	73,160,080 (L) [4]	5.03%
Max Smart Limited	Interest of controlled corporation	73,160,080 (L) [4]	5.03%
JD.com, Inc.	Interest of controlled corporation	73,160,080 (L) [4]	5.03%
JD.com Investment Limited	Interest of controlled corporation	73,160,080 (L) [4]	5.03%
Volga Innovation Limited	Beneficial owner	73,160,080 (L) [4]	5.03%

Notes:

(L) – Long position, (S) – Short position

(1) These shares comprises (i) 974,246,508 shares held by Fantasia Holdings (among which 218,001,477 shares are cash-settled unlisted derivatives); (ii) 2,232,365 shares beneficially owned by Fantasy Pearl and (iii) 6,161,978 shares (long position) beneficial owned by Splendid Fortune.

(2) These shares represents 218,001,477 shares (short position) held by Splendid Fortune, which are cash-settled unlisted derivatives.

(3) Fantasia Holdings and Splendid Fortune are owned as to 57.43% and 67.36% respectively by Fantasy Pearl, which is owned as to 80% by Ice Apex. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. By virtue of the SFO, Ms. Zeng Jie, Baby, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings and Splendid Fortune.

(4) Such interests are held by Volga Innovation Limited, which is 80% owned by JD.com Investment Limited. JD.com Investment Limited is a wholly-owned subsidiary of JD.com, Inc., which is in turn owned as to 72.90% by Max Smart Limited. Max Smart Limited is wholly-owned by the trust in which Mr. Liu Qiangdong, Richard is a beneficiary. By virtue of the SFO, Mr. Liu Qiangdong, Richard, Max Smart Limited, JD.com, Inc. and JD.com Investment Limited are deemed to be interested in the shares of the Company held by Volga Innovation Limited.

Save as disclosed above, as at 31 December 2020, no other persons (other than the Directors and chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

REPORT OF DIRECTORS

SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") by the written resolutions of the shareholders of the Company passed on 11 June 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise, acknowledge and reward Eligible Participants (as defined herein) who have contributed to the Group and to encourage Eligible Participants to work towards enhancing the value of the Company. Eligible Participants of the Share Option Scheme include Directors and employees of the Group and any advisors, consultants, distributors, suppliers, agents, customers, and such other persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme by the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following the listing of the shares of the Company on the Stock Exchange, unless with the prior approval from the Company's shareholders. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is approximate 67,788,000, representing 4.7% of the total number of shares of the Company in issue. The total number of shares issued and to be issued in respect of which options may be granted under the Share Option Scheme to each Eligible Participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non– executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue and the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval of the Company's shareholders in general meeting by way of poll.

An offer of a grant of an option under the Share Option Scheme shall remain open for acceptance for 30 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, (ii) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption.

REPORT OF DIRECTORS

During the year ended 31 December 2020, details of movements in the share options under the Share Option Scheme are as follows:

Name of grantee	Date of grant	Exercise price HK$	Balance as at 1 January 2020	Number of share options Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31 December 2020	Notes
Directors								
Mr. Pan Jun	29 September 2014	6.66	547,790	–	–	–	547,790	(1)
			347,650	–	–	–	347,650	(2)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	500,000	–	–	–	500,000	(6)
Mr. Huang Wei	27 November 2018	4.11	500,000	–	–	–	500,000	(6)
Mr. Tang Xuebin	29 September 2014	6.66	547,790	–	–	–	547,790	(1)
			347,650	–	–	–	347,650	(2)
	30 April 2015	11.00	103,500	–	–	–	103,500	(3)
	18 March 2016	5.764	100,000	–	–	–	100,000	(4)
	27 November 2018	4.11	500,000	–	–	–	500,000	(6)
Mr. Zhou Hongyi	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	200,000	–	–	–	200,000	(6)
Mr. Tam Chun Hung, Anthony	29 September 2014	6.66	150,000	–	–	–	150,000	(1)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	200,000	–	–	–	200,000	(6)
Dr. Liao Jianwen	29 September 2014	6.66	150,000	–	–	–	150,000	(1)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	200,000	–	–	–	200,000	(6)
Mr. Xu Xinmin	29 September 2014	6.66	150,000	–	–	–	150,000	(1)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	200,000	–	–	–	200,000	(6)
Sub-total			6,544,380	–	–	–	6,544,380	
Employees of the Group	29 September 2014	6.66	12,502,160	–	–	(3,927,210)	8,574,950	(1)
			13,556,479	–	–	(3,548,145)	10,008,334	(2)&(5)
	30 April 2015	11.00	16,700,295	–	–	(4,282,859)	12,417,436	(3)
	18 March 2016	5.764	18,005,038	–	–	(4,927,234)	13,077,804	(4)
	27 November 2018	4.11	17,164,720	–	–	–	17,164,720	(6)
Sub-total			77,928,692	–	–	(16,685,448)	61,243,244	
Total			**84,473,072**	–	–	**(16,685,448)**	**67,787,624**	

REPORT OF DIRECTORS

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive Director on 21 April 2015, has been extended at the discretion of the Board.

(6) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020 and; (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021. The exercise period of these share options will expire on 17 March 2028.

Share Aware Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") on 4 July 2016 to provide incentives or rewards for certain employees and consultants of the Group for their contribution to the Group.

The Share Award Scheme has a term of five years from the adoption date. Pursuant to the Share Award Scheme, the Company will entrust an independent trustee (the "Trustee") to purchase existing Shares in the open market and award such Shares to the selected participants as based on the Company's overall remuneration incentive plan. The Trustee will hold such Shares on behalf of the relevant selected participants on trust, until such Shares are vested with the relevant selected participants in accordance with the vesting conditions of the award and the rules of the Share Award Scheme.

During the year ended 31 December 2020, the Trustee had not acquired any Shares in accordance with the Share Award Scheme. For the year ended 31 December 2020, no share award were granted under the Share Award Scheme. Details of the Share Award Scheme during the year are set out in note 39 to the consolidated financial statements of the Company.

EQUITY-LINKED AGREEMENT

During the year ended 31 December 2020, approximately 32,122,000 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2019 final dividend. As at 31 December 2020, the authorised capital of the Company was HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each, approximately 1,454,868,000 shares of which were issued and credited as fully paid. Changes in the share capital of the Company during the year are set out in note 37 to the consolidated financial statements.

Save for the scrip dividend arrangement and the share option scheme as set out above, no equity-linked agreements were entered into by the Company, during the year ended 31 December 2020 or subsisted at 31 December 2020.

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

Issuance of Shares
On 17 July 2020, approximately 32,122,000 ordinary shares of HK$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

Senior Notes
On 25 February 2020, the Company issued senior notes due 2021 with principal amount of USD100,000,000 at a coupon rate of 8% per annum for the purpose of refinancing certain of its indebtedness.

On 22 July 2020, the Company issued senior notes due 2021 with principal amount of USD130,000,000 at a coupon rate of 10% per annum for the purpose of refinancing certain of its indebtedness.

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2020, the Group did not have material acquisitions or disposal of subsidiaries, associates or assets.

DETAILS OF FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR PURCHASING CAPITAL ASSETS OF THE GROUP AND THEIR EXPECTED SOURCE OF FUNDING IN THE COMING YEAR

The Company will plan for significant investments according to the strategic objectives and business requirements.

BORROWINGS

Details of the borrowings of the Group are set out in note 34 of the consolidated financial statements.

REPORT OF DIRECTORS

RIGHTS TO ACQUIRE SHARES

Save for the share options granted to the Directors, at no time during the year was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than those transactions disclosed in the paragraph "Connected Transactions" and "Continuing Connected Transactions", no transaction, arrangement or contract of significance, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraph headed "Continuing Connected Transactions" in this annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2020, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2020, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest customers or suppliers.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2020. Details of the transactions are set out in note 48 to the consolidated financial statements and below:

1. Provision of Engineering Services by Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji ") to the Fantasia Group

On June 11, 2014, Shenzhen Kaiyuan Tongji, an indirect wholly-owned subsidiary of the Company, entered into an engineering services framework agreement (the "2014 Engineering Services Agreement") with Fantasia Group (China) Co., Ltd. ("Fantasia China Group") and Shenzhen Fantasia Real-estate Group Ltd. ("Shenzhen Fantasia"), each an indirect wholly-owned subsidiary of the Fantasia Holdings, pursuant to which Shenzhen Kaiyuan Tongji agreed to provide engineering services, including but not limited to installation and fitting of power systems, energy-saving lights and other related services to the Fantasia Group in respect of certain properties developed by each of them (the "Engineering Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

Each of Fantasia China Group and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Engineering Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Engineering Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

The 2014 Engineering Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia China Group, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2017 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB40.0 million, RMB40.5 million and RMB41.0 million for each of the years ended 31 December 2017, 2018 and 2019 respectively.

The 2017 Engineering Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2020 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB60.0 million, RMB70.0 million and RMB75.0 million for each of the years 2020, 2021 and 2022 respectively.

For the year ended 31 December 2020, the provision of the Engineering Services amounted to RMB22.1 million (31 December 2019: RMB15.0 million), which was within the annual cap of RMB60.0 million (31 December 2019: RMB41.0 million) for the same period.

REPORT OF DIRECTORS

2. **Provision of Pre-delivery Property Management Services by Shenzhen Colour Life Property Management Co., Ltd. ("Shenzhen Colour Life Property Management") to the Fantasia Group**

On 11 June 2014, Shenzhen Colour Life Property Management, an indirect wholly-owned subsidiary of the Company, entered into a pre-delivery property management services framework agreement (the "2014 Pre-delivery Property Management Services Agreement") with Fantasia China Group and Shenzhen Fantasia, each an indirect wholly–owned subsidiary of the Fantasia Group, pursuant to which Shenzhen Colour Life Property Management agreed to provide pre-delivery property management services which can be categorized into services to be provided at the pre-sale and pre-delivery stages, including but not limited to (i) the provision of on-site security, cleaning and other related services as well as customer services to be provided to the property sales centre of the Fantasia Group such as concierge services, customer car parking guidance at the pre-sale stage and (ii) the provision of operations and management services at the pre-delivery stage for the unsold portion of the property developments, the Fantasia Group in respect of certain properties developed by it (the "Pre-delivery Property Management Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

Each of Fantasia China Group and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Pre-delivery Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Pre-delivery Property Management Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

The 2014 Pre-delivery Property Management Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia China Group, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2017 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB23.0 million, RMB25.0 million and RMB28.0 million for each of the years 2017, 2018 and 2019 respectively.

The 2017 Pre-delivery Property Management Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2020 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB80.0 million, RMB90.0 million and RMB100.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

For the year ended 31 December 2020, the amounts paid/payable to the Group for the provision of Pre-delivery Property Management Services amounted to RMB10.8 million (31 December 2019: RMB23.7 million), which was within the annual cap of RMB80.0 million (31 December 2019: RMB28.0 million) for the same period.

3. Provision of Network and Advertising Services by Shenzhen Colour Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") to the Fantasia Group

On 27 June 2018, Shenzhen Colour Life Network Service entered into the cooperation agreement with Shenzhen Colour Pay in respect of the e-Platform Services, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the Users to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The cooperation agreement has a term of two financial years ending on 31 December 2019, and subject to the annual caps of not exceeding RMB75.0 million and RMB80.0 million for each of the years ending 2018 and 2019 respectively.

The e-Platform Service cooperation agreement entered into between Shenzhen Colour Life Network Service and Shenzhen Colour Pay on 27 June 2018 expired on 31 December 2019. On 31 December 2019, Shenzhen Colour Pay Network Technology Co., Ltd. entered into the 2020 E-Platform Service Cooperation Agreement with Shenzhen Colour Life Network Service, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the registered users of the Group's e-platform to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The 2020 E-Platform Service Cooperation Agreement has a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and subject to the annual caps of not exceeding RMB90.0 million, RMB100.0 million and RMB110.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

For the year ended 31 December 2020, the amounts paid/payable to the Group for the e-Platform Services amounted to RMB23.6 million (31 December 2019: RMB72.3 million), which was within the annual cap of RMB90.0 million (31 December 2019: RMB80.0 million) for the same period.

4. Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC. Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. The Company's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Company's website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

REPORT OF DIRECTORS

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor to the Company on PRC law, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan Jun and Mr. Tang Xuebin entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. The Company is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure — The Structured Contracts" in the Company's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of the Company and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan Jun, being the chairman and a non-executive director of the Company, an executive director and a substantial shareholder of Fantasia Holdings, and as to 30% by Mr. Tang Xuebin, being an executive director, the chief executive officer and a substantial shareholder of the Company, Mr. Pan Jun and Mr. Tang Xuebin are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that the Group manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB25.8 million for the year ended 31 December 2020 and approximately RMB2.8 million as of 31 December 2020, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the Stock Exchange had granted a waiver that the Structured Contracts are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

REPORT OF DIRECTORS

Mr. Pan Jun and Mr. Tang Xuebin may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, the Company also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Board on a regular basis which was no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of the Company monitors the proper implementation and Mr. Pan Jun's and Mr. Tang Xuebin's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the President's Office.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the Group. The Board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

The independent non-executive Directors of the Company, namely Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin, have reviewed the Structured Contracts and confirmed that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by Shenzhen Caizhiyun Network and its subsidiaries have been mainly retained by the Group; (ii) no dividends or other distributions have been made by Shenzhen Caizhiyun Network to its shareholders; and (iii) any new Structured Contracts entered into, renewed or reproduced between Shenzhen Caizhiyun Network and the Group during the year are fair and reasonable, or advantageous, so far as the Company are concerned and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have discussed with the senior management of the Company on the agreements of the abovementioned continuing connected transactions and reviewed these continuing connected transactions and confirmed that the continuing connected transactions abovementioned have been entered into:

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

(ii) on normal commercial terms or better; and

(iii) and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

OTHERS

The continuing connected transactions disclosed above also constitutes related party transaction under the International Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 48 to the consolidated financial statements. Save for item (c) therein which also constitutes connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules, other related party transactions do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

REPORT OF DIRECTORS

NON-COMPETITION DEED

On 11 June 2014, Fantasia Holdings executed in favour of the Company, a deed of non-competition (the "Existing Deed of Non– competition") pursuant to which Fantasia Holdings undertakes, among others, that during the period commencing from 30 June 2014 and until the earlier of (i) the date on which the Company's shares cease to be listed on the SEHK; or (ii) the date on which Fantasia Holdings cease to hold, whether directly or indirectly, 30% or more of the Company's shares:

(i) Fantasia Group will not engage in any business involving the following activities:

- property management focusing on residential communities;
- engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Company's equipment leasing; or
- community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.

(ii) in relation to the residential communities developed by Fantasia Group, Fantasia Group will not participate in the property management of such properties but will select property management companies through a tendering process in which the Group will be invited to participate; and

(iii) if Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide the Company (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable the Company to evaluate the merits of the same.

Over five years have passed since the Company and Fantasia Holdings entered into the Existing Non-Competition Deed, during which time the Group has specialised in the property management of residential communities, whereas the Fantasia Group has continued to operate as a property developer involving property management primarily for pure commercial properties.

During such period, the landscape of the PRC property management market has evolved rapidly, thus affecting the applicability and practicability of the Existing Non-Competition Deed which is archaic in nature. Many property projects in the PRC, in particular those of larger scale, have evolved from purely residential or commercial uses with limited ancillary support to integrated mixed-use properties. Such integrated mixed-use properties, being largescale complexes or areas which normally encompass several different types of properties such as residential properties, office buildings, shopping malls, leisure facilities, SOHO and serviced apartments, may also include government and public facilities such as schools, hospitals, banks and public transportation terminals. Such integrated mixed-use properties are vastly different in nature and purpose than the residential communities which were described as "mixed-use properties" as original envisaged when the Existing Non-Competition Deed was entered into. The Directors consider that the Existing Non-Competition Deed is no longer able to cover the ever-evolving trend of the property development industry in the PRC and the resulting property management services rendered.

To cope with the ever-intensive competition in the property management industry and to seize the ever-changing opportunities, the Company and Fantasia Holdings consider it desirable to amend the Existing Non-Competition Deed to cater for existing business and industry trends.

On 1 April 2020, Fantasia Holdings and the Company agreed to amend the Existing Non-Competition Deed and entered into an amended deed (the "Amended Non-Competition Deed"). Pursuant to the Amended Non-Competition Deed, the scope of the Existing Non-Competition Deed has been amended to include the following additional business which the Fantasia Group has undertaken not to be involved in:

- property management focusing on integrated mixed-use properties which contain residential components including but not limited to those properties developed by the Fantasia Group, save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed.

Furthermore, certain carve-outs in respect of residential communities and integrated mixed-use projects under the management of the Fantasia Group have been added.

The Amended Non-Competition Deed was approved at the extraordinary general meeting of the Company held on 24 April 2020 by the independent shareholder of the Company.

To ensure compliance of the Amended Non-Competition Deed, the Company will continue with the corporate governance measures which have been in place since its listing. In addition, additional internal control measures will be adopted by the Company and Fantasia Holdings to ensure the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to. Further details about the corporate governance measures are disclosed in the circular of the Company dated 3 April 2020.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

REPORT OF DIRECTORS

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed, during the year ended 31 December 2020, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the remuneration committee of the Company ("Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are proposed by the Remuneration Committee to the Board, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2020.

Total staff cost of RMB1,379.1 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB8.2 million for the Directors' remuneration and RMB1,370.9 million for other staff's salaries and allowance.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state–managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year under review, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2020, the Board is of the view that the Company has complied with all code provisions set out in the CG Code, details of which are set out in the "Corporate Governance Report" on pages 56 to 65 of this annual report.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year ended 31 December 2020 and up to the latest practicable date prior to the issue of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the directors and officers of the Company.

AUDITOR

A resolution will be submitted to the AGM to re-appoint Messrs. Deloitte Touche Tohmatsu as the auditor of the Company.

On behalf of the Board
Pan Jun
Chairman

Hong Kong, 25 March 2021

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2020, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "Securities Dealing Code"). The Company had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2020 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2020.

