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KWG LIVING

KWG LIVING GROUP HOLDINGS LIMITED

Incorporated in the Cayman Islands with limited liability Stock Code: 3913

2020
ANNUAL REPORT

ENJOY LIFE
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Contents

Corporate Information and Financial Calendar

Corporate Information

Board of Directors

Executive Directors
KONG Jiannan *(Chief Executive Officer)*
YANG Jingbo
WANG Yue

Non-executive Director
KONG Jianmin *(Chairman)*

Independent Non-executive Directors
LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum

Audit Committee

LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Remuneration Committee

KONG Jiannan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Nomination Committee

KONG Jianmin *(Chairperson)*
FUNG Che Wai, Anthony
NG Yi Kum

Company Secretary

CHAN Ching Nga

Authorised Representatives

KONG Jiannan
CHAN Ching Nga

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Compliance Advisor

Maxa Capital Limited

Legal Advisors

As to Hong Kong law: Sidley Austin
As to Cayman Islands law: Conyers Dill & Pearman

Registered Office

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

Principal Place of Business in Hong Kong

Unit 8205A, Level 82, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Principal Share Registrar

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

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
China Construction Bank Corporation
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited

Website

www.kwgliving.com

Stock Code

3913

Financial Calendar

Annual results announcement: 22 March 2021

Closure of register of members (for ascertaining shareholders' entitlement to attend and vote at annual general meeting):
31 May 2021 to 3 June 2021 (both days inclusive)

Annual general meeting: 3 June 2021

Ex-dividend date for final dividend: 19 July 2021

Closure of register of members (for ascertaining shareholders' entitlement to final dividend):
21 July 2021 to 23 July 2021 (both days inclusive)

Final dividend payable: on or around 6 August 2021

Corporate Profile

The history of KWG Living Group Holdings Limited ("**KWG Living**" or the "**Company**", together with its subsidiaries, collectively the "**Group**" or "**KWG Living Group**" can be traced back to 2004. Its shares (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3913) on 30 October 2020 (the "**Listing Date**").

The Group is a leading comprehensive smart property service operator in China. Over nearly past 20 years, the Group has formulated a regional layout with core regions including the Greater Bay Area, Yangtze River Delta and Mid-western China, and its services cover diversified businesses involving residence, shopping malls, office buildings, hospitals and schools. At the same time, the Group proactively establishes a service system of standardization and scientific technology to continuously improve its services efficiency and service quality enabled by technology, through which it enhances its market position and comprehensive competitiveness year by year and was awarded the honour as "the top 10 leading companies in terms of service quality among the 2020 Top 100 Property Management Companies in China" in 2020 by Service Quality China Index Academy.

On the other hand, with the successive delivery of commercial projects from KWG Group Holdings Limited ("**KWG Holdings**", together with its subsidiaries, collectively "**KWG Group**"), the Group accumulated its commercial operation capability rapidly in recent years and its operation involves Chengdu U-fun, Beijing M • Cube, Suzhou U-fun, Guangzhou ifp and other commercial projects. In addition, the commercial operation capabilities of the Group service third-party developers through assets-light output and received well market recognition.

Looking forward, the Group will fully leverage every industry opportunity to realize rapid scale business growth to further consolidate its scalable effects and market position through active mergers and acquisitions, external expansion and assets-light output strategies. On the other hand, the Group will render diversified value-added services focusing on property owners' needs for food, clothing, housing and transportation and realize the linkages among residences, commercial properties, public facilities and other businesses for the purpose of providing all-around quality experience relating to living, shopping and works for property owners as well as achieving the Group's faster rapid development.

Financial highlights

	For the year ended 31 December		
	2020 **RMB'000**	2019 RMB'000	Change
Key financial information			
Revenue	**1,517,227**	1,124,878	34.9%
Gross profit	**638,548**	419,828	52.1%
Profit for the year	**323,689**	184,987	75.0%
Attributable to:			
— Owners of the parent	**323,083**	184,887	74.7%
— Non-controlling interests	**606**	100	506.0%
Net profit (excluding the listing expenses) attributable to owners of the parent	**350,515**	188,030	86.4%
Earnings per share attributable to ordinary equity holders of the parent			
— Basic and diluted (express in RMB cents per shares)	**19**	11	72.7%

	As at 31 December		
	2020 **RMB'000**	2019 RMB'000	Change
Total assets	**4,228,532**	1,962,186	115.5%
Total liabilities	**1,235,057**	1,564,758	−21.1%
Total equity	**2,993,475**	397,428	653.2%

Residential property management services:

Year	Award	Project/Branch	Institution
May 2020	2020 China Leading Property Management Companies specialized in providing diversified and comprehensive services	Property management segment of KWG Group	China Index Academy
May 2020	Leading Companies in terms of service quality among the 2020 Top 100 Property Management Companies in China (Ranked 10th)	Property management segment of KWG Group	China Index Academy
May 2020	2020 Top 100 Property Management Company in China (Ranked 17th)	Property management segment of KWG Group	China Index Academy
May 2020	2020 Leading Companies in terms of marketization operation in Property Management Industry in China (Ranked 2nd)	Property management segment of KWG Group	China Index Academy
September 2020	2020 Specialized Operational Leading Brand of China Property Service Companies	KWG Living Group	China Index Academy
September 2020	2020 Featured Service Brand of China Property Service Companies (smart services for all round businesses)	KWG Living Group	China Index Academy
September 2020	2020 Top 100 Most Valuable Brand of Property Service Companies	KWG Living Group	China Property Management Research Institution
September 2020	2020 Branded Property Management Companies in Southern China (Ranked 20th)	KWG Living Group	China Property Management Research Institution
November 2020	2020 China Real Estate Gold Property Award	KWG Living Group	Time Weekly
December 2020	2020 Leading Enterprises in the Property Management Market of the Greater Bay Area (Ranked 9th)	KWG Living Group	China Index Academy
December 2020	2020 Excellent Property Management Operators in China — leading digital operation enterprises of property services in China	KWG Living Group	China Index Academy
December 2020	2020 Office Building with Five-star Property Management Services in China — KWG International Finance Plaza	KWG Living Group	China Index Academy
December 2020	2020 Communities with Five-star Property Management Services — Guangzhou Cosmos	KWG Living Group	China Index Academy

Non-residential property management and commercial operational services:

Year	Award	Project/Branch	Institution
January 2020	Sales Star Award of New Media in Shopping Mall Industry in 2019	Suzhou U-fun	Mall China
January 2020	2019 Fashion and Innovative Commercial Project of the Year	Chengdu U-fun	Chengdu Fashion Ceremony (成都時尚大典)
February 2020	Advanced Working Group for Anti-epidemic and Epidemic Prevention at Liede Street	Guangzhou Metropolitan Plaza	The Liede Sub-district Office
February 2020	Business Pioneer Award for Fighting against the COVID-19 epidemic in Chengdu — Advanced Group	Chengdu U-fun	Chengdu Retailers Business Association
February 2020	2020 Boutique Community Business	Chengdu U-fun	Chengdu Retailers Business Association
February 2020	2020 Economic Scenes of Fashion Night	Chengdu U-fun	Chengdu Retailers Business Association
February 2020	2020 Social Value Contribution Award	Chengdu U-fun	Chengdu Retailers Business Association
February 2020	2020 Innovation and Planning Team Award	Chengdu U-fun	Chengdu Retailers Business Association
June 2020	2019 High Growth Commercial Property Enterprise of the Year	KWG Living Group	Linkshop.com
June 2020	Most Looking Forward Commercial Project in 2020	Chengdu M • Cube	Linkshop.com
June 2020	Super Grade-A Business Office Building	Guangzhou KWG International Finance Plaza	Guangzhou Association of Building Economy Promotion
June 2020	Grade-A Business Office Building	Guangzhou International Commerce Place Guangzhou Metropolitan Plaza	Guangzhou Association of Building Economy Promotion
August 2020	2019–2020 Leading Company in Commercial Property of the Year	KWG Living Group	Winshang.com
September 2020	2020 Commercial Property Companies in China in terms of Brand Value (Ranked 8th)	KWG Living Group	China Index Academy
September 2020	2020 Commercial Property Projects in China in terms of Brand Value (Ranked 8th)	Chengdu U-fun	China Index Academy

Year	Award	Project/Branch	Institution
October 2020	2020 Innovative Technology of the Year Award in Shopping Mall Industry	KWG Living Group	Mall China
October 2020	2019–2020 Special Contribution Award for the First Store Introduction	Chengdu U-fun	Organization committee of the first store economic conference in Chengdu
November 2020	2020 Most Influential Commercial Property Enterprise of the Year in China	KWG Living Group	Guandian
November 2020	2020 Commercial Property in China in terms of Innovative Capability of the Year (Ranked 13th)	KWG Living Group	Guandian
November 2020	2020 Commercial and Office Operators in China (Ranked 10th)	KWG Living Group	Guandian
December 2020	2020–2021 Benchmark Project of Commercial Property Sector in China	Suzhou U-fun	China Index Academy
December 2020	Looking Forward To Experience Landmark Project of the Year	Guangzhou Knowledge City U-fun	Winshang.com
December 2020	2020 Fashion List — Popular Shopping Malls in Top 10 Cities	Chengdu U-fun	Pop Life
December 2020	"Power of Cities" organized by Tencent in 2021 — Tianfu Forum pays respect to Urban Pioneers	Chengdu U-fun	Tencent
December 2020	Aesthetic Appreciation of Chengdu in 2020 — The Speed of Chengdu in 2020	Chengdu U-fun U8 Pub Street	YOU Chengdu
December 2020	2020 Business General Review List of Fashion Chengdu — Grand Regional Influence Award	Chengdu U-fun	Chengdu Business Daily
December 2020	2020 Weibo Leap Award — Contribution Award of the Year	Chengdu U-fun	Sina Weibo

Chairman's Statement

“We will continue to explore people's yearning for quality life. Our operation and services are conducted and rendered with dedicate efforts striving to bring a brand new and happy experience. By leveraging our industry leading professional operation and service capability, we enable asset value appreciation for customers and creates investment value for shareholders as well.

Dear Shareholders,

2020 was a year of extreme volatility with the novel coronavirus pandemic ("**COVID-19**") ravaging the world and bombarded the global economy and people's livelihoods.

2020 was a year of gaining trust, with property management personnel guarding the safety of the community, their measures in the disinfection, distribution, and active co-operation with the government in the prevention and control of COVID-19 have won the recognition and trust of property owners.

2020 was also a year of value creation, with KWG Living setting the foothold on Hong Kong stock capital market on 30th October, achieved rapid business development and realized outstanding performance standard.

I am pleased to announce the annual results of KWG Living for the year. For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB1,517.2 million, representing a year-on-year increase of 34.9%. At the same time, thanks to the enhancement of operational efficiency, for the year ended 31 December 2020, the gross profit margin of the Group increased by 4.8 percentage points to 42.1%, with its profitability further enhanced. Driven by both the revenue and gross profit margin, for the year ended 31 December 2020, the Group achieved a net profit (excluding listing expenses) attributable to owners of parent of RMB350.5 million, representing a year-on-year increase of 86.4%, indicating a strong growth momentum.

1. Fully seizing industry opportunities to achieve rapid expansion of GFA under management

After the Listing, we have acquired Guangzhou Runtong Property Management Company Limited ("**Guangzhou Runtong**") and entered into an acquisition agreement with Cedar Technology Group Co., Ltd.* (雪松智聯科技集團有限公司) ("**Cedar**"). After completing the acquisition of the 86 million square meters portfolio of Cedar, our gross floor area ("**GFA**") under management will reach approximately 127 million square meters, representing nearly two-fold increase as compared with the end of 2020, realising the rapid expansion of our own scale of operations.

At the same time, we are also actively improving our external expansion capabilities. Through the information collection by front-line property management staff, with the implementation of regional business department, and the empowerment supported by the headquarters, we formed a relatively matured expansion road map. Furthermore, during the acquisition process, we usually reserved a part of equity interests for the original shareholders, and encourage original shareholders to refer more market resources to us through interests sharing. Through the dual drive of mergers and acquisitions + external expansion, we are very confident that we can achieve the target of 200 million square meters of GFA under management in 2021.

In recent years, due to labour costs increase, those small property management companies without any service efficiency and brand advantages are facing tremendous challenges. With the help of capital, leading companies with operational efficiency and competitive advantages have commenced industry integration. Being in the wave of mergers and acquisitions in the property management industry, we will definitely seize the industry opportunities to realise leap-forward development in the course of our development.

2. Forming a diversified layout with comprehensive business portfolio to continue increasing project density in cities

From managing "property" to servicing "property owners", and from the management of "projects" to the operation of "cities", the boundaries of the property management industry are constantly being broadened and the service scope is becoming more and more enriched. Therefore, the future industry competition will be more of a competition of comprehensive strengths and not only confine to a single sector.