No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board of the Company during the year and up to the date of this report was/is:

Executive Directors:
Mr. Pan Jun *(Chairman)*
Mr. Chen Xinyu
Mr. Huang Wei *(Chief Executive Officer)*

Non-executive Directors:
Mr. Tang Xuebin
Mr. Zhou Hongyi

Independent non-executive Directors:
Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin

The biographical information of the directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 30 to 33 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

The positions of Chairman and Chief Executive Officer are held by Mr. Pan Jun and Mr. Huang Wei 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

During the year ended 31 December 2020, 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. The independent non-executive Directors possess the respective professional qualifications and related management experience in the areas of financial accounting, business strategies and property management and have contributed to the Board with their professional opinions.

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 is of the view that all Independent Non-executive Directors are independent.

Directors' Re-election

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

Each of the Directors is engaged on a service agreement (for Executive Directors) or an appointment letter (for Non-executive Directors and Independent Non-executive Directors) for a term of 3 years.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years and any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting or the next following annual general meeting, as the case may be, of the Company after his appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

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

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

CORPORATE GOVERNANCE REPORT

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

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 coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his 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.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged.

The Company had from time to time provided relevant reading materials including the amendments to or updates on the relevant laws, rules and regulations to all directors for their reference and studying.

During the year under review, the Company held 6 board meetings and 2 general meetings, the attendance of each director are set out in "Attendance at Board Meetings, Board Committee Meetings and General Meetings" below.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to shareholders upon request.

All members of the Audit Committee while the majority of the members of the Remuneration Committee and Nomination Committee are independent non-executive Directors.

Audit Committee

The Audit Committee currently consists of all the three Independent Non-executive Directors, namely, Mr. Tam Chun Hung, Anthony (chairman), Dr. Liao Jianwen and Mr. Xu Xinmin. None of the committee members is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, making recommendations to the Board on the appointment and dismissal of the external auditors, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee is also responsible for performing the Company's corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held 3 meetings during the year ended 31 December 2020. During the meetings, the Audit Committee has been provided with the Group's financial statements including audited annual results for the year ended 31 December 2020 and unaudited interim results for the six months ended 30 June 2020, internal controls reports and other necessary financial information to consider, review and assess significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company and reviewed the following including:

(a) the Company's policies and practices on corporate governance;

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

(c) the Company's policies and practices on compliance with legal and regulatory requirements;

(d) the compliance of the Model Code and the Securities Dealing Code; and

(e) the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee currently consists of one Executive Director, namely, Mr. Chen Xinyu, and three Independent Non-executive Directors, namely, Dr. Liao Jianwen (chairman), Mr. Tam Chun Hung, Anthony and Mr. Xu Xinmin.

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and ensuring that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 2 meetings during the year ended 31 December 2020. During the meeting, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management. The emolument policy of the Group and details of the remuneration of the Directors are set out in the section headed "Emolument Policy" in the Report of Directors and note 12 to the consolidated financial statements.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee currently consists two Executive Directors, namely, Mr. Pan Jun (chairman) and Mr. Huang Wei; and three Independent Non-executive Directors, namely Mr. Tam Chun Hung, Anthony, Dr. Liao Jianwen and Mr. Xu Xinmin.

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

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

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of independent non-executive Directors to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

 (i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

 (ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

 (iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors in particular the chairman and the chief executive, and assessing the independence of independent non-executive Directors.

The Board has adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee reviews the Board Diversity Policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

The Nomination Committee held a meeting during the year ended 31 December 2020. During the meeting, the Nomination Committee assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2020 annual general meeting of the Company before putting forth for discussion and approval by the Board, reviewed the Board Diversity Policy and the measurable objectives, and also reviewed the structure, size and composition of the Board.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of each Director at the meetings of the Board and Board Committees and the annual general meetings of the Company held during the year ended 31 December 2020 is set out in the table below:

	Attendance/Number of Meetings During Tenure of Office				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Pan Jun	6/6	N/A	N/A	1/1	2/2
Mr. Chen Xinyu	6/6	N/A	2/2	N/A	2/2
Mr. Huang Wei	5/6	N/A	N/A	1/1	2/2
Non-executive Directors					
Mr. Tang Xuebin	6/6	N/A	N/A	N/A	2/2
Mr. Zhou Hongyi	6/6	N/A	N/A	N/A	2/2
Independent Non-executive Directors					
Mr. Tam Chun Hung, Anthony	6/6	3/3	2/2	1/1	2/2
Dr. Liao Jianwen	6/6	3/3	2/2	1/1	2/2
Mr. Xu Xinmin	6/6	3/3	2/2	1/1	2/2

The Chairman also held meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year ended 31 December 2020.

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 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 66 to 72 of this annual report.

AUDITORS' REMUNERATION

An analysis of the remuneration paid to the external auditors of the Company, Messrs. Deloitte Touche Tohmatsu, 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** RMB'000
Audit Service	4,300
Non-audit Services	
– Interim review of financial results for the six months ended 30 June 2020	1,780
– Professional services on continuing connected transactions	38
– Financial automation services	200
– Professional services on preliminary result announcement (included in annual audit services fee)	–
	6,318

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interest of the Company and its shareholders and through the Audit Committee, reviewing the effectiveness of such system on an annual basis. During the year under review, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management; and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2020, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that might affect shareholders were identified during the year ended 31 December 2020.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

For the year ended 31 December 2020, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

For the year ended 31 December 2020, the Company's company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website.

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 1202–03
New World Tower 1
16–18 Queen's Road Central
Hong Kong
For the attention of the Board of Directors

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

A dedicated Investor Relations section is available on the Company's website (www.colourlife.hk). Information on the Company's website are updated on a regular basis.

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. The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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 endeavours to maintain an on–going dialogue with shareholders and in particular, through financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures available on the websites of the Stock Exchange and of the Company. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Constitutional Documents

During the year under review, there was no change in the Company's Articles of Association. An up to date version of the Company's Articles of Association is also available on the websites of the Company and of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

Deloitte. 德勤

TO THE MEMBERS OF COLOUR LIFE SERVICES GROUP CO., LIMITED
(incorporated in Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 192, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("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 MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill have been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill have been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer ("Valuer") to assist the estimation. The valuation team of the Group works closely with the Valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. As disclosed in note 21 to the consolidated financial statements, the carrying amounts of goodwill were RMB2,317,252,000 after net off the accumulated impairment losses of goodwill of RMB870,000 as at 31 December 2020 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2020.	Our procedures in relation to the impairment assessment of goodwill and intangible assets included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates; • Evaluating the competency, capabilities and objectivity of the Valuer; • Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the Group's historical financial performance and comparable listed companies; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies based on industry knowledge and independent research with the assistance of our internal specialists; and • Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information. As disclosed in note 24 to the consolidated financial statements, the carrying amount of trade receivables is RMB546,989,000 as at 31 December 2020, after net off the allowance for credit losses of RMB58,621,000, and the allowance for credit losses of RMB18,634,000 was recognised in profit or loss for the year end 31 December 2020.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model; • Testing the integrity of information used by the management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

Key audit matter	How our audit addressed the key audit matter
Recoverability of payments on behalf of residents	
We identified the recoverability of payments on behalf of residents as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the ECL of payments on behalf of residents which may affect the carrying value at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used collective basis to calculate the ECL of payments on behalf of residents and the provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The collective basis assessment is based on the Group's historical default rates taking into consideration forward-looking information. As disclosed in note 28 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB1,050,618,000 as at 31 December 2020, after net off the allowance for credit losses of RMB195,582,000, and the allowance for credit losses of RMB48,918,000 was recognised in profit or loss for the year end 31 December 2020.	Our procedures in relation to assessing the recoverability of payments on behalf of the residents included: • Obtaining an understanding on how the management assess the ECL of payments on behalf of residents by applying the ECL model; • Testing the integrity of information used by management to develop the collective basis assessment, including the internal credit rating and impairment indicators, including whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience, the financial performance of the property management offices of residential communities and expected future cash flows of the management offices of residential communities; • Checking to the notices of termination of the management service received by the Group, on a sample basis, and confirming with the management whether the management service for certain communities was terminated or about to be terminated for those communities; • Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

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

The engagement partner on the audit resulting in the independent auditor's report is Lam Chi Hong.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
25 March 2021

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 from services	5&6	**3,596,450**	3,845,003
Cost of services		**(2,388,688)**	(2,489,567)
Gross profit		**1,207,762**	1,355,436
Other income	7	**69,744**	48,690
Other gains and losses	7	**81,165**	(19,189)
Impairment losses under expected credit loss model, net of reversal	8	**(89,309)**	(86,679)
Selling and distribution expenses		**(16,944)**	(62,884)
Administrative expenses		**(421,843)**	(413,293)
Expenses recharged to residential communities under commission basis		**78,072**	81,033
Finance costs	9	**(210,387)**	(201,711)
Change in fair value of investment properties		**(2,461)**	1,006
Share of results of associates		**3,937**	3,938
Share of results of joint ventures		**996**	9,900
Profit before tax		**700,732**	716,247
Income tax expense	10	**(158,677)**	(180,556)
Profit for the year	11	**542,055**	535,691
Other comprehensive income (expense)			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		**1,793**	(1,772)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		**(448)**	443
Other comprehensive income (expense) for the year, net of income tax		**1,345**	(1,329)
Total comprehensive income for the year		**543,400**	534,362
Profit for the year attributable to:			
Owners of the Company		**501,721**	498,570
Non-controlling interests		**40,334**	37,121
		542,055	535,691
Total comprehensive income for the year attributable to:			
Owners of the Company		**503,066**	497,241
Non-controlling interests		**40,334**	37,121
		543,400	534,362
Earnings per share – basic (RMB cents)	14	**34.90**	36.48
Earnings per share – diluted (RMB cents)	14	**34.90**	36.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current Assets			
Property, plant and equipment	15	**181,905**	202,735
Right-of-use assets	16	**95,204**	85,161
Investment properties	17	**147,351**	155,040
Interests in associates	18	**61,046**	55,557
Interests in joint ventures	19	**103,862**	100,224
Equity instruments designated at FVTOCI	20	**115,168**	121,735
Goodwill	21	**2,317,252**	2,317,252
Intangible assets	22	**953,461**	1,091,235
Contract assets	23	**14,572**	22,229
Other receivables	24	**4,986**	5,900
Loan receivables	25	**1,761**	7,858
Pledged bank deposits	30	**–**	90,500
Deferred tax assets	26	**85,932**	61,806
Amount due from a related party	48(b)	**68,889**	72,899
Deposits paid for potential acquisition of subsidiaries	27	**10,653**	9,868
		4,162,042	4,399,999
Current Assets			
Inventories		**–**	3,700
Contract assets	23	**48,986**	45,464
Trade receivables	24	**546,989**	658,244
Other receivables and prepayments	24	**751,151**	745,853
Loan receivables	25	**224,188**	201,616
Payments on behalf of residents	28	**1,050,618**	908,465
Amounts due from related parties	48(b)	**899,766**	564,228
Financial assets at fair value through profit or loss ("FVTPL")	29	**–**	3,000
Pledged/restricted bank deposits	30	**154,118**	124,146
Bank balances and cash	30	**2,458,579**	1,721,228
		6,134,395	4,975,944

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Current Liabilities			
Trade payables	31	**405,567**	401,176
Other payables and accruals	31	**804,521**	886,679
Contract liabilities	32	**516,500**	350,215
Receipts on behalf of residents	28	**362,189**	403,862
Lease liabilities due within one year	33	**7,898**	2,300
Amounts due to related parties		**604,003**	453,547
Tax liabilities	48(b)	**239,896**	229,949
Borrowings due within one year	34	**436,181**	752,576
Senior notes and bonds	35	**1,552,688**	149,786
Asset-backed securities issued due within one year	36	**20,206**	87,483
		4,949,649	3,717,573
Net Current Assets		**1,184,746**	1,258,371
Total Assets Less Current Liabilities		**5,346,788**	5,658,370

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2020

	NOTES	2020 RMB'000	2019 RMB'000
Non-current Liabilities			
Deferred tax liabilities	26	**252,937**	290,136
Amount due to a related party	48(b)	**–**	126
Lease liabilities due after one year	33	**18,929**	11,343
Borrowings due after one year	34	**520,500**	1,287,704
Asset-backed securities issued due after one year	36	**–**	17,065
Total Non-current Liabilities		**792,366**	1,606,374
Net Assets		**4,554,422**	4,051,996
Capital and Reserves			
Share capital	37	**118,036**	115,134
Reserves		**4,231,605**	3,755,045
Equity attributable to owners of the Company		**4,349,641**	3,870,179
Non-controlling interests		**204,781**	181,817
Total Equity		**4,554,422**	4,051,996

The consolidated financial statements on pages 73 to 192 were approved and authorised for issue by the board of directors on 25 March 2021 and are signed on its behalf by:

MR. PAN JUN
DIRECTOR

MR. HUANG WEI
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 38)	Shares held for share award scheme RMB'000 (note 39)	FVTOCI reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2019	106,800	1,589,125	116,405	220,115	(5,585)	18,966	(296,217)	1,385,859	3,135,468	120,671	3,256,139
Profit for the year	–	–	–	–	–	–	–	498,570	498,570	37,121	535,691
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(1,772)	–	–	(1,772)	–	(1,772)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	443	–	–	443	–	443
Other comprehensive expense for the year	–	–	–	–	–	(1,329)	–	–	(1,329)	–	(1,329)
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,329)	–	498,570	497,241	37,121	534,362
Dividends declared and paid to the shareholders of the Company (note 13)	–	(210,375)	–	–	–	–	–	–	(210,375)	–	(210,375)
Issue of new shares (note 37)	8,334	427,009	–	–	–	–	–	–	435,343	–	435,343
Issue of shares upon exercise of share options (note 37)	–	21	–	(6)	–	–	–	–	15	–	15
Shares repurchased for share award scheme (note 39)	–	–	–	–	(7,647)	–	–	–	(7,647)	–	(7,647)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(30,797)	(30,797)
Acquisition of subsidiaries (note 42)	–	–	–	–	–	–	–	–	–	30,825	30,825
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	23,997	23,997
Recognition of equity-settled share-based payments (notes 38 and 39)	–	–	–	13,567	6,437	–	–	130	20,134	–	20,134
Transfer	–	–	95,050	–	–	–	–	(95,050)	–	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2020

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 38)	Shares held for share award scheme RMB'000 (note 39)	FVTOCI reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2019	115,134	1,805,780	211,455	233,676	(6,795)	17,637	(296,217)	1,789,509	3,870,179	181,817	4,051,996
Profit for the year	–	–	–	–	–	–	–	501,721	501,721	40,334	542,055
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	1,793	–	–	1,793	–	1,793
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(448)	–	–	(448)	–	(448)
Other comprehensive income for the year	–	–	–	–	–	1,345	–	–	1,345	–	1,345
Total comprehensive income for the year	–	–	–	–	–	1,345	–	501,721	503,066	40,334	543,400
Issue of shares for scrip dividend (note 13)	2,902	100,203	–	–	–	–	–	–	103,105	–	103,105
Dividends recognised as distributions to shareholders of the Company (note 13)	–	(128,033)	–	–	–	–	–	–	(128,033)	–	(128,033)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(13,488)	(13,488)
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	–	–	–	–	(5,374)	–	(5,374)	(4,535)	(9,909)
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	653	653
Recognition of equity-settled share-based payments (notes 38 and 39)	–	–	–	6,698	–	–	–	–	6,698	–	6,698
Transfer	–	–	72,390	–	–	–	–	(72,390)	–	–	–
At 31 December 2020	118,036	1,777,950	283,845	240,374	(6,795)	18,982	(301,591)	2,218,840	4,349,641	204,781	4,554,422

Notes:

(a) The statutory reserve is non-distributable and the transfer to the reserve is determined by the board of directors of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(b) The amount recorded in the other reserve was resulted from the following as follows:

(i) Other reserve amounting to RMB59,198,000 (2019: RMB53,824,000) arose from the acquisitions of additional equity interests in subsidiaries and the disposal of partial equity interests in subsidiaries, which represent the difference between the consideration and the adjustment to the non-controlling interests.

(ii) The Company recognised expense in relation to share options granted by Fantasia Holdings Group Co., Limited to eligible directors and employees of the Company and credited to other reserve amounting to RMB835,000.

(iii) Other reserve amounting to RMB243,228,000 arose from the combination of entities under common control in 2018.

(iv) During the year ended 31 December 2020, the Group acquired additional interests in certain subsidiaries from the non-controlling shareholders at a total consideration of RMB9,909,000. The difference of RMB5,374,000 between the consideration paid by the Group and attributable equity interests in the subsidiaries was debited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**700,732**	716,247
Adjustments for:		
Impairment losses under expected credit loss model, net of reversal	**89,309**	86,679
Depreciation of property, plant and equipment	**48,206**	54,925
Depreciation of right-of-use assets	**8,657**	3,960
Amortisation of intangible assets	**137,774**	139,583
Interest income	**(24,619)**	(26,128)
Change in fair value of financial assets at FVTPL	**–**	(1,892)
Finance costs	**210,387**	201,711
Share-based payment expenses	**6,698**	20,134
Share of results of joint ventures	**(996)**	(9,900)
Share of results of associates	**(3,937)**	(3,938)
Loss on disposal of property, plant and equipment	**37**	452
Loss on modification/repurchase of asset-backed securities issued	**–**	4,900
Changes in fair value of investment properties	**2,461**	(1,006)
Net foreign exchange (gain) loss	**(84,407)**	11,740
Others	**–**	(1,542)
Operating cash flows before movements in working capital	**1,090,302**	1,195,925
Decrease in inventories	**3,700**	931
Decrease (increase) in trade receivables	**85,793**	(71,679)
Increase in other receivables and prepayments	**(24,850)**	(34,640)
Changes in payments/receipts on behalf of residents	**(232,744)**	(185,855)
Decrease in contract assets	**2,988**	12,961
Increase in contract liabilities	**166,285**	92,879
Increase (decrease) in trade payables	**4,391**	(107,929)
Decrease in other payables and accruals	**(64,647)**	(111,736)
Increase (decrease) in amounts due to related parties	**1,452**	(6,241)
Decrease (increase) in amounts due from related parties	**3,650**	(43,412)
Cash generated from operations	**1,036,320**	741,204
Income taxes paid	**(210,503)**	(196,568)
NET CASH FROM OPERATING ACTIVITIES	**825,817**	544,636

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
INVESTING ACTIVITIES		
Interest received	24,619	26,128
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	–	6,954
Deposit paid for acquisition of subsidiaries	(1,380)	(2,150)
Deposit refunded for acquisition of subsidiaries	595	1,448
Settlement of consideration payables on acquisition of subsidiaries	(17,511)	(557)
Settlement of consideration receivables of disposal of subsidiaries	22,314	9,685
Acquisitions of associates and joint ventures	(3,852)	–
Disposal of associates and joint ventures	–	20,195
Purchase of property, plant and equipment	(30,266)	(26,569)
Proceeds on disposal of investment properties	12,056	7,683
Proceeds of disposal of property, plant and equipment	2,853	5,663
Payment for right-of-use assets	–	(74,148)
Purchase of equity instruments designated at FVTOCI	–	(3,360)
Redemption of equity instruments designated at FVTOCI	8,360	308
Purchase of financial assets at FVTPL	–	(7,600)
Redemption of financial assets at FVTPL	3,000	32,554
Capital injection to associates and joint ventures	(2,730)	(20,706)
Increase in pledged bank deposits	(54,555)	(124,146)
Decrease in pledged bank deposits	115,083	255,500
Dividend received from joint ventures	–	300
Dividend received from associates	540	1,751
Advances of loan receivables	(198,588)	(117,228)
Repayment of loan receivables	165,513	138,715
Advances to related parties	(421,070)	(247,213)
Repayment from related parties	81,882	74,350
NET CASH UESD IN INVESTING ACTIVITIES	(293,137)	(42,443)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
FINANCING ACTIVITIES		
Interest paid	**(137,538)**	(206,989)
Net proceeds from issuance of senior notes	**1,592,069**	–
Repayment of principal of asset-backed securities	**(85,740)**	(160,782)
New borrowings raised	**423,993**	673,598
Repayments of bank borrowings	**(1,509,708)**	(1,730,732)
Repayments of corporate bonds	**(150,000)**	(160,000)
Repayments of lease liabilities	**(7,241)**	(1,330)
Capital contribution from a non-controlling shareholders of certain subsidiaries	**653**	23,997
Settlement of consideration payables on acquisition of subsidiaries under common control to fellow subsidiaries	**–**	(154,000)
Advance from related parties	**348,813**	220,641
Repayment to related parties	**(199,983)**	(140,747)
Proceeds from issue of new shares	**–**	435,343
Proceeds from issue of shares upon exercise of share options	**–**	15
Acquisition of additional interest in subsidiaries	**(9,909)**	–
Dividends paid to non-controlling shareholders of the subsidiaries	**(13,488)**	(30,797)
Dividends paid to shareholders of the Company	**(24,928)**	(210,375)
Repurchase of shares	**–**	(7,647)
NET CASH FROM (UESD IN) FINANCING ACTIVITIES	**226,993**	(1,449,805)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**759,673**	(947,612)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**1,721,228**	2,666,922
Effect of foreign exchange rate changes	**(22,322)**	1,918
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**2,458,579**	1,721,228

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

1. GENERAL

Colour Life Services Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("the SEHK"). Its immediate holding company is Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Ms. Zeng Jie, Baby. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 47.

The consolidated financial statements is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and the major subsidiaries.

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

New and amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs that are mandatorily effective for the current year *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current year had no impact on the consolidated financial statements.

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

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

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

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

The amendments had no impact on the consolidated financial statements of the Group but may impact future periods should the Group make any acquisition.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);

- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The Group will apply the amendments prospectively to business combinations for which the date of acquisition is on or after the beginning of the first annual period beginning on or after 1 January 2022.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 Interest Rate Benchmark Reform – Phase 2 relate to the modification of financial assets, financial liabilities and lease liabilities, specific hedge accounting requirements and disclosure requirements applying HKFRS 7 Financial Instruments: Disclosures to accompany the amendments regarding modifications and hedge accounting.

- Modification of financial assets, financial liabilities and lease liabilities. A practical expedient is introduced for modifications required by the reform (modifications required as a direct consequence of the interest rate benchmark reform and made on an economically equivalent basis). These modifications are accounted for by updating the effective interest rate. All other modifications are accounted for using the current HKFRSs requirements. A similar practical expedient is proposed for lessee accounting applying HKFRS 16;

- Hedge accounting requirements. Under the amendments, hedge accounting is not discontinued solely because of the interest rate benchmark reform. Hedging relationships (and related documentation) are required to be amended to reflect modifications to the hedged item, hedging instrument and hedged risk. Amended hedging relationships should meet all qualifying criteria to apply hedge accounting, including effectiveness requirements; and

- Disclosures. The amendments require disclosures in order to allow users to understand the nature and extent of risks arising from the interest rate benchmark reform to which the Group is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from interbank offered rates to alternative benchmark rates, and how the entity is managing this transition.

The Group expects no significant gains or losses should the interest rate benchmark for these loans change resulting from the reform on application of the amendments.

Amendments to HKFRS 10 and HKAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments to HKFRS 10 Consolidated Financial Statements and HKAS 28 Investments in Associates and Joint Ventures deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method, are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

Amendments to HKAS 16 Property, Plant and Equipment – Proceeds before Intended Use

The amendments specify that the costs of any item that were produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management (such as samples produced when testing whether the relevant property, plant and equipment is functioning properly) and the proceeds from selling such items should be recognised and measured in the profit or loss in accordance with applicable standards. The cost of the items are measured in accordance with HKAS 2 Inventories.

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

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective *(Continued)*

Amendments to HKFRSs Annual Improvements to HKFRSs 2018 – 2020

The annual improvements make amendments to the following standards.

<u>HKFRS 9 Financial Instruments</u>

The amendment clarifies that for the purpose of assessing whether modification of terms of original financial liability constitutes substantial modification under the "10 per cent" test, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or the lender on the other's behalf.

<u>HKFRS 16 Leases</u>

The amendment to Illustrative Example 13 accompanying HKFRS 16 removes from the example the illustration of reimbursement relating to leasehold improvements by the lessor in order to remove any potential confusion.

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

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation of consolidated financial statements *(Continued)*

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

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

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

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

Significant accounting policies

Basis of consolidation

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;

- potential voting rights held by the Group, other vote holders or other parties;

- rights arising from other contractual arrangements; and

- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

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

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

Business combinations

Optional concentration test

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

Business combinations

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

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

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations (Continued)

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard, and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations (Continued)

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed of directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

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

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

The Group's policy for the goodwill arising on the acquisition of an associate and joint ventures is described below.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures

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

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations". Any retained portion of an investment in an associate or a joint venture that has not been classified as held for sale shall be accounted for using the equity method. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Investment in a structured entity

The Group controls a structured entity, the employees' share award trust ("Employee Share Trust"), which is set up solely for the purpose of purchasing, administering and holding the Group's shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the Employee Share Trust and it has the ability to use its power over the Employee Share Trust to affect its exposure to returns, the assets and liabilities of Employee Share Trust are included in the consolidated statement of financial position and the Group's shares held by the Employee Share Trust are presented as a deduction in equity as shares held for share award scheme.

Revenue from contracts with customers

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

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

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

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

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

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

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

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

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

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

Output method

For property management services, value-added services (including online promotion services and other value-added services) and engineering services (including repair and maintenance services and energy-saving services), the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

For engineering services relating to equipment installation services, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Principal versus agent

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases

Definition of a lease

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

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

The Group as a lessee

Short-term leases and leases of low-value assets

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

Right-of-use assets

The cost of right-of-use asset includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Refundable rental deposits

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

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Classification and measurement of leases

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

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

Interest and rental income which are derived from the Group's ordinary course of business are presented as other income.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 Revenue from Contracts with Customers ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessor (Continued)

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at 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.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Shares/share options scheme

Equity-settled share-based payments to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share award scheme

Where the Group's shares are acquired by the trustee of the share award scheme from the open market, the total consideration of shares acquired from the open market (including any directly attributable incremental costs) is presented as shares held for share award scheme and deducted from total equity.

The fair value of the awarded shares at the grant date is expensed on a straight-line basis over the projected vesting period being the period for which the services from the employees are rendered with a corresponding increase in equity (shares held for share award scheme).

Upon vesting and transfer the shares to the grantees, the related costs of the shares are reversed from shares held for share award scheme, and the related expenses of the shares are reversed from "shares held for share award scheme" included in reserves. The difference arising from such transfer is debited/credited to retained profits.

Taxation

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets", if any, in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investment properties *(Continued)*

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

Intangible assets acquired in a business combination

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

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

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

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

Financial instruments

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

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

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

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

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

A financial asset is held for trading if:

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

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

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, payments on behalf of residents, loan receivables, amounts due from related parties, pledged bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

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

The Group recognises lifetime ECL for trade receivables, contract assets and payments on behalf of residents. The ECL on these assets are assessed collectively using a provision matrix or collective basis with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

Despite the aforegoing, 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 (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) 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. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on appropriate basis, taken into the following considerations:

Lifetime ECL for certain trade receivables, payments on behalf of residents and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets, loan receivables, payments on behalf of residents and amount due from a joint venture where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Senior notes and bonds and asset-backed securities issued

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Corporate bonds and asset-backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and asset-backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and asset-backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and asset-backed securities issued are included in the carrying amount of the senior notes and bonds and asset-backed securities issued and amortised over the period of the senior notes and bonds and asset-backed securities issued using the effective interest method.

Financial liabilities other than senior notes, bonds and asset-backed securities issued at amortised cost

Financial liabilities including trade payables, other payables, receipts on behalf of residents, amounts due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the groups of cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. The cash flows beyond the five-year period are extrapolated using zero growth rate. The details are set out in note 21. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of expected future cash flows due to unfavourableness, a material impairment loss may arise. As at 31 December 2020, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB2,317,252,000 (2019: RMB2,317,252,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the expected future cash flows from the asset of cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2020, the carrying amount of intangible assets net of accumulated impairment loss and amortisation was RMB953,461,000 (2019: RMB1,091,235,000).

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 24 and 41.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for payments on behalf of residents and contract assets

The Group uses collective basis to calculate ECL for the payments on behalf of residents and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective basis assessment is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's payments on behalf of residents and contract assets are disclosed in notes 28, 23 and 41, respectively.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2020, the carrying amount of property, plant and equipment was RMB181,905,000 (2019: RMB202,735,000).

Fair value of completed investment properties

The Group's completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, the management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change in the future. As at 31 December 2020, the carrying amount of investment properties was RMB147,351,000 (2019: RMB155,040,000).

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2020

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	3,015,899	–	–	3,015,899
Pre-delivery services	48,987	–	–	48,987
Commission basis	202,187	–	–	202,187
Consultancy services fee	17,421	–	–	17,421
	3,284,494	–	–	3,284,494
Value-added services				
Online promotion services	–	85,692	–	85,692
Sales and rental assistance	–	111,238	–	111,238
Other value-added services	–	59,450	–	59,450
	–	256,380	–	256,380
Engineering services				
Equipment installation services	–	–	36,289	36,289
Repair and maintenance services	–	–	6,263	6,263
Energy-saving service fees	–	–	13,024	13,024
	–	–	55,576	55,576
	3,284,494	256,380	55,576	3,596,450
Timing of revenue recognition				
A point in time	–	111,238	–	111,238
Over time	3,284,494	145,142	55,576	3,485,212
	3,284,494	256,380	55,576	3,596,450

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE FROM SERVICES *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2020 (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2020					
	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Segment revenue	972,139	854,036	1,046,620	567,393	322,836	3,763,024
Elimination	(38,874)	(32,192)	(48,054)	(31,108)	(16,346)	(166,574)
Revenue from contracts with customers	933,265	821,844	998,566	536,285	306,490	3,596,450

5. REVENUE FROM SERVICES *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2019

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	2,989,342	–	–	2,989,342
Pre-delivery services	123,695	–	–	123,695
Commission basis	196,041	–	–	196,041
Consultancy services fee	32,423	–	–	32,423
	3,341,501	–	–	3,341,501
Value-added services				
Online promotion services	–	148,295	–	148,295
Sales and rental assistance	–	147,316	–	147,316
Other value-added services	–	105,690	–	105,690
	–	401,301	–	401,301
Engineering services				
Equipment installation services	–	–	71,333	71,333
Repair and maintenance services	–	–	14,041	14,041
Energy-saving service fees	–	–	16,827	16,827
	–	–	102,201	102,201
	3,341,501	401,301	102,201	3,845,003
Timing of revenue recognition				
A point in time	–	147,316	–	147,316
Over time	3,341,501	253,985	102,201	3,697,687
	3,341,501	401,301	102,201	3,845,003

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

5. REVENUE FROM SERVICES *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2019 (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the year ended 31 December 2019					
	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
Segment revenue	1,035,306	916,703	1,100,384	613,825	347,531	4,013,749
Elimination	(39,381)	(32,612)	(48,681)	(31,514)	(16,558)	(168,746)
Revenue from contracts with customers	995,925	884,091	1,051,703	582,311	330,973	3,845,003

(ii) Performance obligations for contracts with customers

Property management services mainly includes property management services under lump sum basis, commission basis, pre-delivery services and consultancy service arrangement. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, who simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue over time and all related property management costs as its cost of services.

5. REVENUE FROM SERVICES *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

For property management services income in pre-delivery services, where the Group acts as principal and is primarily responsible for providing the property management services for the property developers, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement, where the Group acts as principal and is primarily responsible for providing the consultancy services for the property management companies, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs. The Group agrees the fee for services with the property management companies upfront and recognises the fee received or receivable from the property management companies as its revenue over time and all related property management costs as its cost of services.

Value-added services mainly includes usage fees from online promotion services, sales and rental assistance and other value-added services. The Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period.

For online promotion services and other value-added services, as the customers simultaneously receive and consume the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due upon issuance of invoice when performance obligations are satisfied.

For sales and rental assistance services, the Group provides agency services to property developers and community-related service providers. Agency commission is recognised at a point in time when a buyer/lessee and seller/lessor execute a legally binding agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Engineering services mainly includes equipment installation services, repair and maintenance services and energy-saving services. For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

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

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2020 and 2019 regarding property management services and engineering services is expected to recognise as revenue within one year.

6. SEGMENT INFORMATION

The segment information reported externally was analysed on the basis of the geographical locations which is consistent with the internal information that are regularly reviewed by the executive directors of the Company, the chief operating decision maker (the "CODM"), for the purposes of resource allocation and assessment of performance. This is also the basis of organisation in the Group, whereby the management has chosen to organise the Group by different geographical locations. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

Specifically, the Group's reportable segments under HKFRS 8 are as follows:

- Eastern China: mainly includes the cities of Shanghai, Nanjing, Qingdao, Hangzhou, Hefei, Wuxi, Suzhou, Jinan;
- Southern China: aggregate of Shenzhen region and Southern China and mainly includes the cities of Shenzhen, Nanchang, Dongguan, Guangzhou, Quanzhou, Foshan, Huizhou, Fuzhou;
- Western China: aggregate of Southwestern China and Northwestern China and mainly includes the cities of Chengdu, Chongqing, Liuzhou, Nanning, Yinchuan, Xi'an, Kunming, Guilin;
- Northern China: aggregate of Northeastern China and Northern China and mainly includes the cities of Dalian, Beijing, Tianjin, Hohhot, Tangshan, Shijiazhuang, Taiyuan, Baotou; and
- Central China: mainly includes the cities of Wuhan, Zhengzhou, Changsha, Changde, Yiyang, Yichang, Xiangyang, Xiangtan.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in note 3. Segment profit represents the profit earned by each segment without allocation of impairment losses recognised on loan receivables and amount due from a joint venture, changes in fair value of investment properties, and financial assets at FVTPL, share of results of associates and joint ventures, interest income, finance costs, share-based payment expenses, gain on disposal of subsidiaries, loss on repurchase, redemption and modification of corporate bonds and asset-backed securities issued, exchange gain/loss and other unallocated expenses. This is the measure reported to the CODM for the purposes of resources allocation and assessment of segment performance.

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segments.

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2020						
Segment revenue	933,265	821,844	998,566	536,285	306,490	3,596,450
Segment profit	204,013	227,469	235,167	104,455	91,148	862,252
Changes in fair value of investment properties						(2,461)
Share of results of associates						3,937
Share of results of joint ventures						996
Impairment losses on amount due from a joint venture and loan receivables						(20,610)
Finance costs						(210,387)
Interest income						24,619
Share-based payment expenses						(6,698)
Exchange gain						84,407
Other unallocated expenses						(35,323)
Profit before tax						700,732

6. SEGMENT INFORMATION *(Continued)*

Segment revenues and results *(Continued)*

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2019						
Segment revenue	995,925	884,091	1,051,703	582,311	330,973	3,845,003
Segment profit	215,582	251,710	288,404	102,879	95,188	953,763
Changes in fair value of investment properties						1,006
Changes in fair value of financial assets at FVTPL						1,892
Share of results of associates						3,938
Share of results of joint ventures						9,900
Impairment losses on amount due from a joint venture and loan receivables						(24,856)
Finance costs						(201,711)
Interest income						26,128
Share-based payment expenses						(20,134)
Loss on repurchase of asset-backed securities issued						(3,520)
Loss on modification of asset-backed securities issued						(1,380)
Exchange loss						(11,740)
Other unallocated expenses						(17,039)
Profit before tax						716,247

6. SEGMENT INFORMATION *(Continued)*

Other segment information

	Eastern China RMB'000	Southern China RMB'000	Western China RMB'000	Northern China RMB'000	Central China RMB'000	Total RMB'000
As at 31 December 2020						
Segment information included in the measure of segment profit:						
Amortisation of intangible assets	**41,617**	**23,080**	**35,014**	**29,794**	**8,269**	**137,774**
Depreciation of property, plant and equipment	**15,426**	**13,980**	**8,677**	**7,188**	**2,935**	**48,206**
Depreciation of right-of-use assets	**739**	**5,971**	**452**	**68**	**1,427**	**8,657**
Impairment loss recognised on payments on behalf of residents	**18,563**	**14,603**	**6,734**	**4,849**	**4,169**	**48,918**
Impairment losses recognised on trade receivables and contract assets	**5,133**	**4,520**	**5,492**	**2,950**	**1,686**	**19,781**
Gain (loss) on disposal of property, plant and equipment	**(29)**	**44**	**(26)**	**(17)**	**(9)**	**(37)**
As at 31 December 2019						
Segment information included in the measure of segment profit:						
Amortisation of intangible assets	43,132	23,080	35,014	28,421	9,936	139,583
Depreciation of property, plant and equipment	17,562	13,906	10,155	9,861	3,441	54,925
Depreciation of right-of-use assets	101	2,680	141	–	1,038	3,960
Impairment loss recognised on payments on behalf of residents	17,450	16,044	6,364	3,936	3,579	47,373
Impairment losses recognised on trade receivables and contract assets	3,571	2,905	4,255	2,511	1,208	14,450
Loss on disposal of property, plant and equipment	–	(452)	–	–	–	(452)

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

6. SEGMENT INFORMATION *(Continued)*

Segment assets and liabilities

No assets and liabilities are included in the measures of the Group's segment reporting that are used by the CODM. Accordingly, no segment assets and liabilities are presented.