After two decades of operation and development, KWG Living has accumulated extensive residential and commercial property management experience and capabilities, and got entrance into the public facilities sector to manages public facilities projects such as hospitals and schools. Hence, after completing the acquisition of Cedar, our public facilities service capabilities will be further improved, and we will build a full range of management and service capability with comprehensive business portfolio focusing on residential, commercial and public facilities, so as to lay a foundation for undertaking future larger and comprehensive projects.

On the other hand, we further penetrate the development in the Greater Bay Area and the Yangtze River Delta and continue to increase our market share in Midwest China. The aforesaid regions are developed economies, with high population density and high per capita disposable income, indicating a good regional layout of our business. In 2020, we focused on the expansion of the aforesaid regions. Owing to the increase in projects density in cities, we achieved better regional synergy and economies of scale.

3. Realizing the improvement of service efficiency and customer satisfaction and formulating cross-businesses cooperation ecosystem through digital management and controlling

We always adhere to the strategic goal of improving service efficiency by means of standardization, digitization, and technology. On one hand, we have formulated a standardized management system of tri-service standards: Ning Service (寧享)+, Jun Service (駿享)+, and Zhen Service (臻享)+, and formed a closed-loop management of property management services covering service content, service frequency, service evaluation and information feedback, laying a foundation for subsequent model replication and rapid expansion.

More important, we have established a powerful digital platform with formulating three large sectors, including operation center, service center and asset management center. The purposes including standard management, resources sharing, efficiency increasing and cost reduction, service experience improvement have been realized through several approaches, such as process standardization, financial integration, order-oriented service, monitoring in a timely manner and interest aligning.

Meanwhile, we have developed the Internet of Things technologies such as "Jun" surveillance (駿天眼), "Traffic Management Cloud" (車管雲)" and "EBA equipment monitoring system". Since digital platform and Internet of Things have been used in more widely sectors, we reduce the dependence of property management services on labour, improve the strength and efficiency of management control of the headquarters on property projects, and achieved the dual improvement of service quality and service efficiency. In 2020, our customer satisfaction rate reached over 90%, representing a year-on-year increase of 4 percentage points. Thanks to the wider application of technology systems and on the premises of ensuring service quality, our gross profit margin increased to 42.1% in 2020, representing a year-on-year increase of 4.8 percentage points.

Owing to the technology empowerment, more repetitive inspections and on-duty work are replaced by equipment, and front-line property management staff can devote more time paying visit and maintaining the rapport with property owners. Based on the trust of our high-quality services, property owners are willing to entrust us to search for service providers for all aspects of life on their behalf, such as renovation of home decoration and door-to-door repairs, thereby achieving rapid growth in value-added services. In 2020, revenue from our community value-added services increased by 86.6% year-on-year to RMB289.9 million.

After completing the acquisition of Cedar in 2021, the community value-added business of KWG Living will gradually promote to the 31 million property owners served by Cedar, and our community value-added business will enjoy greater potential for growth. In particular, we will make cooperation with regional leading enterprises to integrate space resources and service resources and mainly focus on the home decoration business, domestic service business, community group purchase, advertising business and asset management business in future for the purpose of formulating cross-businesses cooperation ecosystem of KWG Living and achieving the rapid development of the entire sector.

Furthermore, the policy benefits for the property management industry in 2020 tended to be very appealing. All of the policies from the "Opinions of the Ministry of Housing and Urban-Rural Development and Other Departments on Promoting the Development of Community-based Elderly Services by the Property Service Enterprises (《住房和城鄉建設部等部門關於推動物業服務企業發展居家社區養老服務的意見》)" to the "Opinions on Promoting to Accelerate the Development of Online and Offline Life Services by Property Service Enterprises (《關於推動物業服務企業加快發展線上線下生活服務的意見》)", and then the "Notice on Strengthening and Improving the Management of Residential Property (《關於加強和改進住宅物業管理工作的通知》)" have clearly encouraged property management companies to develop online + offline value-added services, and provide good external support for the development of community value-added business.

4. Market recognition of commercial property management and operational services and implementing asset-light services developed by third parties

With people's living standards improving, there is also robust demand for high-quality commercial operational services, and this has provided good development conditions for our non-residential property management and commercial operational services. Despite the impact of COVID-19 on the operation of shopping malls and office buildings to a certain extent in 2020, the sales amount of shopping malls under the Group's operation increased by 8% year-on-year for the whole year, and increased by 23% year-on-year if comparing the second half year alone, thanks to the timely national epidemic control, and active marketing and promotion strategies adopted by us after the epidemic was mitigated in the second quarter. The office buildings under our operation are mostly A and A+ office buildings due to their high-end positioning, and customers are relatively stable, therefore the overall occupancy rate of office buildings remained at 90%. With driving force of aforesaid factors, in 2020, the non-residential property management and commercial operational services maintained a sound growth momentum and achieved a revenue of RMB454.9 million for the entire year, in which the revenue from commercial operation increased to RMB96.6 million, representing a year-on-year increase of 126.9%, demonstrating strong growth momentum.