Revenue and results from major services

The Group is mainly engaged in provision of property management services, value-added services and engineering services. The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Year ended 31 December 2020				
Revenue from major services	**3,284,494**	**256,380**	**55,576**	**3,596,450**
Profit from major services	**596,690**	**230,998**	**34,564**	**862,252**
Year ended 31 December 2019				
Revenue from major services	3,341,501	401,301	102,201	3,845,003
Profit from major services	592,995	298,344	62,424	953,763

Information about major customers

During the years ended 31 December 2020 and 2019, there was no revenue from transactions with a single customer amounted to 10% or more of the Group's total revenue.

7. OTHER INCOME, GAINS AND LOSSES

	2020 RMB'000	2019 RMB'000
Other income		
Interest income from		
– loan receivables	**1,672**	9,054
– banks	**22,641**	16,645
– non-current advance to staffs	**306**	429
Refund of value-added tax	**24,174**	18,217
Unconditional government grants	**18,809**	1,128
Interest income on financial assets at FVTPL	**–**	1,892
Rental income from investment properties (lease payments that are fixed)	**5**	150
Others	**2,137**	1,175
	69,744	48,690
Other gains and losses		
Loss on disposal of property, plant and equipment	**(37)**	(452)
Loss on modification of asset-backed securities issued	**–**	(1,380)
Loss on repurchase of asset-backed securities issued	**–**	(3,520)
Exchange gain (loss)	**84,407**	(11,740)
Others	**(3,205)**	(2,097)
	81,165	(19,189)

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2020 RMB'000	2019 RMB'000
Impairment loss recognised on		
– trade receivables (note 24)	**(18,634)**	(13,997)
– contract assets (note 23)	**(1,147)**	(453)
– payments on behalf of residents (note 28)	**(48,918)**	(47,373)
– amount due from a joint venture (note 48(b))	**(4,010)**	(8,606)
– loan receivables (note 25)	**(16,600)**	(16,250)
	(89,309)	(86,679)

Details of impairment assessment are set out in note 41(b).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

9. FINANCE COSTS

	2020 RMB'000	2019 RMB'000
Interests on:		
– borrowings	**(93,277)**	(162,869)
– senior notes and bonds (note 35)	**(107,622)**	(16,285)
– asset-backed securities issued (note 36)	**(7,715)**	(20,861)
– amount due to a fellow subsidiary (note 48(a))	**(48)**	(426)
– lease liabilities	**(1,725)**	(1,270)
	(210,387)	(201,711)

10. INCOME TAX EXPENSE

	2020 RMB'000	2019 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**(220,450)**	(232,347)
Deferred tax (note 26)		
Credit to profit or loss	**61,773**	51,791
	(158,677)	(180,556)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

Under the law and regulation of PRC on EIT (the "EIT Law"), the tax rate of the PRC subsidiaries is 25% for both years, except for the exemption and preferential rate as disclosed in note (b) below.

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB3,348,284,000 (2019: RMB2,788,983,000) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

10. INCOME TAX EXPENSE *(Continued)*

The income tax expense for the year can be reconciled to the profit before tax as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	**700,732**	716,247
Tax at the PRC EIT rate of 25% (2019: 25%)	**175,183**	179,062
Tax effect of expenses not deductible for tax purpose (note a)	**32,251**	37,588
Tax effect of non-taxable income	**(20,615)**	(1,850)
Tax effect of tax losses not recognised	**14,580**	29,963
Utilisation of tax loss previously not recognised	**(4,871)**	(6,528)
Tax effect of share of results of associates	**(984)**	(985)
Tax effect of share of results of joint ventures	**(250)**	(2,475)
Tax effect of different tax rates of certain subsidiaries (note b)	**(35,727)**	(53,754)
Others	**(890)**	(465)
Income tax expense	**158,677**	180,556

Notes:

(a) The expenses not deductible for tax purpose mainly represented share-based payment expenses, professional fees incurred by offshore companies and welfare and entertainment expenses which exceed the tax deduction limits under the EIT Law.

(b) The different tax rates mainly come from (i) a PRC company, which is registered in Shenzhen and regarded as advanced technology enterprise by local tax bureau, is entitled to the PRC income tax at a preferential rate of 15% for the year ended 31 December 2019, (ii) a PRC company, which is registered in Shenzhen, enjoys the former three-year income tax exemptions and later three-year halves from the profit-making year of each contract, under the condition of annual registration as energy conservation and environmental protection enterprise at local tax bureau and (iii) certain PRC companies, which are registered in Chengdu, Chongqing and Xi'an and engage in the encouraged industries in the western region of the PRC, are entitled to the PRC income tax at a preferential rate of 15% for both the year ended 31 December 2020 and 2019.

For certain group entities engaged in property management services (the "PM Entities"), pursuant to the relevant local tax regulations in the PRC, the Group has elected to file combined tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group defers the payment of certain tax provision due to combining the tax losses of loss making communities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

11. PROFIT FOR THE YEAR

	2020 RMB'000	2019 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**8,229**	7,943
Other staffs' salaries and other benefits	**1,276,413**	1,273,828
Retirement benefits scheme contributions	**88,850**	87,035
Share-based payment expenses	**5,607**	17,144
Total staff costs	**1,379,099**	1,385,950
Auditors' remuneration	**4,300**	4,300
Amortisation of intangible assets (note 22)	**137,774**	139,583
Depreciation of property, plant and equipment (note 15)	**48,206**	54,925
Depreciation of right-of-use assets (note 16)	**8,657**	3,960

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the year are as follows:

	2020 RMB'000	2019 RMB'000
Directors' fee	**1,352**	1,166
Other emoluments		
– salaries and other benefits	**5,713**	3,775
– retirement benefits scheme contributions	**73**	12
– share-based payment expenses	**1,091**	2,990
	8,229	7,943

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of the directors and chief executive, disclosed pursuant to the applicable Listing Rules and CO, are as follows:

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note i)	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2020						
Executive directors						
Mr. Pan Jun (note iv)	–	240	–	–	237	477
Mr. Chen Xinyu (note v)	–	240	–	–	–	240
Mr. Huang Wei (note vi)	–	722	4,400	47	237	5,406
	–	1,202	4,400	47	474	6,123
Non-executive directors						
Mr. Tang Xuebin (note ii)	392	–	111	26	237	766
Mr. Zhou Hongyi	240	–	–	–	95	335
	632	–	111	26	332	1,101
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	240	–	–	–	95	335
Mr. Liao Jianwen	240	–	–	–	95	335
Mr. Xu Xinmin	240	–	–	–	95	335
	720	–	–	–	285	1,005
	1,352	1,202	4,511	73	1,091	8,229

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note i)	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2019						
Executive directors						
Mr. Tang Xuebin (note ii)	–	228	355	4	483	1,070
Mr. Dong Dong (note iii)	–	142	216	3	549	910
Mr. Pan Jun (note iv)	–	67	–	–	150	217
Mr. Chen Xinyu (note v)	–	86	–	–	–	86
Mr. Huang Wei (note vi)	–	681	2,000	5	517	3,203
	–	1,204	2,571	12	1,699	5,486
Non-executive directors						
Mr. Tang Xuebin (note ii)	33	–	–	–	40	73
Mr. Pan Jun (note iv)	173	–	–	–	379	552
Mr. Zhou Hongyi	240	–	–	–	218	458
	446	–	–	–	637	1,083
Independent non-executive directors						
Mr. Tam Chun Hung, Anthony	240	–	–	–	218	458
Mr. Liao Jianwen	240	–	–	–	218	458
Mr. Xu Xinmin	240	–	–	–	218	458
	720	–	–	–	654	1,374
	1,166	1,204	2,571	12	2,990	7,943

Notes:

(i) The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

(ii) Mr. Tang Xuebin resigned as the executive director and the chief executive of the Company and was re-designated as a non-executive director of the Company on 3 December 2019.

(iii) Mr. Dong Dong resigned on 23 August 2019.

(iv) Mr. Pan Jun resigned as the non-executive director and was re-designated as an executive director of the Company on 19 September 2019.

(v) Mr. Chen Xinyu was appointed as executive director on 19 September 2019.

(vi) Mr. Huang Wei was appointed as executive director on 20 July 2018 and was re-designated as the chief executive of the Company on 3 December 2019.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

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

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

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

Mr. Huang Wei (since 3 December 2019) and Mr. Tang Xuebin (before 3 December 2019) were the chief executive of the Company, and their emoluments disclosed above include those for services rendered by them as chief executive.

The five highest paid individuals of the Group included 1 (2019: 3) director for the year ended 31 December 2020. Details of their emoluments are set out above. The emoluments of the remaining 4 (2019: 2) of the five highest paid individuals is as follows:

	2020 RMB'000	2019 RMB'000
Employees		
– salaries and other benefits	**13,772**	2,012
– retirement benefits scheme contributions	**60**	9
– share-based payment expenses	**–**	86
	13,832	2,107

Their emoluments were within the following band:

	2020 Number of employees	2019 Number of employees
Nil to HKD1,000,000	**–**	1
HKD1,000,001 to HKD1,500,000	**–**	1
HKD3,500,001 to HKD4,000,000	**2**	–
HKD4,000,001 to HKD4,500,000	**1**	–
HKD4,500,001 to HKD5,000,000	**1**	–

During the years ended 31 December 2020 and 2019, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, no directors waived any emoluments during the years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

13. DIVIDENDS

During the year ended 31 December 2020, a final dividend in respect of the year ended 31 December 2019 of RMB9.12 cents (2019: final dividend in respect of the year ended 31 December 2018 of HK18.00 cents, equivalent to RMB15.40 cents) per share was declared. In July 2020, RMB24,928,000 (2019: RMB210,375,000) were paid to the owners of the Company in cash and dividend amount of RMB103,105,000 (2019: nil) were paid to the shareholders in form of new fully paid shares of the Company.

Subsequent to 31 December 2020, a final dividend for the year ended 31 December 2020 of RMB8.73 cents (2019: RMB9.12 cents) per share amounting to RMB127,010,000 in aggregate has been proposed by the directors for approval by the shareholders of the company in the forthcoming annual general meeting. The dividends for the year ended 31 December 2020 will be payable in cash or in form of new fully paid shares of the Company in respect of part or all of such dividends at shareholders' option. The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of reporting period.

14. EARNINGS PER SHARE

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

	2020	2019
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**501,721**	498,570
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,437,442**	1,366,715

For the years ended 31 December 2020 and 2019, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2019	30,653	25,933	287,364	9,418	28,414	381,782
Additions	–	9,901	13,703	724	2,241	26,569
Acquisition of subsidiaries (note 42)	–	–	398	–	–	398
Transfer	–	–	29,184	–	(29,184)	–
Disposals	–	–	(8,827)	(594)	–	(9,421)
At 31 December 2019	**30,653**	**35,834**	**321,822**	**9,548**	**1,471**	**399,328**
Additions	**–**	**20,002**	**9,753**	**320**	**191**	**30,266**
Transfer	**–**	**–**	**1,662**	**–**	**(1,662)**	**–**
Disposals	**–**	**–**	**(6,039)**	**(779)**	**–**	**(6,818)**
At 31 December 2020	30,653	55,836	327,198	9,089	–	422,776
ACCUMULATED DEPRECIATION						
At 1 January 2019	914	6,262	133,230	4,568	–	144,974
Provided for the year	690	11,604	41,508	1,123	–	54,925
Eliminated on disposals	–	–	(2,827)	(479)	–	(3,306)
At 31 December 2019	**1,604**	**17,866**	**171,911**	**5,212**	**–**	**196,593**
Provided for the year	**641**	**11,303**	**35,721**	**541**	**–**	**48,206**
Eliminated on disposals	**–**	**–**	**(3,168)**	**(760)**	**–**	**(3,928)**
At 31 December 2020	**2,245**	**29,169**	**204,464**	**4,993**	**–**	**240,871**
CARRYING VALUES						
At 31 December 2020	**28,408**	**26,667**	**122,734**	**4,096**	**–**	**181,905**
At 31 December 2019	29,049	17,968	149,911	4,336	1,471	202,735

The above items of property, plant and equipment (other than the construction in progress) less their residual values are depreciated on a straight-line basis over the following period:

Leasehold land and buildings	Over the shorter of the term of lease or 50 years
Leasehold improvement	Over the shorter of the term of lease or 3 – 10 years
Furniture, fixtures and equipment	3 – 5 years
Motor vehicles	5 – 10 years

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16. RIGHT-OF-USE ASSETS

	Office premises RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 31 December 2020			
Carrying amount	28,753	66,451	95,204
As at 31 December 2019			
Carrying amount	16,337	68,824	85,161
For the year ended 31 December 2020			
Depreciation charge	6,284	2,373	8,657
For the year ended 31 December 2019			
Depreciation charge	2,195	1,765	3,960

	2020 RMB'000	2019 RMB'000
Expense relating to short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16	**2,510**	4,158
Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16, of low value assets	**1,837**	1,460
Total cash outflow for leases	**11,588**	82,366
Additions to right-of-use assets	**18,700**	76,751

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 2 years to 14 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

In addition, the Group acquired a parcel of leasehold lands during the year ended 31 December 2019. The Group is the registered owner of the land interests. Lump sum payment of RMB70,589,000 was made upfront to acquire the land interests.

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group has no extension and/or termination options in a number of leases for office premises. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only with consent of the Group and the respective lessors. As the Group has no enforceable rights and obligations to extend or terminate the leases, therefore, the Group has not considered those periods beyond the initial non-cancellable period and has not considered the early termination option in the non-cancellable period in the assessment of lease terms.

The above items of right-of-use are depreciated on a straight-line basis over the following period:

Office premises	2 – 14 years
Leasehold lands	Over the shorter of the estimated useful lives and lease term of 31 years

Restrictions or covenants on leases

In addition, lease liabilities of RMB26,827,000 (2019: RMB13,643,000) are recognised with related right-of-use assets of RMB28,753,000 (2019: RMB16,337,000) as at 31 December 2020. The lease agreements do not impose any covenants in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

17. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2019	123,544
Additions	38,173
Disposals	(7,683)
Net change in fair value recognised in profit or loss	1,006
At 31 December 2019	155,040
Additions	6,828
Disposals	(12,056)
Net change in fair value recognised in profit or loss	(2,461)
At 31 December 2020	147,351
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2020	436
Unrealised gain on property revaluation included in profit or loss for the year ended 31 December 2019	3,734

The fair values of the Group's completed investment properties at 31 December 2020 and 2019 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent qualified professional valuer not connected with the Group which has appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

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17. INVESTMENT PROPERTIES *(Continued)*

The investment properties are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption to recover entirely through sale is not rebutted. The Group has recognised deferred taxation on fair value changes in investment properties taking into account the land appreciation tax upon disposal.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of these investment properties as at 31 December 2020 and 2019 are determined by direct comparison method which is based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

The following table gives information about how the fair values of these investment properties as at 31 December 2020 and 2019 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised into level 3 based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	**Fair value as at 31 December 2020** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Sensitivity**
Investment properties	147,351	Huizhou, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Yantai, Dalian, Baotou, Shuangliu and Taiyuan	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	1. Market unit sales price (RMB/sqm): 3,200 – 60,000	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location: 1% – 22%	A significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

Investment properties held by the Group	Fair value as at 31 December 2019 RMB'000	Location	Fair value hierarchy	Valuation techniques and key inputs	Significant observable/ unobservable inputs	Sensitivity
Investment properties	155,040	Huizhou, Wuhan, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Hangzhou, Yantai, Dalian and Taiyuan	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	1. Market unit sales price (RMB/sqm): 5,100 – 53,000	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location: 7% – 14%	A significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

18. INTERESTS IN ASSOCIATES

	2020 RMB'000	2019 RMB'000
Cost of investments, unlisted	**54,633**	53,864
Share of post-acquisition results, net of dividends received	**6,413**	1,693
	61,046	55,557

Particulars of the Group's interests in principal associates at the end of the reporting period are as follows:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2020	2019	**2020**	2019	
天津嘉創物業服務有限公司 Tianjin Jiachuang Property Management Services Co., Ltd. ("Tianjin Jiachuang") (note e)	PRC	PRC	**43%**	43%	**43%**	43%	Property management in the PRC
蘭州城關物業服務集團有限公司 Lanzhou Chengguan Property Management Services Co., Ltd. ("Lanzhou Chengguan") (note f)	PRC	PRC	**10%**	10%	**10%**	10%	Property management in the PRC
青島西發物業發展有限公司 Qingdao Xifa Property Management Services Co., Ltd. ("Qingdao Xifa") (note g)	PRC	PRC	**10%**	10%	**10%**	10%	Property management in the PRC

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18. INTERESTS IN ASSOCIATES *(Continued)*

Notes:

(a) During the year ended 31 December 2020, the Group made total capital contributions of RMB1,430,000 (2019: RMB10,836,000) to establish certain associates. The associates mainly act as investment holdings companies and invest in community-related services.

(b) During the year ended 31 December 2020, the Group acquired equity interests in certain associates from independent third parties at total contributions of RMB2,510,000 (2019: nil). The associates mainly act as investment holding companies and invest in community-related services.

(c) During the year ended 31 December 2020, the Group has disposed of its interests in certain associates to independent third parties at a total consideration of RMB1,848,000 (2019: RMB195,000), with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(d) During the year ended 31 December 2020, the Group received dividend of RMB540,000 (2019: RMB1,751,000) from associates.

(e) Pursuant to the shareholders' agreement, the Group has 43% voting right at the shareholders' meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, Tianjin Jiachuang has another shareholder which holds 57% equity interest in Tianjin Jiachuang. The approval of relevant activities require simple majority of shareholders. As the Group holds no more than 50% of the voting power in the shareholders' meeting, therefore, Tianjin Jiachuang is accounted for as an associate of the Group.

(f) Pursuant to the shareholders' agreement, the Group has 10% voting right at the shareholders' meeting of Lanzhou Chengguan and the board of directors of Lanzhou Chengguan, the governing body which directs the relevant activities that significantly affect the returns of Lanzhou Chengguan, consists of seven directors of which the Group and other two shareholders can appoint one director and six directors, respectively. The approval of relevant activities require a simple majority of directors' votes, therefore, Lanzhou Chengguan is accounted for as an associate of the Group.

(g) Pursuant to the shareholders' agreement, the Group has 10% voting right at the shareholders' meeting and the board of directors of Qingdao Xifa, the governing body which directs the relevant activities that significantly affect the returns, consists of seven directors of which the Group and other two shareholders can appoint two directors, four directors and one director, respectively. The approval of relevant activities require a simple majority of directors' votes, therefore, Qingdao Xifa is accounted for as an associate of the Group.

Summarised financial information in respect of the Group's associates prepared in accordance with HKFRSs which is immaterial is set out below:

	2020 **RMB'000**	2019 RMB'000
Information of the associates that is not material:		
The Group's share of profit and other comprehensive income	**3,937**	3,938

19. INTERESTS IN JOINT VENTURES

	2020 **RMB'000**	2019 RMB'000
Cost of investments, unlisted	**82,569**	79,927
Share of post-acquisition results, net of dividends received	**21,293**	20,297
	103,862	100,224

19. INTERESTS IN JOINT VENTURES *(Continued)*

Particulars of the Group's interests in principal joint ventures at the reporting dates are as follows:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group	Proportion of voting power held by the Group	Principal activities
			2020 and 2019	**2020 and 2019**	
深圳懿軒科技有限公司 Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan") (note a)	PRC	PRC	**46%**	**46%**	Provision of parking services
六安藍城佳園投資有限公司 Lu'an Lancheng Jiayuan Investment Co., Ltd. ("Lu'an Lancheng") (note b)	PRC	PRC	**35%**	**35%**	Investment holding

Notes:

(a) Pursuant to the amended shareholder's agreement, the Group has 46% voting right at the shareholder's meeting of Shenzhen Yixuan, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yixuan. Other than the Group, Shenzhen Yixuan has another two shareholders, which hold the 44% and 10% equity interests in Shenzhen Yixuan, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Shenzhen Yixuan is jointly controlled by the Group and the 44% shareholder.

(b) Pursuant to the amended Article and Association, the Group has 35% voting right at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, the two shareholders hold 51% and 14% equity interests in Lu'an Lancheng, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Lu'an Lancheng is jointly controlled by the Group and the 51% shareholder.

(c) During the year ended 31 December 2020, the Group made total capital contributions of RMB1,300,000 (2019: RMB9,870,000) to establish certain joint ventures with a number of joint venture partners. The joint ventures mainly act as investment holding companies and invest in community-related services.

(d) During the year ended 31 December 2020, the Group acquired equity interests in certain joint ventures from independent third parties at total contributions of RMB1,342,000 (2019: nil). The joint ventures mainly act as investment holding companies and invest in community-related services.

(e) During the year ended 31 December 2019, the Group has disposed of its interests in an associate to an independent third party at a consideration of RMB20,000,000 with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(f) During the year ended 31 December 2019, the Group received dividend of RMB300,000 from certain joint ventures.

Summarised financial information in respect of the Group's joint ventures prepared in accordance with HKFRSs which is immaterial is set out below:

	2020 **RMB'000**	2019 RMB'000
Information of the joint ventures that is not material:		
The Group's share of profit and other comprehensive income	**996**	9,900

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20. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	Notes	2020 RMB'000	2019 RMB'000
Unlisted equity investments			
– Home E&E	(a)	**66,960**	68,033
– Others	(b)	**48,208**	53,702
		115,168	121,735

Notes:

(a) The equity investment represented the Group's investment in equity securities issued by Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) ("Home E&E"), a fellow subsidiary of the Company, which primarily engaged in property management, asset operation and management and the relevant value-added services for commercial properties in the PRC. The investment represented 4.2% shareholding of Home E&E.

(b) These unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2020 and 2019. The investees are mainly engaged in property management services. These investments are not regarded as associate or joint venture of the Group because the Group has no right to appoint directors under such investment arrangements. Details of the fair value measurement of the investments are set out in note 46(c).

21. GOODWILL

	RMB'000
COST	
At 1 January 2019	2,248,924
Arising on acquisition of businesses (note 42)	69,198
At 31 December 2019 and 2020	2,318,122
IMPAIRMENT	
At 1 January 2019 and 31 December 2019 and 2020	870
CARRYING VALUES	
At 31 December 2019 and 2020	2,317,252

21. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill above has been allocated to certain groups of cash-generating units ("CGU"), comprising Shenzhen region, Southern China, Eastern China, Southwestern China, Northwestern China, Northeastern China, Northern China and Central China. As at 31 December 2019 and 2020, the carrying amounts of goodwill (net of accumulated impairment losses) allocated to these groups of CGU are as follows:

	RMB'000
Shenzhen region	171,198
Southern China	353,384
Eastern China	650,984
Southwestern China	468,225
Northwestern China	113,964
Northeastern China	75,364
Northern China	225,998
Central China	258,135
	2,317,252

During the years ended 31 December 2019 and 2020, the management of the Group determined that there is no impairment of any of these groups of CGU containing goodwill arising from the acquisition of businesses and/or business combination under common control.

The recoverable amounts of the above groups of CGU have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates as at 31 December 2019 and 2020.

Cash flow projections during the budget period for the groups of CGU are based on the management's key estimation of future cash flows including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates.

The discount rates reflect specific risks relating to the relevant group of CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

	2020	2019
Discount rates	**17% – 18%**	19%
Growth rate within the five-year period	**0% – 4%**	6% – 10%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts to exceed its recoverable amounts.

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22. INTANGIBLE ASSETS

	Property management contracts and customers' relationship RMB'000
COST	
At 1 January 2019	1,352,598
Arising on acquisition of subsidiaries (note 42)	83,872
At 31 December 2019 and 2020	1,436,470
AMORTISATION	
At 1 January 2019	205,652
Provided for the year	139,583
At 31 December 2019	345,235
Provided for the year	137,774
At 31 December 2020	483,009
CARRYING AMOUNT	
At 31 December 2020	953,461
At 31 December 2019	1,091,235

The property management contracts and customers' relationship were acquired from third parties through the acquisition of subsidiaries and/or business combination under common control.

The intangible assets have finite useful lives and are amortised on a straight-line basis over 5 years to 15 years, taking into account the prior experience of the renewal pattern of property management contracts.

23. CONTRACT ASSETS

	2020 RMB'000	2019 RMB'000
Unbilled revenue of equipment installation services	**67,534**	70,324
Retention receivables	**–**	198
	67,534	70,522
Less: allowance for credit losses	**(3,976)**	(2,829)
	63,558	67,693
Classified as:		
Non-current assets	**14,572**	22,229
Current assets	**48,986**	45,464
	63,558	67,693

As at 1 January 2019, contract assets amounted to RMB79,565,000.

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services relate to the installation of energy-saving lighting systems for the communities managed by the Group. The Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-month period. Upon the rights to consideration for the equipment installation services become unconditional, the amounts are transferred out of contract assets to trade receivables.

As at 31 December 2020, the amounts of RMB14,572,000 (2019: RMB22,229,000) are expected to transfer out to trade receivables after one year and are classified as non-current assets and the amounts of RMB48,986,000 (2019: RMB45,464,000) are expected to transfer out to trade receivables within one year and are classified as current assets.

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2019	1,719	657	2,376
Impairment loss, net of reversal	85	368	453
Transfer to credit-impaired	(20)	20	–
Balance at 31 December 2019	1,784	1,045	2,829
Impairment loss, net of reversal	102	1,045	1,147
Transfer to credit-impaired	(224)	224	–
Balance at 31 December 2020	1,662	2,314	3,976

Details of the impairment assessment are set out in note 41(b).

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24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables		**605,610**	714,814
Less: allowance for credit losses		**(58,621)**	(56,570)
	(a)	**546,989**	658,244
Other receivables and prepayments:			
Refundable deposits		**434,281**	429,195
Advances to staffs	(b)	**85,331**	74,810
Prepayments to suppliers		**101,705**	95,579
Consideration receivables for disposal of subsidiaries and an associate		**1,849**	22,315
Receivables for residential and commercial units rental assistance services on behalf of customers		**17,746**	26,601
Receivables from former shareholders of subsidiaries		**8,310**	8,112
Others		**106,915**	95,141
		756,137	751,753
		1,303,126	1,409,997
Classified as:			
Non-current			
Other receivables		**4,986**	5,900
Current			
Trade receivables		**546,989**	658,244
Other receivables and prepayments		**751,151**	745,853
		1,298,140	1,404,097
		1,303,126	1,409,997

Notes:

(a) As at 1 January 2019, 31 December 2019 and 2020, trade receivables from contracts with customers net of allowance for credit losses amounted to RMB629,710,000, RMB658,244,000 and RMB546,989,000, respectively.

(b) The balances included the housing loans amounting to RMB5,797,000 (2019: RMB7,010,000) granted to staffs by the Group for their purchases of own properties. The housing loans bear interests at the rate ranging from 5.4% to 10% per annum and would be repaid in seven to ten years. Based on the terms of the housing loans agreements, the amounts of RMB1,054,000 (2019: RMB1,110,000) to be repaid in one year are classified as current assets and the amounts of RMB4,743,000 (2019: RMB5,900,000) to be repaid after one year are classified as non-current assets.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Trade receivables are mainly arisen from property management services income from communities under lump sum basis, pre-delivery services and consultancy service arrangement, value-added services income and engineering services income.

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which the invoice date or the date of demand note represented the payment due date:

	2020 **RMB'000**	2019 RMB'000
0 – 30 days	**164,835**	212,587
31 – 90 days	**143,029**	161,725
91 – 180 days	**104,276**	140,240
181 – 365 days	**93,005**	108,999
Over 1 year	**41,844**	34,693
	546,989	658,244

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB382,154,000 (2019: RMB445,657,000) which are past due as at the reporting date. As at 31 December 2020, the trade receivables balance included RMB239,125,000 (2019: RMB283,932,000) which has been past due 90 days or more and is not considered as in default, as the Group has historical settlement information to demonstrate that a more lagging default criterion is more appropriate.

The Group does not hold any collateral over these balances as at 31 December 2020 and 2019.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2019	4,718	39,566	44,284
Impairment loss, net of reversal	2,063	11,934	13,997
Transfer to credit-impaired	(2,412)	2,412	–
Amounts written off	–	(1,711)	(1,711)
Balance at 31 December 2019	**4,369**	**52,201**	**56,570**
Impairment loss, net of reversal	**2,838**	**15,796**	**18,634**
Transfer to credit-impaired	**(3,460)**	**3,460**	**–**
Amounts written off	**–**	**(16,583)**	**(16,583)**
Balance at 31 December 2020	**3,747**	**54,874**	**58,621**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or when the trade receivables are over two years past due, whichever occurs earlier.

Details of the impairment assessment are set out in note 41(b).

25. LOAN RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Fixed-rate loans provided to			
– online platform and community-related service companies	(a)	**227,817**	161,817
– property management companies	(b)	**30,982**	63,907
		258,799	225,724
Less: allowance for credit losses		**(32,850)**	(16,250)
		225,949	209,474
Classified as:			
Non-current assets		**1,761**	7,858
Current assets		**224,188**	201,616
		225,949	209,474

Notes:

(a) As at 31 December 2020, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB227,817,000 (2019: RMB161,817,000). The loans carry interests ranging from 5% to 15% (2019: 5% to 18%) per annum and will mature in 2021. At 31 December 2020, the amounts of RMB227,817,000 (2019: RMB161,817,000) are due in one year and are classified as current assets.

(b) As at 31 December 2020, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB30,982,000 (2019: RMB63,907,000). The loans carry interests ranging from 5% to 12% (2019: 10% to 15%) per annum and will mature from May 2021 to May 2024. At 31 December 2020, the amounts of RMB29,221,000 (2019: RMB39,799,000) are due in one year and are classified as current assets and the amounts of RMB1,761,000 (2019: RMB7,858,000) are due after one year and are classified as non-current assets.

At the date these consolidated financial statements are authorised for issuance, the loan receivables amounting to RMB181,400,000 were settled.

Movements of allowance for credit losses under lifetime ECL in relation to loan receivables

	Lifetime ECL (credit-impaired) RMB'000
Balance at 1 January 2019	–
Impairment loss, net of reversal	16,250
Balance at 31 December 2019	16,250
Impairment loss, net of reversal	16,600
Balance at 31 December 2020	32,850

Details of the impairment assessment are set out in note 41(b).

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26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2020 and 2019:

	Allowance for credit losses RMB'000	Temporary difference on contract assets and others RMB'000	Fair value adjustments of properties RMB'000	Fair value adjustments of equity instrument designated at FVTOCI RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2019	48,985	(2,762)	(12,761)	(6,322)	(286,736)	(259,596)
Acquisition of subsidiaries (note 42)	–	–	–	–	(20,968)	(20,968)
Credit to profit or loss	15,361	885	650	–	34,895	51,791
Charge to other comprehensive income	–	–	–	443	–	443
At 31 December 2019	64,346	(1,877)	(12,111)	(5,879)	(272,809)	(228,330)
Credit to profit or loss	18,183	8,935	211	–	34,444	61,773
Charge to other comprehensive income	–	–	–	(448)	–	(448)
At 31 December 2020	82,529	7,058	(11,900)	(6,327)	(238,365)	(167,005)

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

	2020 RMB'000	2019 RMB'000
Deferred tax assets	**85,932**	61,806
Deferred tax liabilities	**(252,937)**	(290,136)
	(167,005)	(228,330)

The Group had unutilised tax losses of RMB264,188,000 (2019: RMB228,136,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

The Group had deductible temporary difference of RMB369,304,000 (2019: RMB296,572,000). A deferred tax asset has been recognised in respect of RMB330,116,000 (2019: RMB257,384,000). No deferred tax asset has been recognised for the remaining amounts of RMB39,188,000 (2019: RMB39,188,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. DEPOSITS PAID FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

As at 31 December 2020, the Group has made deposits of RMB10,653,000 (2019: RMB9,868,000) in relation to the proposed acquisition of business through acquisition of certain property management companies from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

At the date these consolidated financial statements are authorised for issuance, the acquisitions of these subsidiaries have not been completed.

28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	Notes	2020 RMB'000	2019 RMB'000
Payments on behalf of residents	(a)		
– under commission basis	(c)	**1,014,710**	855,111
– under lump sum basis	(d)	**222,036**	192,708
– under consultancy services arrangements	(e)	**9,454**	7,310
		1,246,200	1,055,129
Less: allowance for credit losses		**(195,582)**	(146,664)
		1,050,618	908,465
Receipts on behalf of residents	(b)		
– under commission basis	(c)	**52,061**	71,630
– under lump sum basis	(d)	**308,573**	329,764
– under consultancy services arrangements	(e)	**1,555**	2,468
		362,189	403,862

Notes:

(a) The balances represent the current accounts with the property management offices of communities, which are the representatives of the residents of communities, managed by the Group. These property management offices of communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the communities, all transactions of these property management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the group entities.

(b) The balances represent the current accounts with individual residents of the communities managed by the Group.

(c) The balances represent the current accounts with the property management companies under commission basis services arrangement, including provision of treasury function by the Group for their management of the communities.

(d) A net receivable balance represents expenditures paid by the Group on behalf of the community, individual residents or property management companies in excess of the property management fees/reimbursements collected from the residents of that community. A net payable balance represents property management fee/reimbursements collected from residents of the community in excess of the expenditures paid by the Group on behalf of the community, individual residents or property management companies.

(e) The balances represent the current accounts with the property management companies under consultancy services management, including provision of treasury function by the Group for their management of the communities.

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For the year ended 31 December 2020

28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS *(Continued)*

Movements of allowance for credit losses under lifetime ECL in relation to payments on behalf of residents

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
Balance at 1 January 2019	10,211	112,605	122,816
Impairment loss, net of reversal	2,917	44,456	47,373
Transfer to credit-impaired	(1,688)	1,688	–
Amounts written off	–	(23,525)	(23,525)
Balance at 31 December 2019	11,440	135,224	146,664
Impairment loss, net of reversal	3,982	44,936	48,918
Transfer to credit-impaired	(2,745)	2,745	–
Balance at 31 December 2020	12,677	182,905	195,582

The Group writes off payments on behalf of residents for a community when there is information indicating that the community is in severe financial difficulty and there is no realistic prospect of recovery.

Details of the impairment assessment are set out in note 41(b).

29. FINANCIAL ASSETS AT FVTPL

As at 31 December 2019, financial assets at FVTPL amounting to RMB3,000,000 mainly include convertible bonds investment in private entity. The investments were fully redeemed in 2020.

The return and principal of investments were not guaranteed. The investments have been measured at FVTPL at initial recognition as the investments are managed and the performance is evaluated on fair value basis. Details of the fair value are set out in note 41(c).

30. PLEDGED/RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2020, the pledged bank deposits amounting to RMB122,118,000 were pledged to banks to secure the Group's banking facilities due within one year and classified as current assets.

As at 31 December 2019, the pledged bank deposits amounting to RMB124,146,000 were pledged to banks to secure the Group's banking facilities due within one year and classified as current assets and the pledged bank deposits amounting to RMB90,500,000 were pledged to banks to secure the Group's banking facilities due after one year and classified as non-current assets, respectively.

For both the year ended 31 December 2020 and 2019, the Group's pledged bank deposits and bank balances carry interest at rates which range from 0.35% to 3.70% per annum, respectively.