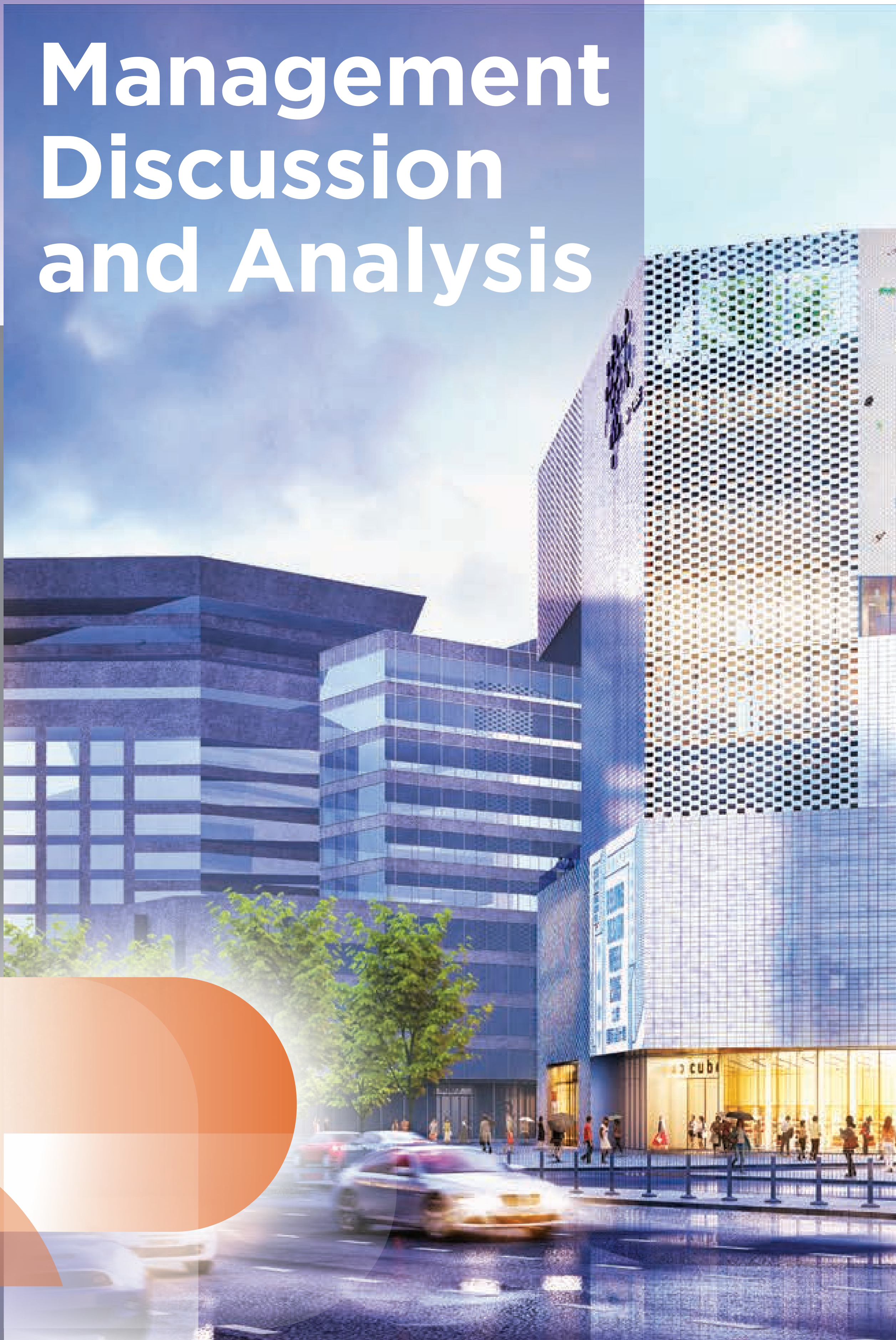
Moreover, according to the 2020 China Top 100 Players of the Commercial Real Estate & Rewards of the Year published by Guandian Index Academy, we were honoured as the 2020 Most Influential Commercial Property Enterprise of the Year in China, 2020 Commercial Property in China in terms of Innovation Capability of the Year (Ranked 13th) and Top 10 among 2020 Commercial and office operators in China. Attributed to the continuous accumulation of commercial property management and operational capabilities of KWG Living, in 2020, we decided to start cooperating with third-party developers to provide commercial property management and operational services through the entrusted asset-light model. We entered into a service contract with a developer in Tangshan, Hebei for a total GFA of 136,000 square meters to provide a series of services, such as positioning, design, renovation and tenant solicitation prior its opening, as well as the continuous operations and property management services subsequent to its opening, which proved the market competitiveness and recognition of our commercial operational services. In the future, with the successive delivery and opening of commercial projects of KWG Group, as well as the rapid promotion of entrusted asset-light project developed for third party developers, the commercial segment will enjoy a broad growing prospect.

On the other hand, the synergy effects of commercial properties and residential properties have gradually emerged recently. Through the "CoKWG" platform, we provide discounts to residential property owners for members' shopping, as well as limited-time free parking in shopping malls and office buildings, forming property owners customer flow within the residences, shopping malls and office buildings, and fulfilled the all-round needs of property owners in living, shopping and work, thereby realizing the linkage among multiple business portfolios, and laying a foundation for the further diversified development of value-added businesses in future.

5. Future outlook

2020 marked the first year of KWG Living as a publicly listed company, and also a new starting point of our new startup. We are grateful for the support of every shareholder, and deeply mindful of the responsibilities that we undertake. We will surely reward every shareholder with more executive actions, more quality services and more innovative businesses for their trust! With fire in our hearts and light in our eyes, we will never compromise but upholding our mission.

Management Discussion and Analysis




MICHAEL

Business Review

Business Model

The Group generated revenue primarily from two business segments.

Residential Property Management Services

The Group provides residential property management services, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and

- community value-added services such as (i) common area value-added services; (ii) home-living services to property owners and residents; and (iii) property agency services to property developers and property owners. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Non-residential Property Management and Commercial Operational Services(1)

The Group manages and operates a diversified portfolio of non-residential properties mainly including commercial properties and public facilities. The Group provides:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- non-residential property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. The Group collects property management fees for such services;

- commercial operational services such as preliminary planning and consultancy services, tenant sourcing services, tenant management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to operation of office buildings; and (iii) a fixed service fee on a per sq.m. basis for its preliminary planning and consultancy services and tenant sourcing services; and

- other value-added services primarily including common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

The table below sets forth the breakdown of the Group's total revenue by business segment:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Residential property management services	**1,062,367**	759,234
Non-residential property management and commercial operational services	**454,860**	365,644
Total	**1,517,227**	1,124,878

(1) In 2020, the Group expanded its businesses into public facilities properties management services sector. The Group also provided operational services to commercial projects, including office building and shopping malls as well. Therefore, the Group has renamed its commercial property management and operational service as non-residential property management and commercial operational service.

Residential Property Management Services

Overview

The Group managed all of the residential properties solely developed by KWG Group. The Group also managed residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, the Group expanded its business scale through tender and bidding, and mergers and acquisitions proactively and provided property management services to increasing number of residential properties developed by third-party property developers. In 2020, its revenue from the residential property management service segment increased to RMB1,062.4 million from RMB759.2 million in 2019, representing a year-on-year increase of 39.9%. In 2020, revenue generated from the residential property management service segment accounted for 70.0% of the Group's total revenue.