At 31 December 2020, the restricted bank balances represented the balance of RMB32,000,000 which was frozen under a court notice. During the year ended 31 December 2020, Shenzhen Colour Life Services Group Co., Limited ("Shenzhen Colour Life") entered into a series of agreements with the shareholders and creditors of a potential investee, in relation to a debt and equity transfer arrangement. Under the arrangement, Shenzhen Colour Life would take over the debt owed to certain creditors which is the prerequisite for the completion of acquisition of the equity of the investee. As at 31 December 2020, the aforesaid acquisition of the equity has not yet completed. However, a creditor had initiated a legal proceeding in Xiangyang Intermediate People's Court to claim against Shenzhen Colour Life in relation to the debt owed by the aforesaid investee of Shenzhen Colour Life. The total amount of claims amounting to RMB31,216,000, which included alleged non-repaid debt of RMB21,600,000 and alleged late payment penalty and interest of RMB9,616,000. The relevant court has made a notice to the bank to freeze a bank deposit of RMB32,000,000 of Shenzhen Colour Life to secure the payment of debt and interests. At the date these consolidated financial statements are authorised for issuance, the legal proceeding has not been finalised.

31. TRADE AND OTHER PAYABLES AND ACCRUALS

	2020 **RMB'000**	2019 RMB'000
Trade payables	**405,567**	401,176
Other payables and accruals:		
Deposits received	**293,424**	304,464
Accrued staff costs	**254,474**	300,515
Provision for social insurance contributions	**103,844**	120,257
Other tax payable	**76,513**	71,605
Consideration payables for acquisition of subsidiaries	**2,776**	20,287
Receipts on behalf of online platform merchants	**1,601**	4,419
Rental payable	**1,707**	1,371
Other payables and accruals	**70,182**	63,761
	804,521	886,679
Total	**1,210,088**	1,287,855

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31. TRADE AND OTHER PAYABLES AND ACCRUALS *(Continued)*

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2020	2019
	RMB'000	RMB'000
0 – 60 days	**254,251**	275,658
61 – 180 days	**109,287**	82,941
181 – 365 days	**27,091**	26,884
Over 1 year	**14,938**	15,693
	405,567	401,176

32. CONTRACT LIABILITIES

	2020	2019
	RMB'000	RMB'000
Advances from customers:		
Property management services	**494,000**	329,307
Equipment installation services	**22,500**	20,908
	516,500	350,215

As at 1 January 2019, contract liabilities amounted to RMB238,692,000.

The following table shows how much of the revenue recognised in the both reporting periods relates to carried-forward contract liabilities.

	Property management services	**Engineering services**	**Total**
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2020	329,307	20,908	350,215

	Property management services	**Engineering services**	**Total**
	RMB'000	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2019	218,586	14,039	232,625

32. CONTRACT LIABILITIES *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives the monthly property management service fee from customers in advance, it will give rise to contract liabilities, until the revenue recognised on the relevant contract upon provision of property management services, which are expected to be completed within one year from the date of advance payment made by customers.

When the Group receives a deposit before equipment installation commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit, which are expected to be completed within two year from the date of advance payment made by customers.

The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts within services are expected to be rendered within one year from the date of payment made by customers.

33. LEASE LIABILITIES

	2020 **RMB'000**	2019 RMB'000
Lease liabilities payable:		
Within one year	**7,898**	2,300
More than one year but not more than two years	**7,206**	1,830
More than two years but not more than five years	**5,844**	3,757
More than five years	**5,879**	5,756
	26,827	13,643
Less: Amount due for settlement within one year shown under current liabilities	**(7,898)**	(2,300)
Amount due for settlement after one year shown under non-current liabilities	**18,929**	11,343

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

34. BORROWINGS

	Notes	2020 RMB'000	2019 RMB'000
Bank loans		**414,446**	494,452
Other loans	(a)	**542,235**	1,545,828
		956,681	2,040,280
Secured	(b)	**267,981**	994,345
Unsecured		**688,700**	1,045,935
		956,681	2,040,280
Variable-rate borrowings		**156,246**	299,502
Fixed-rate borrowings		**800,435**	1,740,778
		956,681	2,040,280
Carrying amounts repayable:			
Within one year		**436,181**	752,576
More than one year, but not exceeding two years		**520,500**	962,704
More than two years, but not exceeding five years		**–**	325,000
		956,681	2,040,280
Less: amounts due within one year shown under current liabilities		**(436,181)**	(752,576)
Amounts shown under non-current liabilities		**520,500**	1,287,704

Notes:

(a) As at 31 December 2020, included in other loans, the outstanding balance of RMB500,000,000 (2019: RMB800,000,000) represented loan provided by a former joint venture partner and carried interest at 8.63% per annum.

(b) The securities provided by the Group of the secured loans were the pledged bank deposits of the Group and equity interests of certain subsidiaries of the Company. Details of pledged assets were disclosed in note 49.

The ranges of effective interest rates on the Group's borrowings are as follows:

	2020	2019
Variable-rate borrowings	**2.10% to 6.96%**	2.10% to 6.96%
Fixed-rate borrowings	**4.20% to 10.0%**	4.28% to 10.05%

35. SENIOR NOTES AND BONDS

	Notes	2020 RMB'000	2019 RMB'000
Corporate bonds:			
Domestic Corporate Bonds	(a)	–	149,786
Senior notes:			
2020 USD100 million senior notes due 2021	(b)	668,659	–
2020 USD130 million senior notes due 2021	(c)	884,029	–
		1,552,688	149,786

Notes:

(a) In 2017, Shenzhen Colour Life issued non-public domestic corporate bonds in aggregate principal amount of RMB150,000,000. The corporate bonds are guaranteed by Fantasia China, carrying a nominal interest at rate of 7.0% per annum and interest is payable annually, commencing in November 2018. During the year ended 31 December 2020, the corporate bonds were repaid upon maturity in 2020. No gain or loss on redemption of senior notes is recognised in profit or loss.

(b) During the year ended 31 December 2020, the Company issued non-public senior notes in an aggregate principal amount of USD100,000,000 ("2020 USD100 million senior notes due 2021"). The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company and carry interest of 8% per annum and interest is payable semi-annually on 28 August 2020 and 25 February 2021, unless redeemed earlier. The senior notes have been redeemed by the Company in full upon maturity on 25 February 2021.

(c) During the year ended 31 December 2020, the Company issued non-public senior notes in an aggregate principal amount of USD130,000,000 ("2020 USD130 million senior notes due 2021"). The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company and carry interest of 10% per annum and interest is payable semi-annually on 22 January 2021 and 22 July 2021, unless redeemed earlier. The early redemption options entitled by the Company were expired in January 2021 and the senior notes will mature on 22 July 2021.

The movements of senior notes and bonds during the year are set out below:

	2020 RMB'000	2019 RMB'000
At 1 January	149,786	315,501
Net proceeds on the date of issuance	1,592,069	–
Effective interest recognised	107,622	16,285
Payment of interests	(37,944)	(22,000)
Redemption of corporate bonds	(150,000)	(160,000)
Exchange gain	(108,845)	–
At 31 December	1,552,688	149,786

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

36. ASSET-BACKED SECURITIES ISSUED

	Notes	2020 RMB'000	2019 RMB'000
Asset-backed securities issued			
2016 ABS	(a)	**20,206**	50,146
2018 ABS	(b)	**–**	54,402
		20,206	104,548
Carrying amounts repayable*:			
Within one year		**20,206**	70,078
More than one year, but not exceeding two years		**–**	34,470
		20,206	104,548
Classified as:			
Current			
Carrying amounts with put options exercisable within one year		**–**	37,520
Carrying amounts without put options and repayable within one year		**20,206**	49,963
		20,206	87,483
Non-current		**–**	17,065
		20,206	104,548

* The amounts due are based on scheduled repayment dates set out in the agreements of asset-backed securities issued.

Notes:

(a) In August 2016, Shenzhen Colour Life issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2016 ABS were issued at discount of 5.0% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The effective interest rates ranges from 6.9% to 8.3% per annum.

For certain portion of 2016 ABS amounting to RMB135,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2016 ABS may at their options to sell back the 2016 ABS to the Group in whole or in part at face value of their principal amount in August 2019. In August 2019, the Group repurchased the 2016 ABS with the principal amount of RMB66,541,000 at a total consideration of RMB75,032,000. The loss of RMB3,520,000 is recognised in profit or loss.

In August 2019, Shenzhen Colour Life adjusted the nominal interest rate of two tranches of 2016 ABS from 6.1% per annum to 7% and 7.2% and no holders of 2016 ABS exercised the put options. The related loss of modification of RMB1,380,000 was recognised in profit or loss.

36. ASSET-BACKED SECURITIES ISSUED *(Continued)*

Notes: *(Continued)*

(b) In January 2018, Shenzhen Colour Life issued the asset-backed securities ("2018 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2018 ABS were issued at discount of 1.8% with aggregate nominal value of RMB100,000,000 which carry interests ranging from 6.5% to 7.3% per annum. Under the securitisation arrangement, the principal and interests are payable semi-annually and with maturity from January 2019 to January 2021. The effective interest rates ranges from 6.9% to 7.5% per annum.

For certain portion of 2018 ABS amounting to RMB36,000,000, Shenzhen Colour Life as the issuer is entitled to adjust the interest rate and the holders of 2018 ABS may at their options to sell back the 2018 ABS to the Group in whole or in part at face value of their principal amount in January 2020. Therefore, the carrying amount of 2018 ABS amounting to RMB37,520,000 were classified as current liabilities as at 31 December 2019.

In January 2020, all the holders of 2018 ABS exercised the put options and Shenzhen Colour Life redeemed the 2018 ABS with the principal amount of RMB36,000,000 in full. No gain or loss on redemption of 2018 ABS is recognised in profit or loss.

The directors considered that the fair value of the put options is insignificant on initial recognition and 31 December 2019.

The movement of the asset-backed securities during the year is set out below:

	2020	2019
	RMB'000	RMB'000
At 1 January	**104,548**	260,419
Effective interest recognised	**7,715**	20,861
Repayment	**(85,740)**	(85,750)
Repurchase of 2016 ABS	**–**	(75,032)
Interest paid	**(6,317)**	(20,850)
Loss on modification of 2016 ABS	**–**	1,380
Loss on repurchase of 2016 ABS	**–**	3,520
At 31 December	**20,206**	104,548

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37. SHARE CAPITAL

	Notes	Number of shares '000	Amount HKD'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2019, 31 December 2019 and 2020		**50,000,000**	5,000,000
Issued and fully paid:			
At 1 January 2019		**1,328,638**	132,864
Issue of shares upon exercise of share options	(a)	**3**	–
Placement of new shares	(b)	**94,105**	9,411
At 31 December 2019		**1,422,746**	142,275
Issue of shares for scrip dividend	(c)	**32,122**	3,212
At 31 December 2020		**1,454,868**	145,487

	Amount RMB'000
Shown in the consolidated financial statements:	
At 31 December 2020	118,036
At 31 December 2019	115,134

Notes:

(a) During the year ended 31 December 2019, the Company issued 3,000 ordinary shares of HKD0.10 each upon exercise of share options at a total consideration of RMB15,000 in aggregate. The exercise price of the share options during the year was HKD5.76 per share. The new ordinary shares rank pari passu with the then existing shares in all respects.

(b) During the year ended 31 December 2019, the Company issued 94,105,000 new ordinary shares at subscription price of HKD5.22 per share to two independent investors at a total consideration of RMB435,343,000. The subscription price represented a discount of approximately 4.22% to the closing price of HKD5.45 as quoted on the SEHK on 19 July 2019, being the date of subscription agreements. The shares rank pari passu with the then existing shares in issue in all respects.

(c) On 17 July 2020, approximately 32,122,000 ordinary shares of HK$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

38. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Colour Life's Scheme") was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to directors of the Company, certain employees of the Group and non-controlling shareholders of certain subsidiaries ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Persons to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Colour Life's Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2020, the total number of shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 67,788,000 (2019: 84,473,000) of HKD0.1 each, representing 4.7% (2019: 5.9%) of the issued share capital of the Company.

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38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

Details of the share options granted under the Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	6.66	N/A	29/9/2014 – 28/9/2024
			29/9/2014 – 28/9/2015	29/9/2015 – 28/9/2024
			29/9/2014 – 28/9/2016	29/9/2016 – 28/9/2024
			29/9/2014 – 28/9/2017	29/9/2017 – 28/9/2024
	30 April 2015	11.00	30/4/2015 – 29/4/2016	30/4/2016 – 29/4/2025
			30/4/2015 – 29/4/2017	30/4/2017 – 29/4/2025
			30/4/2015 – 29/4/2018	30/4/2018 – 29/4/2025
	18 March 2016	5.76	18/3/2016 – 17/3/2017	18/3/2017 – 17/3/2026
			18/3/2016 – 17/3/2018	18/3/2018 – 17/3/2026
			18/3/2016 – 17/3/2019	18/3/2019 – 17/3/2026
	27 November 2018	4.11	27/11/2018 – 26/11/2019	27/11/2019 – 26/11/2029
			27/11/2018 – 26/11/2020	27/11/2020 – 26/11/2029
			27/11/2018 – 26/11/2021	27/11/2021 – 26/11/2029

38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The following table discloses movements of the Company's share options held by directors of the company, employees of the Group and non-controlling shareholders of certain subsidiaries during the years ended 31 December 2020 and 2019:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2019	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2019	Granted during the year	Lapsed during the year	Exercised during the year	Outstanding at 31 December 2020
			'000	'000	'000	'000	'000	'000	'000	'000	'000
Directors	29 September 2014	N/A	520	–	–	–	520	–	–	–	520
		29/9/2014 – 28/9/2015	1,014	–	–	–	1,014	–	–	–	1,014
		29/9/2014 – 28/9/2016	1,014	–	–	–	1,014	–	–	–	1,014
		29/9/2014 – 28/9/2017	498	–	–	–	498	–	–	–	498
	30 April 2015	30/4/2015 – 29/4/2016	376	–	–	–	376	–	–	–	376
		30/4/2015 – 29/4/2017	375	–	–	–	375	–	–	–	375
		30/4/2015 – 29/4/2018	375	–	–	–	375	–	–	–	375
	18 March 2016	18/3/2016 – 17/3/2017	367	–	–	–	367	–	–	–	367
		18/3/2016 – 17/3/2018	366	–	–	–	366	–	–	–	366
		18/3/2016 – 17/3/2019	366	–	–	–	366	–	–	–	366
	27 November 2018	27/11/2018 – 26/11/2019	934	–	–	–	934	–	–	–	934
		27/11/2018 – 26/11/2020	933	–	–	–	933	–	–	–	933
		27/11/2018 – 26/11/2021	933	–	–	–	933	–	–	–	933
			8,071	–	–	–	8,071	–	–	–	8,071
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	4,143	–	(56)	–	4,087	–	(1,311)	–	2,776
		29/9/2014 – 28/9/2015	8,559	–	(101)	–	8,458	–	(2,492)	–	5,966
		29/9/2014 – 28/9/2016	8,559	–	(101)	–	8,458	–	(2,492)	–	5,966
		29/9/2014 – 28/9/2017	4,298	–	(45)	–	4,253	–	(1,183)	–	3,070
	30 April 2015	30/4/2015 – 29/4/2016	5,733	–	(206)	–	5,527	–	(1,428)	–	4,099
		30/4/2015 – 29/4/2017	5,732	–	(206)	–	5,526	–	(1,428)	–	4,098
		30/4/2015 – 29/4/2018	5,732	–	(206)	–	5,526	–	(1,428)	–	4,098
	18 March 2016	18/3/2016 – 17/3/2017	6,080	–	(111)	(1)	5,968	–	(1,641)	–	4,327
		18/3/2016 – 17/3/2018	6,080	–	(111)	(1)	5,968	–	(1,641)	–	4,327
		18/3/2016 – 17/3/2019	6,078	–	(111)	(1)	5,966	–	(1,641)	–	4,325
	27 November 2018	27/11/2018 – 26/11/2019	5,555	–	–	–	5,555	–	–	–	5,555
		27/11/2018 – 26/11/2020	5,555	–	–	–	5,555	–	–	–	5,555
		27/11/2018 – 26/11/2021	5,555	–	–	–	5,555	–	–	–	5,555
			77,659	–	(1,254)	(3)	76,402	–	(16,685)	–	59,717
Total			85,730	–	(1,254)	(3)	84,473	–	(16,685)	–	67,788
Exercisable at the end of the year							65,008				61,300
Weighted average exercise price (HKD)							6.78				6.60
Weighted average exercise price at the date of exercise (HKD)						5.76					

Note: During the year ended 31 December 2020, 16,685,000 (2019: 1,254,000) share options to employees were lapsed.

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For the year ended 31 December 2020

38. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The closing price of the shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option – Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	18 March 2016	30 April 2015	29 September 2014
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.11	HKD5.76	HKD11.00	HKD6.66
Expected volatility	50.79%	46.2%	46.26%	48.82%
Expected life	10 years	10 years	10 years	10 years
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	3.65%	1.55%	0.83%	0.01%

Expected volatility was determined by using the historical volatility of the daily share price of comparable companies.

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB24,625,000 on 27 November 2018, respectively. The Group recognised the total expense of RMB6,698,000 (2019: RMB13,567,000) for the year ended 31 December 2020 in relation to share options granted by the Company.

(b) Fantasia Holdings

The share option scheme of Fantasia Holdings (the "Fantasia's Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of Fantasia Holdings and its subsidiaries ("Eligible Directors and Employees"), including the Company and will expire on 28 August 2021 and 15 October 2022. Under the Fantasia's Scheme, the Board of Directors of Fantasia Holdings is authorised to grant options at a consideration of HKD1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Fantasia Holdings' Shares").

The maximum number of Fantasia Holdings' Shares which may be issued upon exercise of all options to be granted under the Fantasia's Scheme ("Fantasia's Options") and any other share option schemes of Fantasia Holdings shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Fantasia Holdings in issue at any point in time. Fantasia's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings' share capital or with a value in excess of HKD5 million must be approved in advance by Fantasia Holdings' shareholders.

The exercisable period of an option is determined by the directors of Fantasia Holdings at their discretion. The expiry date of the option may be determined by the board of directors of Fantasia Holdings which shall not be later than the expiry day of the Fantasia's Scheme.

38. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The exercise price is determined by the directors of Fantasia Holdings, and will not be less than the greater of: (i) the closing price of Fantasia on the offer date; (ii) the average of the closing price of Fantasia Holdings' Shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of Fantasia Holdings.