The table below sets forth a breakdown of the Group's revenue from residential property management service segment by service line:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Pre-sale management services	**258,921**	221,810
Property management services	**513,573**	382,047
Community value-added services	**289,873**	155,377
Total	**1,062,367**	759,234

Growth of Residential Property Management Services Portfolio

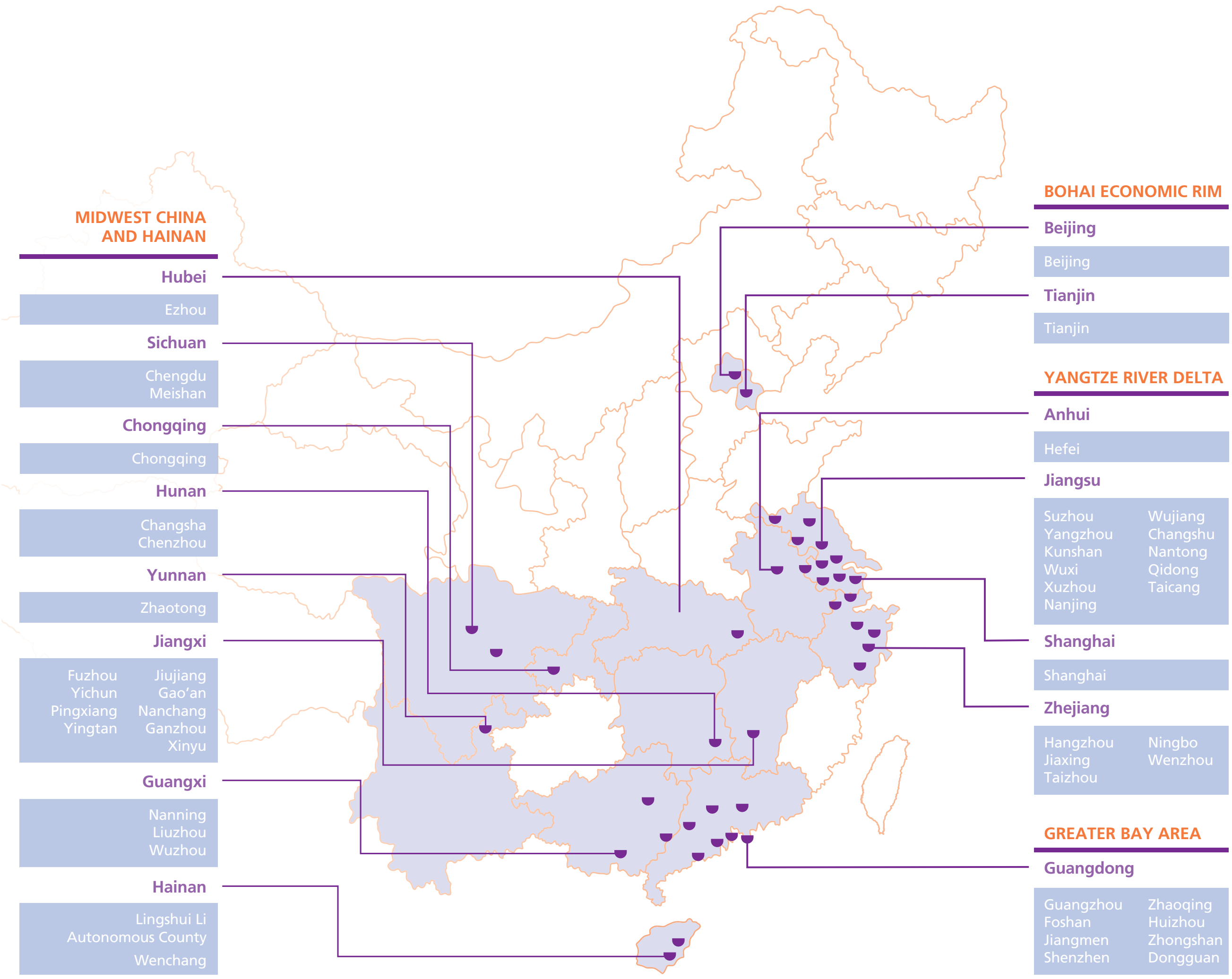
The Group had been expanding its residential property management service business in 2020 primarily through obtaining new service engagements from property developers or property owners' associations and acquiring local property management companies with complementary business profile and industry experience.

The table below sets forth the movements of the Group's residential contracted GFA and GFA under management as of the dates indicated:

	Year ended 31 December			
	2020		2019	
	Aggregate contracted GFA (sq.m.'000)	**GFA under management (sq.m.'000)**	Aggregate contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
At the beginning of the period	**29,623**	**18,346**	21,205	11,773
Additions	**10,164**	**11,191**	8,418	6,573
Terminations	**416**	**416**	—	—
At the end of the period	**39,371**	**29,121**	29,623	18,346

Geographic Presence of Residential Property Management Services Portfolio

The map below illustrates the cities in which the residential properties under the Group's management or contracted to manage were located as of December 31, 2020:



The following table illustrates the location of the residential properties under the Group's management or contracted to manage by city level:

Top-tier cities	Newly emerged top-tier cities		Second-tier cities		Others			
Beijing	Tianjin	Nanjing	Ningbo	Nantong	Ezhou	Wenchang	Yichun	Taicang
Shanghai	Chengdu	Hangzhou	Wuxi	Xuzhou	Meishan	Yangzhou	Ganzhou	Jiangmen
Guangzhou	Chongqing	Hefei	Wenzhou	Zhongshan	Chenzhou	Kunshan	Gao'an	Zhaoqing
Shenzhen	Suzhou	Dongguan	Nanning	Taizhou	Zhaotong	Changshu	Xinyu	Liuzhou
	Foshan	Changsha	Huizhou	Nanchang	Lingshui Li Autonomous County	Wujiang	Pingxiang	Wuzhou
			Jiaxing			Jiujiang	Fuzhou	
						Yingtan	Qidong	

Since the inception of its residential property management services, the Group had established strong footprint in the Greater Bay Area and expanded its geographic presence to 49 cities or autonomous county in China as of 31 December 2020. As of 31 December 2020, the Group managed a total of 183 residential properties and had been contracted to manage 222 residential properties. As at 31 December 2020, among the residential GFA under the Group's management, 57.2% of which are clustered in the more economically developed regions in China such as the Greater Bay Area and the Yangtze River Delta, which demonstrates a sound regional layout.

The table below sets forth a breakdown of the Group's total GFA under management with respect to residential properties as of the dates indicated, and total revenue generated from residential property management services for the periods indicated by geographic region:

	Year ended 31 December					
	2020			2019		
	Revenue (RMB'000)	**%**	**GFA under management (sq.m.'000)**	Revenue (RMB'000)	%	GFA under management (sq.m.'000)
Greater Bay Area	**454,361**	**42.8**	**11,164**	324,726	42.8	9,741
Yangtze River Delta[1]	**281,363**	**26.5**	**5,489**	201,782	26.6	4,583
Midwest China and Hainan[2]	**238,196**	**22.4**	**11,373**	158,020	20.8	2,995
Bohai Economic Rim[3]	**88,447**	**8.3**	**1,095**	74,706	9.8	1,027
Total	**1,062,367**	**100.0**	**29,121**	759,234	100.0	18,346

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Hainan Province and Chongqing Municipality.

(3) Include Beijing Municipality and Tianjin Municipality.