As at 31 December 2020, the total number of Fantasia Holdings' Shares to be issued upon the exercise of all options granted to eligible directors and employees of the Company under the Fantasia's Scheme is 16,099,000 (2019: 16,893,000) of HKD0.1 each, representing 0.3% (2019: 0.3%) of the issued share capital of Fantasia Holdings.

Details of the share options granted under the Fantasia's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	HKD0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022
Employees of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011 – 28/8/2012	29/8/2012 – 28/8/2021
			29/8/2011 – 28/8/2013	29/8/2013 – 28/8/2021
			29/8/2011 – 28/8/2014	29/8/2014 – 28/8/2021
	16 October 2012	HKD0.8	16/10/2012 – 15/10/2013	16/10/2013 – 15/10/2022
			16/10/2012 – 15/10/2014	16/10/2014 – 15/10/2022
			16/10/2012 – 15/10/2015	16/10/2015 – 15/10/2022

38. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The following table discloses movements of Fantasia Holdings' share options held by employees and directors of the Group during the years ended 31 December 2020 and 2019:

Category grantees	Date of grant	Vesting period	Outstanding at 1 January 2019 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2019 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2020 '000
Directors	29 August 2011	29/8/2011 – 28/8/2012	634	–	–	–	634	–	–	(62)	572
		29/8/2011 – 28/8/2013	1,268	–	–	–	1,268	–	–	(123)	1,145
		29/8/2011 – 28/8/2014	4,438	–	–	–	4,438	–	–	(431)	4,007
	16 October 2012	16/10/2012 – 15/10/2013	861	–	–	(17)	844	–	–	(3)	841
		16/10/2012 – 15/10/2014	1,722	–	–	(33)	1,689	–	–	(7)	1,682
		16/10/2012 – 15/10/2015	6,027	–	–	(116)	5,911	–	–	(23)	5,888
			14,950	–	–	(166)	14,784	–	–	(649)	14,135
Employees	29 August 2011	29/8/2011 – 28/8/2012	112	–	–	(12)	100	–	–	(11)	89
		29/8/2011 – 28/8/2013	224	–	–	(22)	202	–	–	(23)	179
		29/8/2011 – 28/8/2014	784	–	–	(80)	704	–	–	(80)	624
	16 October 2012	16/10/2012 – 15/10/2013	112	–	–	(2)	110	–	–	(3)	107
		16/10/2012 – 15/10/2014	224	–	–	(3)	221	–	–	(6)	215
		16/10/2012 – 15/10/2015	784	–	–	(12)	772	–	–	(22)	750
			2,240	–	–	(131)	2,109	–	–	(145)	1,964
Total			17,190	–	–	(297)	16,893	–	–	(794)	16,099
Exercisable at the end of the year							16,893				16,099
Weighted average exercise price (HKD)							0.82				0.81
Weighted average exercise price at the date of exercise (HKD)						0.81					

Note: No expense for the year ended 31 December 2020 and 2019 in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

39. SHARE AWARD SCHEME

The Board of Directors of the Company has adopted a share award scheme (the "Share Award Scheme") on 4 July 2016 for certain employees of the Group and consultants to the Group as incentives or rewards for their contribution to the Group by way of the Company's shares acquired by and held through an independent trustee appointed by the Company (the "Trustee") until fulfilment of special conditions before vesting.

Up to 1 January 2019, total of 1,597,000 Company's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB5,585,000 in aggregate.

During the year ended 31 December 2019, total of 2,038,000 Company's shares were acquired by the Trustee for the Share Award Scheme at a consideration of RMB7,647,000.

39. SHARE AWARD SCHEME *(Continued)*

During the year ended 31 December 2019, 1,833,000 shares held for the Share Award Scheme were awarded to eligible employees or consultants of the Group for their performance and contribution. The fair value of the awarded shares at the date of grant of RMB6,567,000 were recognised as expenses and the difference between the consideration paid and the fair value of the awarded shares of RMB130,000 was credited to retained profits.

Up to 31 December 2020 and 2019, total of 1,802,000 Company's shares acquired have not been awarded to eligible employees or consultants.

40. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debts, which includes borrowings as disclosed in note 34, senior notes and bonds as disclosed in note 35, asset-backed securities issued as disclosed in note 36, amounts due to related parties as disclosed in note 48(b), net of cash and cash equivalents, and equity attributable to owners of the Company comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, senior notes and bonds and asset-backed securities issued to ensure compliance with financial covenants.

The management of the Group reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the directors of the Company will balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debt.

41. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	**5,827,088**	4,842,417
Equity instruments designated at FVTOCI	**115,168**	121,735
Financial assets at FVTPL	**–**	3,000
Financial liabilities		
Amortised cost	**4,200,842**	3,918,582

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For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amounts due from related parties, equity instruments designated at FVTOCI, financial assets at FVTPL, pledged/restricted bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to related parties, borrowings, senior notes and bonds and asset-backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group has bank balances, bank borrowings and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective reporting period are as follows:

	2020 **RMB'000**	2019 RMB'000
Assets		
USD	**283,840**	–
HKD	**101,230**	123,995
Liabilities		
USD	**1,552,688**	655,763
HKD	**126,246**	134,367

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD and USD against RMB.

The following table details the Group's sensitivity to a 10% (2019: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2019: 10%) is the sensitivity rate used in the current year in respect of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances and bank borrowings. A negative number indicates a decrease in profit for the year where the RMB strengthens 10% against the relevant currencies. For a 10% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

Foreign currency sensitivity analysis

	2020 RMB'000	2019 RMB'000
HKD		
Increase in profit for the year	2,502	1,037
USD		
Increase in profit for the year	126,885	65,576

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on pledged bank deposits, bank balances and variable-rate borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark quoted by the leading banks for the borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, senior notes and bonds, asset-backed securities issued, lease liabilities, amount due from a fellow subsidiary, fixed-rate loan receivables and fixed-rate advances to staffs (see notes 34, 35, 36, 33, 48(b), 25, 24). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Bank balances and pledged/restricted bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances and pledged bank deposits at the end of the reporting period. A 25 basis points increase or decrease for the year ended 31 December 2020 (2019: 25 basis points) is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the year and all other variables were held constant, the Group's profit for the year would have increased/decreased by RMB4,897,000 (2019: RMB3,630,000).

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(ii) Interest rate risk *(Continued)*

Sensitivity analysis *(Continued)*

Variable-rate borrowings

The sensitivity analysis below has been determined based on the exposure to interest rate for the variable-rate borrowings at the end of the reporting period. A 50 basis points (2019: 50 basis points) increase or decrease for the year ended 31 December 2020 is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 50 basis points (2019: 50 basis points) during the year and all other variables were held constant, the Group's profit for the year would have decreased/increased by RMB586,000 (2019: RMB1,123,000).

Credit risk and impairment assessment

As at 31 December 2020 and 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables with exposure spread over a number of customers.

Payments on behalf of residents and contract assets

In order to minimise the credit risk, the Group applies internal credit rating for its customers on payments on behalf of residents and contract assets on a timely basis and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on payments on behalf of residents and contract assets based on collective basis. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of the payments on behalf of residents and contract assets with exposure spread over a number of counterparties. The payments on behalf of residents and contract assets from each counterparty contributed less than 10% of payments on behalf of residents and contract assets at the end of the reporting period.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Other receivables, loan receivables and amounts due from related parties and bank balances

The credit risk of other receivables, loan receivables, amounts due from related parties are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the related parties, including fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and other related parties.

The credit-impaired loan receivables and amount due from a joint venture are assessed for ECL individually.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

In addition, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information, including historical experience and forward-looking information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

Based on assessment under ECL model by the directors of the Company, the ECL on credit-impaired loan receivables and amount due from a joint venture for the year ended 31 December 2020 was RMB32,850,000 (2019: RMB16,250,000) and RMB12,616,000 (2019: RMB8,606,000). Details of the quantitative disclosures are set out below in this note.

For the remaining financial assets, the amount of the loss allowance at each reporting period was insignificant to the consolidated financial statements of the Group.

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For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	Notes	12m or life-time ECL	2020 Gross carrying amount RMB'000	2019 Gross carrying amount RMB'000
Financial assets at amortised cost						
– Trade receivables	N/A	(i)	24	Life-time ECL (provision matrix)	311,611	378,681
				Life-time ECL (credit-impaired and provision matrix)	293,999	336,133
					605,610	714,814
– Payments on behalf of residents	N/A	(ii)	28	Life-time ECL (collective basis)	781,990	736,584
				Life-time ECL (credit-impaired and collective basis)	464,210	318,545
					1,246,200	1,055,129
– Loan receivables	N/A	(iii)	25	12m ECL	196,001	193,224
				Life-time ECL (credit-impaired)	62,798	32,500
					258,799	225,724
– Non-current amount due from a related party	N/A	(iv)	48(b)	Life-time ECL (credit-impaired)	81,505	81,505
– Other receivables, current amounts due from related parties	N/A	(v)	24/48(b)	12m ECL	1,367,749	1,057,461
– Pledged/restricted bank balances and bank balances	AAA	N/A	30	12m ECL	2,611,894	1,934,516
Contract assets	N/A	(iv)	23	Life-time ECL (collective basis)	65,098	69,422
				Life-time ECL (credit-impaired and collective basis)	2,436	1,100
					67,534	70,522

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes:

(i) Trade receivables

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

		2020			2019		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0 – 30 days	Not credit-impaired	**0.5%**	**165,663**	**828**	0.5%	213,655	1,068
31 – 90 days	Not credit-impaired	**2.0%**	**145,948**	**2,919**	2.0%	165,026	3,301
91 – 180 days	Credit-impaired	**6.0%**	**110,932**	**6,656**	6.0%	149,192	8,952
181 – 365 days	Credit-impaired	**12.0%**	**105,687**	**12,682**	12.0%	123,863	14,864
1 – 2 years	Credit-impaired	**35.0%**	**64,374**	**22,530**	35.0%	53,374	18,681
Over 2 years	Credit-impaired	**100.0%**	**13,006**	**13,006**	100.0%	9,704	9,704
			605,610	**58,621**		714,814	56,570

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(ii) Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations. The amounts are credit-impaired and there is no realistic prospect of recovery.
Type II	Communities to which the Group provides the pre-delivery property management services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual residents and there is lower risk of default.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

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For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(ii) Payments on behalf of residents *(Continued)*

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed on collective basis as at 31 December 2020 and 2019.

		2020			2019		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Credit-impaired	**95.0%**	**120,084**	**114,080**	95.0%	94,976	90,227
Type II	Not credit-impaired	**5.0%**	**121,419**	**6,071**	5.0%	108,918	5,446
Type III	Not credit-impaired	**1.0%**	**660,571**	**6,606**	1.0%	627,666	6,277
Type IV	Credit-impaired	**20.0%**	**344,126**	**68,825**	20.0%	223,569	44,714
			1,246,200	**195,582**		1,055,129	146,664

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(iii) Loan receivables

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

As at 31 December 2019, included in loan receivables, the principal amounts of RMB32,500,000 were pledged by equity interest in the borrowers. During the year ended 31 December 2020, the pledge of equity interests were released and the allowance for credit losses amounting to RMB16,250,000 as at 31 December 2019 was reversed upon the repayment of the aforesaid loan receivables.

As at 31 December 2020, included in loan receivables, the carrying amount of RMB62,798,000 are past due, including the carrying amount of RMB17,000,000 which was pledged by land use rights in the PRC owned by a borrower. During the year ended 31 December 2019, the Group entered into several agreements with certain individual shareholders of value-added services companies, in relation to fund provision and cooperation in value-added services business. However, the aforesaid loan receivables were past due. The Group had initiated legal proceedings in relevant district courts regarding the default in repayment of debts. Up to 31 December 2020 and the date of these consolidated financial statements are authorised for issuance, the legal proceedings have not been completed. In the opinion of the directors of the Company, the risk of default by these counterparties is significantly increased and the Group provided RMB32,850,000 allowance for credit losses during the year ended 31 December 2020.

As at 31 December 2020, included in loan receivables, the principal amounts of RMB181,400,000 are settled subsequent to 31 December 2020 and the remaining balances amounting to RMB14,601,000 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

The remaining balances of loan receivables amounting to RMB196,001,000 are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

(iv) Non-current amount due from a joint venture included in amount due from related parties

During the year ended 31 December 2020, the joint venture suffered losses in the sub-leasing business and is expected that the repayment will be postponed. In the opinion of the directors of the Company, the risk of default by the joint venture is significantly increased and the Group provided RMB4,010,000 (2019: RMB8,606,000) allowance for credit losses during the year ended 31 December 2020.

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(v) Other receivables, current amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures

For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition. The balances of other receivables, current amounts due from related parties are all not past due. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant.

(vi) Contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on contract assets on a timely basis. The Group uses three categories for those contract assets which reflect their credit risk.

Category	Group definition of category
Type I	Communities which the Group consider that low risk of default because the performance of installed engineering equipment meet the Group's expectations and no financial difficulty is identified.
Type II	Communities to which the Group provides the equipment installation services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual property management offices and there is lower risk of default.
Type III	Communities which the Group consider that no realistic prospect of recovery because the performance of installed engineering equipment does not meet the Group's expectations or financial difficulty of the property management office is identified. The amounts are credit-impaired and there is no realistic prospect of recovery.

The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed on collective basis as at 31 December 2020 and 2019.

		2020			2019		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Not credit-impaired	**2.0%**	**53,104**	**1,062**	2.0%	56,218	1,124
Type II	Not credit-impaired	**5.0%**	**11,994**	**600**	5.0%	13,204	660
Type III	Credit-impaired	**95.0%**	**2,436**	**2,314**	95.0%	1,100	1,045
			67,534	**3,976**		70,522	2,829

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, senior notes and bonds and asset-backed securities issued and ensures compliance with relative covenants.

The Group relies on borrowings, senior notes and bonds and asset-backed securities issued as a significant source of liquidity.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

41. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate %	On demand or less than 3 month RMB'000	3 months to 1 year RMB'000	1 – 5 years RMB'000	Over 5 years RMB'000	Total undiscounted cash flows RMB'000	Carrying amount RMB'000
As at 31 December 2020							
Trade and other payables	**–**	**705,075**	**–**	**–**	**–**	**705,075**	**705,075**
Receipts on behalf of residents	**–**	**362,189**	**–**	**–**	**–**	**362,189**	**362,189**
Amounts due to related parties							
– interest-free	**–**	**604,003**	**–**	**–**	**–**	**604,003**	**604,003**
Lease liabilities	**6.59**	**2,255**	**6,763**	**17,226**	**8,303**	**34,547**	**26,827**
Borrowings							
– variable-rates	**4.50**	**31,678**	**127,526**	**–**	**–**	**159,204**	**156,246**
– fixed-rates	**7.66**	**95,169**	**209,448**	**564,338**	**–**	**868,955**	**800,435**
Senior notes and bonds	**9.14**	**721,841**	**891,686**	**–**	**–**	**1,613,527**	**1,552,688**
Asset-backed securities issued	**6.10**	**13,564**	**6,606**	**–**	**–**	**20,170**	**20,206**
		2,535,774	**1,242,029**	**581,564**	**8,303**	**4,367,670**	**4,227,669**
As at 31 December 2019							
Trade and other payables	–	766,433	–	–	–	766,433	766,433
Receipts on behalf of residents	–	403,862	–	–	–	403,862	403,862
Amounts due to related parties							
– interest-bearing	17.72	382	1,146	610	–	2,138	1,708
– interest-free	–	451,965	–	–	–	451,965	451,965
Lease liabilities	8.9	678	2,033	9,675	8,303	20,689	13,643
Borrowings							
– variable-rates	4.24	28,020	189,628	90,945	–	308,593	299,502
– fixed-rates	7.71	94,310	621,914	1,301,381	–	2,017,605	1,740,778
Corporate bonds	7	–	160,500	–	–	160,500	149,786
Asset-backed securities issued	6.45	64,813	26,273	20,170	–	111,256	104,548
		1,810,463	1,001,494	1,422,781	8,303	4,243,041	3,934,059

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes is variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 31 December		**Fair value hierarchy as at 31 December**	
	2020 RMB'000	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Financial assets at FVTPL	**–**	3,000	**Level 3**	Level 3
Equity instruments designated at FVTOCI	**115,168**	121,735	**Level 3**	Level 3

As at 31 December 2019, the fair value of financial assets at FVTPL, being a convertible bond, is estimated by an independent valuer through application of market approach. The key unobservable input of the valuation is the estimated price from the recent transactions of the companies engaging in similar business and expected future financial performance.

As at 31 December 2020 and 2019, the fair value of equity instruments designated at FVTOCI is estimated by an independent valuer through application of generally accepted pricing models based on discounted cash flow analysis, which involved key estimates of expected future financial performance and discount rates.

41. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values, except for the following financial liabilities, for which their carrying amounts and fair values are disclosed as follows:

	Fair value hierarchy	2020 Carrying amount RMB'000	2020 Fair value RMB'000	2019 Carrying amount RMB'000	2019 Fair value RMB'000
Unlisted senior notes	Level 3	**1,552,688**	**1,557,671**	–	–
Unlisted corporate bonds	Level 3	**–**	**–**	149,786	152,666
Asset-backed securities issued	Level 3	**20,206**	**19,608**	104,548	108,022

42. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2019

Name of subsidiaries acquired	Consideration RMB'000	Acquisition date	Equity interest acquired	Principal activities
北京達爾文國際酒店物業管理有限公司 Beijing Darwin International Hotel Property Management Co., Ltd. ("Beijing Darwin")	97,920	31 March 2019	51%	Provision of property management services
深圳市閑閑科技有限公司 Shenzhen Xianxian Technology Co., Ltd.	1,808	31 March 2019	72%	Provision of value-added services
泰安市好生活物業管理有限公司 Taian Good Living Property Management Co., Ltd.	1,700	30 September 2019	60%	Provision of property management services

During the year ended 31 December 2019, all of the acquisitions were acquired from independent third parties.

The principal activities of acquired subsidiaries are engaged in provision of property management services and value-added services and the objectives of acquisition are expansion of property management services and value-added services of the Group.