Community Value-added Services

The Group renders services to a vast number of property owner groups by providing property management services. A large number of customers enjoy their lives, works, businesses and studies in the properties where the Group renders its services, this forms the potential market for promoting its value-added services.

The Group has obvious advantages when it promotes its value-added services as its customers have trusts on it through its daily interactive communications with them as well as by leveraging the quality property management service, close natural distance and its service advantages of quick response.

The Group also provides community value-added services in the process of providing residential property management services for the purpose of offering more convenient, meeting the requirements of property developers, property owners and residents under its management as well as giving full play to its operation advantages. Such community value-added services mainly include: 1) common area value-added services; 2) home-living services; and 3) property agency services. In 2020, the Group's revenue from the community value-added business reached RMB289.9 million, representing a year-on-year increase of 86.6% and demonstrating a sound growth.

Non-residential Property Management and Commercial Operational Services

Overview

The Group provided property management services to non-residential properties, including commercial and public facilities properties, and provided commercial operational services to commercial properties, including office building and shopping malls. The Group provided property management services to non-residential properties solely developed by KWG Group. The Group also managed non-residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, the Group provided property management services for non-residential properties developed by third-party developers through tender and bidding, and mergers and acquisitions. In 2020, the Group's revenue from the non-residential property management and commercial operational service segment increased to RMB454.9 million from RMB365.6 million in 2019, representing a year-on-year increase of 24.4%. In 2020, revenue generated from the non-residential property management and commercial operational service segment accounted for 30.0% of the Group's total revenue.

The table below sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational service segment by service line:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Pre-sale management services	**24,794**	21,342
Property management services	**279,740**	259,766
Commercial operational services	**96,606**	42,570
Other value-added services	**53,720**	41,966
Total	**454,860**	365,644

Growth of Non-residential Property Management Services Portfolio

The Group had been expanding its non-residential property management service business primarily through obtaining new service engagements from property developers and acquiring local property management companies with complementary business profile and industry experience.

In December 2020, the Group acquired 80% equity interests in Guangzhou Runtong. Guangzhou Runtong mainly provides property management services for public facilities projects, which are mainly located in the Greater Bay Area, especially in cities like Guangzhou, Zhuhai, Foshan and Jiangmen.

Guangzhou Runtong has extensive experience and professional service system in the public facilities service sector, such as hospital and school. This acquisition will help the Group penetrating into the public facilities sector, enabling it to diversify its business mix. At the same time, its projects are mainly located all over the Greater Bay Area, which can generate sound economies of scale for its existing projects to achieve improvements both in service efficiency and service quality.

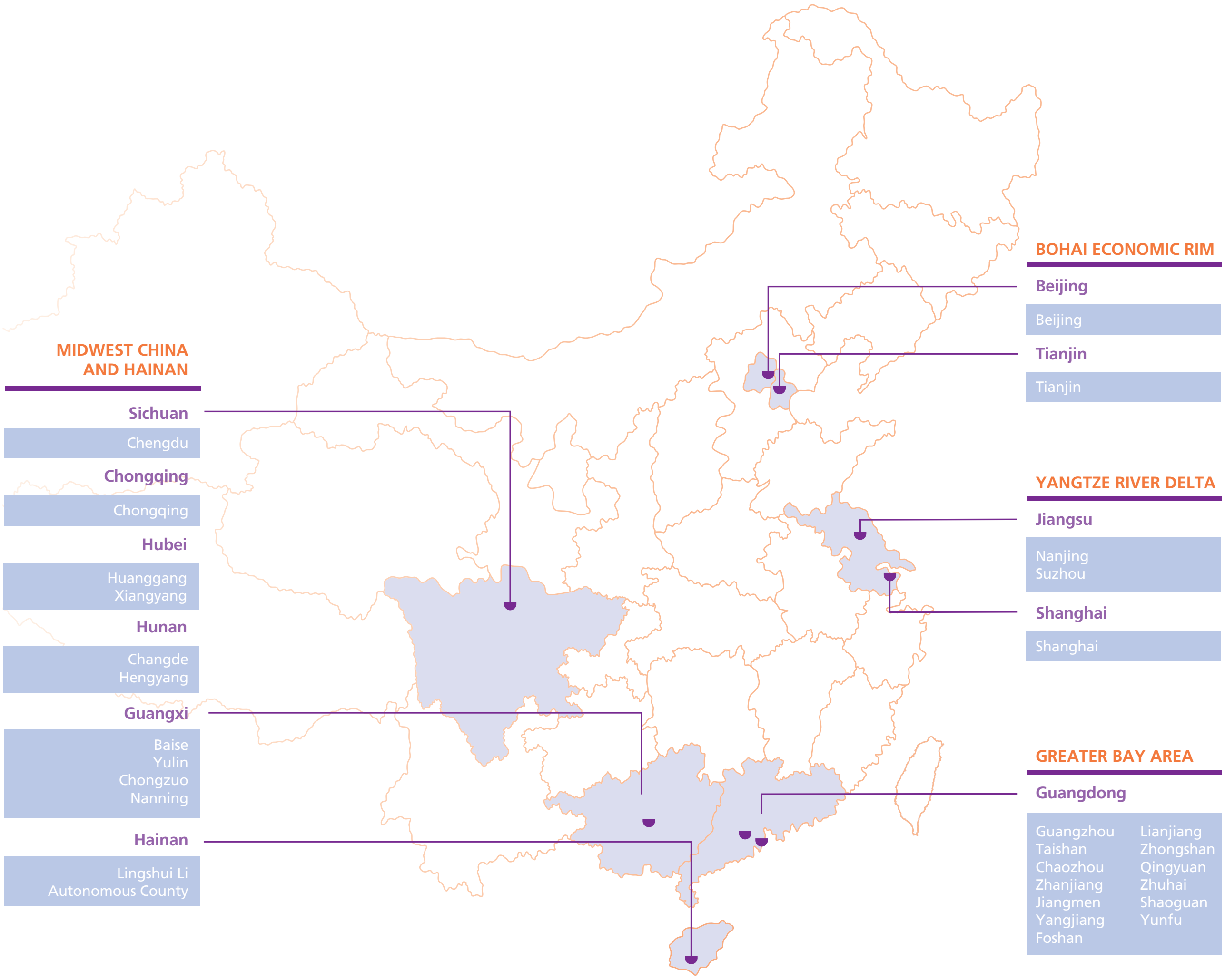
As of 31 December 2020, the accumulative GFA under management of the Group's non-residential properties was 12.5 million sq.m., including 5.4 million sq.m. of commercial properties and 7.1 million sq.m. of public facilities.

The table below sets forth the movements of the Group's non-residential contracted GFA and GFA under management as of the dates indicated:

	Year ended 31 December			
	2020		2019	
	Aggregate contracted GFA (sq.m.'000)	**GFA under management (sq.m.'000)**	Aggregate contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
At the beginning of the period	**4,454**	**3,268**	3,509	2,031
Additions	**9,589**	**9,182**	945	1,237
At the end of the period	**14,043**	**12,450**	4,454	3,268

Geographic Presence of Non-residential Property Management Services Portfolio

The following map illustrates the location of the properties under the Group's management or contracted to manage as at 31 December 2020:



The following table illustrates the location of the non-residential properties under the Group's management or contracted to manage by city level:

Top-tier cities	Newly emerged top-tier cities		Second-tier cities	Others				
Beijing	Suzhou	Nanjing	Nanning	Lingshui Li Autonomous County	Huanggang	Chaozhou	Shaoguan	Yunfu
Shanghai	Tianjin	Chongqing	Zhuhai		Xiangyang	Jiangmen	Taishan	Baise
Guangzhou	Foshan		Zhongshan		Changde	Lianjiang	Zhanjiang	Yulin
	Chengdu				Hengyang	Qingyuan	Yangjiang	Chongzuo

Since the inception of its non-residential property management and commercial operational services in 2006, the Group had established strong footprint in the Greater Bay Area and expanded its geographic presence nationwide. The non-residential properties could be found in 29 cities or autonomous county including major cities such as Beijing, Shanghai, Chengdu, and Suzhou as of 31 December 2020. As of 31 December 2020, the Group managed a total of 172 non-residential properties and had been contracted to manage 178 non-residential properties. As of 31 December 2020, 72.5% of the non-residential GFA under the Group's management are clustered in the Greater Bay Area and the Yangtze River Delta. The aforesaid regions provide good external business environment for the Group's non-residential property management and commercial operation services due to its more economically developed regions and high disposable income per capita.

The table below sets forth a breakdown of the Group's total GFA under management with respect to non-residential properties as of the dates indicated, and total revenue generated from non-residential property management and commercial operational services for the periods indicated by geographic region:

	Year ended 31 December					
	2020			2019		
	Revenue (RMB'000)	**%**	**GFA under management (sq.m.'000)**	Revenue (RMB'000)	%	GFA under management (sq.m.'000)
Greater Bay Area	**148,193**	**32.6**	**8,098**	123,944	33.9	1,820
Yangtze River Delta[(1)]	**121,330**	**26.7**	**931**	106,143	29.0	625
Midwest China and Hainan[(2)]	**155,355**	**34.1**	**3,353**	106,651	29.2	784
Bohai Economic Rim[(3)]	**29,982**	**6.6**	**68**	28,906	7.9	39
Total	**454,860**	**100.0**	**12,450**	365,644	100.0	3,268

Notes:

(1) Include Shanghai Municipality and Jiangsu Province.

(2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality and Tianjin Municipality.

Portfolio of Commercial Properties under Commercial Operational Services

The Group provides commercial operational services to certain commercial properties including shopping malls and office buildings under our management. Details of which are set out below:

Shopping Malls

In Operation

The table below sets forth certain information of each of the shopping malls to which the Group provided commercial operational services and was in operation as of 31 December 2020 by brand name:

Project[(1)]	Opening date[(2)]	Location	GFA[(3)] sq.m.
U-fun (悠方)			
1. Yushan (譽山)	October 2018	Guangzhou	20,358
2. Longjing (瀧景)	December 2019	Foshan	13,545
3. Suzhou (蘇州)	April 2018	Suzhou	179,930
4. Chengdu (成都)	May 2018	Chengdu	231,526[(4)]
5. Nansha (南沙)	June 2019	Guangzhou	95,087
M • CUBE (摩方)			
1. Beijing (北京)	October 2018	Beijing	44,195
2. Chengdu (成都)	October 2020	Chengdu	67,291
Total			651,932

Notes:

(1) Yushan U-fun, Suzhou U-fun, Chengdu U-fun, Chengdu M • CUBE and Beijing M • CUBE projects were solely developed and owned by KWG Group. Longjing U-fun and Nansha U-fun was jointly developed by KWG Group and an independent third party.

(2) The Group typically starts to provide preparation stage services such as preliminary planning and consultancy services and tenant sourcing services before the opening of a shopping mall.

(3) This represents the GFA to which the Group provided commercial operational services.

(4) Chengdu U-fun commenced its new operation of U8 Pub Street in 2020, therefore its GFA grew by 1,995 sq.m..

Not Yet in Operation

The table below sets forth certain information of the shopping mall for which the Group had been engaged to provide commercial operational services as of 31 December 2020. This commercial property project had not commenced operation as of 31 December 2020:

Project	Expected Opening date[1]	Location	GFA[2] sq.m.
Guangzhou Knowledge City U-fun (廣州知識城悠方)	June 2021	Guangzhou	77,138
Chongqing U-fun (重慶悠方)	December 2021	Chongqing	101,707
Tangshan Colour Fun (唐山彩立方)[3]	August 2022	Tangshan	135,664
Total			314,509

Notes:

(1) Expected opening date represents the date on which a shopping mall is expected to open pursuant to the confirmation from the property developer. The actual opening date of a shopping mall may change subject to various factors, including but not limited to construction process, tenant sourcing progress and other unforeseen circumstances.

(2) This represents the GFA to which the Group will provide commercial operational services.

(3) Tangshan Colour Fun (唐山彩立方) is an entrusted asset-light project developed by a third party. The Group provides commercial operation service for this project, such as positioning, renovation and tenant solicitation prior its opening, as well as commercial operational services and property management services subsequent to its opening, such as continuous tenant adjustment and marketing promotion.

Office Buildings

In Operation

The table below sets forth certain information of each of the office buildings to which the Group provided commercial operational services and was in operation as of 31 December 2020:

Project[1]	Opening date	Location	GFA[2] sq.m.
1. Guangzhou Hejing International Finance Place (廣州合景國際金融廣場)	October 2007	Guangzhou	102,400
2. Guangzhou International Metropolitan Plaza (廣州環球都會廣場)	May 2016	Guangzhou	33,333
3. International Commerce Place (環匯商業廣場)	October 2016	Guangzhou	73,697
4. Shanghai International Metropolitan Plaza (上海環球都會廣場)	June 2018	Shanghai	149,292
5. Chengdu International Commerce Place (成都環匯商業廣場)	August 2016	Chengdu	270,000
6. Suzhou Leader Plaza (蘇州領匯廣場)	December 2015	Suzhou	104,913
7. Guangxi Hejing International Finance Place (廣西合景國際金融廣場)	December 2018	Nanning	134,000
Total			867,635

Notes:

(1) Except for Guangzhou International Metropolitan Plaza, which was jointly developed by KWG Group and other independent third parties, the rest of the office buildings operated by us were solely developed and owned by KWG Group.