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

Total consideration transferred

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Cash	23,618	988	24,606
Deposits paid in prior years	59,168	1,500	60,668
Consideration payables due within one year included in trade and other payables	15,134	1,020	16,154
	97,920	3,508	101,428

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets accrued and liabilities recognised at the dates of acquisition are as follows:

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Property, plant and equipment	383	15	398
Interest in an associate	842	–	842
Intangible assets	82,400	1,472	83,872
Trade receivables	6,639	2,386	9,025
Other receivables and prepayments	5,454	494	5,948
Bank balances and cash	31,235	325	31,560
Contract liabilities	(18,644)	–	(18,644)
Trade payables	(4,702)	–	(4,702)
Other payables and accruals	(12,049)	(3,039)	(15,088)
Receipts on behalf of residents	(5,820)	–	(5,820)
Amounts due to non-controlling shareholders of the subsidiaries	(3,315)	–	(3,315)
Amount due to an associate	(23)	–	(23)
Tax liabilities	–	(30)	(30)
Deferred tax liabilities	(20,600)	(368)	(20,968)
	61,800	1,255	63,055

The trade receivables and other receivables acquired with a fair value of RMB14,973,000 as at the date of acquisitions during the year ended 31 December 2019, are approximate to gross contractual amount, with no significant contractual cash flows not expected to be collected.

42. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2019 *(Continued)*

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

Goodwill arising on acquisitions

	Beijing Darwin RMB'000	Others RMB'000	Total RMB'000
Consideration transferred	97,920	3,508	101,428
Add: Non-controlling interests	30,282	543	30,825
Less: Fair value of net identifiable assets acquired	(61,800)	(1,255)	(63,055)
	66,402	2,796	69,198

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

Goodwill was arisen on the acquisitions of subsidiaries during the year ended 31 December 2019, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

Intangible assets of RMB83,872,000 in relation to the acquisition of subsidiaries under property management services have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes.

Net cash outflows arising on acquisitions

	RMB'000
Cash consideration paid	(24,606)
Less: bank balances and cash acquired	31,560
	6,954

43. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

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

	Borrowings RMB'000 (note 34)	**Senior notes and bonds** RMB'000 (note 35)	**Lease liabilities** RMB'000 (note 33)	**Assets backed securities issued** RMB'000 (note 36)	**Amounts due to related parties (non-trade nature)** RMB'000 (note 41(b))	**Dividend payables** RMB'000	**Total** RMB'000
At 1 January 2020	2,040,280	149,786	13,643	104,548	451,839	–	2,760,096
Financing cash flows	(1,178,992)	1,404,125	(7,241)	(92,057)	148,830	(38,416)	236,249
Finance costs incurred	93,277	107,622	1,725	7,715	48	–	210,387
Foreign exchange translation	2,116	(108,845)	–	–	–	–	(106,729)
Issue of shares for scrip dividend	–	–	–	–	–	(103,105)	(103,105)
Dividends declared	–	–	–	–	–	141,521	141,521
Inception of leases	–	–	18,700	–	–	–	18,700
At 31 December 2020	956,681	1,552,688	26,827	20,206	600,717	–	3,157,119
At 1 January 2019	3,083,756	315,501	12,370	260,419	522,181	–	4,194,227
Financing cash flows	(1,220,003)	(182,000)	(2,600)	(181,632)	(74,106)	(241,172)	(1,901,513)
Finance costs incurred	162,869	16,285	1,270	20,861	426	–	201,711
Foreign exchange translation	13,658	–	–	–	–	–	13,658
Acquisition of subsidiaries	–	–	–	–	3,338	–	3,338
Dividends declared	–	–	–	–	–	241,172	241,172
Loss on modification of asset-backed securities issued	–	–	–	1,380	–	–	1,380
Loss on repurchase of asset-backed securities issued	–	–	–	3,520	–	–	3,520
Inception of leases	–	–	2,603	–	–	–	2,603
At 31 December 2019	2,040,280	149,786	13,643	104,548	451,839	–	2,760,096

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44. MAJOR NON-CASH TRANSACTIONS

During the years ended 31 December 2020 and 2019, pursuant to the agreements entered into with independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group.

During the years ended 31 December 2020, the carrying amounts of trade receivables of RMB6,828,000 (2019: RMB38,173,000) were settled by the customers by transfer of investment properties to the Group.

During the year ended 31 December 2020, the Group entered into certain new lease agreements for the use of office premises, which range from 2 to 4 years. On the lease commencement, the Group recognised RMB18,700,000 (2019: RMB76,751,000) right-of-use assets and RMB18,700,000 (2019: RMB2,603,000) lease liabilities.

45. CAPITAL AND OTHER COMMITMENTS

	2020 **RMB'000**	2019 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**33,517**	34,302
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**26,865**	26,672

46. RETIREMENT BENEFITS SCHEME

The Group operates Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

For the year ended 31 December 2020, the total expense recognised to the consolidated statement of profit or loss and other comprehensive income of RMB88,923,000 (2019: RMB87,047,000), respectively, represented contributions to the scheme.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at the respective reporting date are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share/ registered capital	Effective interest held by the Group		Principal activities	Legal form
		RMB'000	**2020**	2019		
Directly held:						
Tong Yuan Holdings Limited	BVI	828,880	**100%**	100%	Investment holding	Limited liability company
Indirectly held:						
Shenzhen Colour Life	PRC	100,000	**100%**	100%	Investment holding	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	90,000	**100%**	100%	Provision of value-added services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.	PRC	5,000	**100%**	100%	Provision of engineering services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.	PRC	30,000	**100%**	100%	Provision of property management services	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd.	PRC	27,000	**100%**	100%	Provision of property management services	Limited liability company
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	PRC	7,500	**97%**	87%	Provision of property management services	Limited liability company
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	7,000	**100%**	100%	Provision of property management services	Limited liability company
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua")	PRC	1,000	**51%**	51%	Provision of engineering services	Limited liability company
上海同浹物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd.	PRC	3,500	**100%**	100%	Provision of property management services	Limited liability company
杭州卓盛物業管理有限公司 Hangzhou Zhuosheng Property Management Co., Ltd.	PRC	5,000	**80%**	80%	Provision of property management services	Limited liability company
深圳市幸福萬象投資合夥企業(有限合夥) Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership)	PRC	982,000	**100%**	100%	Investment holding	Limited partnership
萬象美物業管理有限公司 Wanxiangmei Property Management Co., Ltd.	PRC	50,000	**100%**	100%	Provision of property management services	Limited liability company
Beijing Darwin^	PRC	5,000	**51%**	51%	Provision of property management services	Limited liability company

Note: The registered capital is less than RMB1,000.

^ These subsidiaries were acquired during the year ended 31 December 2019. Details are set out in note 42.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) Material subsidiaries of the Company *(Continued)*

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Except for Shenzhen Colour Life, none of the subsidiaries had issued debt securities at the end of the year.

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2020	2019
Investment holding	Cayman Islands	**2**	2
	BVI	**5**	5
	Hong Kong	**3**	3
	PRC	**11**	11
Provision of property management services	PRC	**140**	135
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of value-added services	PRC	**52**	48
Provision of engineering services	PRC	**2**	2
		217	*208*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

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

Name of subsidiary	Place of incorporation and principal place of business	Ownership interests and rights held by non-controlling interests		Profit attributable to non-controlling interests		Accumulated non-controlling interests	
		2020	2019	**2020 RMB'000**	2019 RMB'000	**2020 RMB'000**	2019 RMB'000
Shenzhen Ancaihua	PRC	**49%**	49%	**11,437**	16,757	**50,088**	41,101
Beijing Darwin	PRC	**49%**	49%	**7,617**	6,407	**35,485**	27,868
				19,054	23,164	**85,573**	68,969
Individually immaterial subsidiaries with non-controlling interests				**21,280**	13,957	**119,208**	112,848
				40,334	37,121	**204,781**	181,817

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised consolidated financial information below represented amounts before intergroup eliminations.

47. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests *(Continued)*

	Shenzhen Ancaihua		Beijing Darwin	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
Current assets	**126,309**	125,533	**60,117**	38,685
Non-current assets	**19,607**	34,619	**75,475**	79,704
Current liabilities	**25,806**	67,852	**44,633**	41,945
Non-current liabilities	**17,890**	8,420	**18,540**	19,570
Equity attributable to owners of the Company	**52,132**	42,779	**36,934**	29,006
Non-controlling interests	**50,088**	41,101	**35,485**	27,868
Revenue	**64,814**	61,222	**113,128**	107,469
Expenses	**(41,474)**	(27,024)	**(97,583)**	(94,393)
Profit for the year	**23,340**	34,198	**15,545**	13,076
Profit attributable to the owners of the Company	**11,903**	17,441	**7,928**	6,669
Profit attributable to the non-controlling interests	**11,437**	16,757	**7,617**	6,407
Dividends paid to owners of the Company	**2,550**	6,337	**–**	9,181
Dividends paid to the non-controlling shareholder	**2,450**	6,088	**–**	8,821
Net cash (outflow) inflow from operating activities	**(3,876)**	(4,386)	**(1,419)**	18,635
Net cash (outflow) inflow from investing activities	**(3,305)**	(2,604)	**63**	(222)
Net cash outflow from financing activities	**(5,000)**	(12,425)	**–**	(18,002)
Net cash (outflow) inflow	**(12,181)**	(19,415)	**(1,356)**	411

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48. RELATED PARTY DISCLOSURES

(a) Related parties transactions

Apart from the related party transactions disclosed elsewhere in these consolidated financial statements, the Group had following significant transactions with related parties:

	2020 RMB'000	2019 RMB'000
Pre-delivery services income		
Fellow subsidiaries	**10,763**	23,716
An associate of Fantasia Holdings	**1,760**	–
A joint venture of Fantasia Holdings	**2,918**	–
Consultancy services income		
Related parties	**–**	8,841
Online promotion services income		
Entities controlled by Mr. Pan Jun, a director of the Company	**23,583**	72,331
Shenzhen Yixuan, a joint venture of the Group	**5,660**	11,295
An associate	**484**	239
Other value-added service fees		
Fellow subsidiaries	**–**	5
Associates	**116**	–
Equipment installation services income		
Fellow subsidiaries	**22,128**	14,973
An associate of Fantasia Holdings	**1,670**	–
A joint venture of Fantasia Holdings	**2,396**	1,200
Associates	**57**	99
Interest expenses		
A fellow subsidiary	**48**	426

48. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	2020 **RMB'000**	2019 RMB'000
Amounts due from fellow subsidiaries	**495,197**	189,025
Amounts due from non-controlling shareholders of the subsidiaries	**101,136**	94,956
Amounts due from associates	**19,531**	19,275
Amounts due from joint ventures	**299,851**	269,560
Amounts due from related parties		
A joint venture of Fantasia Holdings	**19,478**	–
Entities controlled by Mr. Pan Jun, a director of the Company	**18,922**	50,000
An associate of Fantasia Holdings	**5,737**	4,597
Others	**8,804**	9,714
	968,655	637,127
Less: Amounts expected to realise after 1 year and shown under non-current assets	**(68,889)**	(72,899)
Amounts expected to realise within 1 year and shown under current assets	**899,766**	564,228

	2020 **RMB'000**	2019 RMB'000
Amounts due from fellow subsidiaries		
Non-trade nature	**458,392**	177,029
Trade nature	**36,805**	11,996
	495,197	189,025

For the trade balances due from fellow subsidiaries, a 30 to 90 days credit term is granted from the issuance of invoices.

NOTES TO THE FINANCIAL STATEMENTS

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48. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

The following is an aging analysis of trade amounts due from fellow subsidiaries presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

	2020 RMB'000	2019 RMB'000
0 to 30 days	**6,495**	1,235
31 to 90 days	**8,822**	2,048
91 to 180 days	**7,244**	2,041
181 to 365 days	**7,312**	4,798
Over 1 year	**6,932**	1,874
	36,805	11,996

As at 31 December 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of RMB21,488,000 (2019: RMB8,713,000) which are past due 90 days or more and not considered as in default, as the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

	2020 RMB'000	2019 RMB'000
Amounts due from non-controlling shareholders of the subsidiaries		
Non-trade nature	**101,136**	94,956
Amounts due from associates		
Non-trade nature	**19,531**	19,275
Amounts due from joint ventures		
Non-trade nature		
– Non-current	**68,889**	72,899
– Current	**230,962**	196,661
	299,851	269,560

48. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

The non-current amount due from a joint venture of RMB68,889,000 (2019: RMB72,899,000), after net off the allowance for credit losses of RMB12,616,000 (2019: RMB8,606,000) as at 31 December 2020, represented funds advanced by the Group for its purchases of property, plant and equipment. The balance is expected to be settled in three years and classified as non-current assets.

	2020 **RMB'000**	2019 RMB'000
Amounts due from related parties		
Non-trade nature	**26,802**	9,714
Trade nature	**26,138**	54,597
	52,940	64,311

For the trade balance due from related parties, one year credit term is granted from issuance of invoices. The following is an aging analysis of trade balance due from related parties presented based on the invoice date at the end of the reporting period, which approximated to the respective revenue recognition date:

	2020 **RMB'000**	2019 RMB'000
0 to 30 days	**3,632**	15,665
31 to 90 days	**6,312**	22,278
91 to 180 days	**12,531**	16,654
181 to 360 days	**3,663**	–
	26,138	54,597

The above non-trade balances with fellow subsidiaries, non-controlling shareholders of the subsidiaries, related parties, associates and joint ventures are unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

48. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

Details of impairment assessment of amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and related parties for the year ended 31 December 2020 and 2019 are set out in note 41(b).

	2020	2019
	RMB'000	RMB'000
Amounts due to fellow subsidiaries	**427,421**	341,935
Amounts due to non-controlling shareholders of the subsidiaries	**71,456**	57,647
Amounts due to associates	**23,077**	9,744
Amounts due to joint ventures	**41,459**	36,234
Amounts due to related parties	**40,590**	8,113
	604,003	453,673

	2020	2019
	RMB'000	RMB'000
Amounts due to fellow subsidiaries		
Non-trade nature	**424,135**	340,101
Trade nature	**3,286**	1,834
	427,421	341,935
Classified as:		
Non-current liabilities	**–**	126
Current liabilities	**427,421**	341,809
	427,421	341,935

Revenue from services during the year ended 31 December 2020 that was included in the contract liabilities balance at the beginning of the year was RMB1,834,000 (2019: RMB8,075,000).

48. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

As at 31 December 2019, included in the non-trade balances due to fellow subsidiaries, the amount of RMB1,708,000 represented the loans granted to the Group by Shenzhen Qianhai Fantasia Financial Co., Ltd. (深圳市前海花樣年金融服務有限公司) ("Shenzhen Qianhai"), a fellow subsidiary of the Group to purchase its equipment. The loans bears interest of 16.53% per annum and matures from 15 October 2016 to 15 September 2021. The loans are guaranteed by a subsidiary of the Group. Based on the terms of the agreement, the amount of RMB1,582,000 due in one year is classified as current liability and the amount of RMB126,000 due after one year is classified as non-current liability as at 31 December 2019. The outstanding amount was fully settled in 2020.

	2020 **RMB'000**	2019 RMB'000
Amounts due to non-controlling shareholders of the subsidiaries		
Non-trade nature	**71,456**	57,647
Amounts due to associates		
Non-trade nature	**23,077**	9,744
Amounts due to joint ventures		
Non-trade nature	**41,459**	36,234
Amounts due to related parties		
Non-trade nature	**40,590**	8,113

Except for the above amount due to Shenzhen Qianhai, the remaining amounts due to the above fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates and joint ventures are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2020

48. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2020 and 2019 were as follows:

	2020 RMB'000	2019 RMB'000
Short-term benefits	**25,397**	10,343
Post-employment benefits	**465**	366
Share-based payment expenses	**3,209**	3,471
	29,071	14,180

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

(d) Others

As at year end 31 December 2019, certain directors of the Company provided joint guarantees to the banks to secure the Group's bank borrowings amounting to RMB60,799,000 in aggregate. During the year ended 31 December 2020, the aforesaid bank borrowings were fully repaid.

49. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	2020 RMB'000	2019 RMB'000
Pledged bank deposits (note 30)	**154,118**	214,646
Property, plant and equipment	**22,825**	–
Trade receivables	**14,272**	28,944
	191,215	243,590

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2020 RMB'000	2019 RMB'000
Non-Current Assets		
Investments in subsidiaries	**553,032**	368,149
Amounts due from subsidiaries	**3,026,910**	2,477,017
	3,579,942	2,845,166
Current Assets		
Other receivables and prepayments	**1,796**	1,782
Amount due from a related party	**1**	1
Pledged bank deposits	**90,005**	94,588
Bank balances and cash	**288,890**	19,183
	380,692	115,554
Current Liabilities		
Other payables	**3,868**	25,662
Amounts due to subsidiaries	**162,279**	162,273
Senior notes	**1,552,688**	–
Borrowing due within one year	**126,246**	134,367
	1,845,081	322,302
Net Current Liabilities	**(1,464,389)**	(206,748)
Total Assets Less Current Liabilities	**2,115,553**	2,638,418
Non-current Liability		
Borrowing due after one year	**–**	655,763
Net Assets	**2,115,553**	1,982,655
Capital and Reserves		
Share capital	**118,036**	115,134
Reserves	**1,997,517**	1,867,521
Total equity	**2,115,553**	1,982,655

50. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movements in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Shares held for share award scheme RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2019	1,589,125	220,115	(5,585)	(209,450)	1,594,205
Profit and total comprehensive income for the year	–	–	–	44,180	44,180
Issue of new shares	427,009	–	–	–	427,009
Issue of shares upon exercise of share options	21	(6)	–	–	15
Dividend paid to shareholders	(210,375)	–	–	–	(210,375)
Shares repurchased for share award scheme	–	–	(7,647)	–	(7,647)
Recognition of equity-settled share-based payment	–	13,567	6,437	130	20,134
At 31 December 2019	1,805,780	233,676	(6,795)	(165,140)	1,867,521
Profit and total comprehensive income for the year	–	–	–	151,128	151,128
Issue of shares for scrip dividend	100,203	–	–	–	100,203
Dividends recognised as distributions to shareholders	(128,033)	–	–	–	(128,033)
Recognition of equity-settled share-based payment	–	6,698	–	–	6,698
At 31 December 2020	1,777,950	240,374	(6,795)	(14,012)	1,997,517

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