(2) Represents the GFA to which the Group provided commercial operational services.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from two business segments, namely the residential property management service segment and non-residential property management and commercial operational service segment.

The table below sets forth the breakdown of revenue of the Group by business segment for the periods indicated:

	Year ended 31 December			
	2020		2019	
	Revenue (RMB'000)	**Percentage %**	Revenue (RMB'000)	Percentage %
Residential property management services	**1,062,367**	**70.0**	759,234	67.5
Non-residential property management and commercial operational services	**454,860**	**30.0**	365,644	32.5
Total	**1,517,227**	**100.0**	1,124,878	100.0

Residential Property Management Services

The following table sets forth a breakdown of the Group's revenue from residential property management services by service line for the periods indicated:

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**258,921**	**24.4**	221,810	29.2
Property management services	**513,573**	**48.3**	382,047	50.3
Community value-added services	**289,873**	**27.3**	155,377	20.5
Total	**1,062,367**	**100.0**	759,234	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment increased from RMB221.8 million in 2019 to RMB258.9 million in 2020. This increase was primarily due to the increase in the number of sales offices under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from RMB382.0 million in 2019 to RMB513.6 million in 2020. This increase was primarily due to the increase in the Group's GFA under management for residential properties from 18.3 million sq.m. as of 31 December 2019 to 29.1 million sq.m. as of 31 December 2020, resulting from the increase in the number of residential property projects under management from 106 as of 31 December 2019 to 183 as of 31 December 2020.

Community Value-Added Services

Revenue generated from community value-added services under the Group's residential property management service segment increased from RMB155.4 million in 2019 to RMB289.9 million in 2020, primarily as the Group (i) provided more community value-added services driven by the increase in its GFA under management; and (ii) diversified the types of community value-added services it provided for residential properties. The increase in revenue from its community valued-added services was generally in line with the increase in its revenue generated from property management services under its residential property management service segment during the same year.

Non-residential Property Management and Commercial Operational Services

The following table sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational services by service line for the periods indicated:

	Year ended 31 December			
	2020		2019	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**24,794**	**5.5**	21,342	5.9
Property management services	**279,740**	**61.5**	259,766	71.0
Commercial operational services	**96,606**	**21.2**	42,570	11.6
Other value-added services	**53,720**	**11.8**	41,966	11.5
Total	**454,860**	**100.0**	365,644	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment increased from RMB21.3 million in 2019 to RMB24.8 million in 2020. This increase was primarily due to the increase in the number of sales offices under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased from RMB259.8 million in 2019 to RMB279.7 million in 2020. This increase was primarily due to the increase in its GFA under management for non-residential properties from 3.3 million sq.m. as of 31 December 2019 to 12.5 million sq.m. as of 31 December 2020, resulting from the increase in the number of non-residential property projects under management from 30 as of 31 December 2019 to 172 as of 31 December 2020.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment increased from RMB42.6 million in 2019 to RMB96.6 million in 2020. Such increase was mainly due to the increase in preliminary planning and consultancy services and tenant souring services we provided in 2020. In 2020, the Group started to provide the third-party with commercial operational services prior to shopping mall's opening.

Other Value-Added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from RMB42.0 million in 2019 to RMB53.7 million in 2020. This increase was primarily due to the increase in its value-added services provided driven by the increase in its GFA under management for commercial properties and was generally in line with the increase in its revenue from property management services under its non-residential property management and commercial operational service segment.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the year ended 31 December 2020, the total cost of sales of the Group was approximately RMB878.7 million, which was increased by approximately RMB173.6 million or approximately 24.6% as compared to approximately RMB705.1 million for the year ended 31 December 2019. The rate of increase in cost of sales was lower than that of the Group's revenue, primarily due to the control and standardisation of various services and processes by the technological means of the Group so as to improve efficiency and save costs.

Gross Profit and Gross Profit Margin

Based on the above reasons, the gross profit of the Group increased by RMB218.7 million or 52.1% to RMB638.5 million in 2020 from RMB419.8 million in 2019. The gross profit margin of the Group increased by 4.8 percentage points in 2020, primarily due to the Group's successful implementation of energy-saving and efficiency improvement measures in its property management offices including the implementation of conference systems, equipment testing systems and energy-saving upgrades.

Other Income and Gains

The other income and gains of the Group increased by RMB6.3 million or 121.2% to RMB11.5 million in 2020 from RMB5.2 million in 2019, which was primarily due to (i) the increase in tax incentives on value-added tax; and (ii) the increase in government grants. The government grants obtained by the Group in 2020 were primarily anti-pandemic subsidies and employment subsidies.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; (iii) office expenses; and (iv) listing expenses of RMB27.4 million. For the year ended 31 December 2020, the total administrative expenses of the Group were approximately RMB193.6 million, which increased by approximately RMB29.2 million or approximately 17.8% as compared to approximately RMB164.4 million for the year ended 31 December 2019. Such increase was mainly due to the Group's business expansion and the listing expenses incurred for the Listing.

Income Tax

For the year ended 31 December 2020, the income tax of the Group was approximately RMB121.9 million (2019: RMB65.6 million). The increase was primarily due to the increase in taxable income.

Financial Position and Capital Structure

As at 31 December 2020, the total assets of the Group was approximately RMB4,228.5 million (as at 31 December 2019: approximately RMB1,962.2 million), and the total liabilities was approximately RMB1,235.1 million (as at 31 December 2019: approximately RMB1,564.8 million). As at 31 December 2020, the current ratio of the Group was 3.15 (as at 31 December 2019: 1.11). As at 31 December 2020, the Group did not have any outstanding borrowings.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 31 December 2020 amounted to approximately RMB606.7 million, representing an increase of approximately RMB39.4 million or 6.9% as compared to approximately RMB567.3 million as at 31 December 2019, which was consistent with the trend of revenue growth.

Prepayments, Other receivables and Other assets

Prepayments, other receivables and other assets decreased by 71.5% from RMB704.6 million as at 31 December 2019 to RMB200.9 million as of 31 December 2020. The decrease was primarily due to the settlement made by the Group's related parties regarding the cash advances made by the Group to these related parties in connection with the centralized treasury management conducted by KWG Group prior to Listing.

Trade Payables

The Group's trade payables as at 31 December 2020 amounted to approximately RMB154.5 million representing a decrease of approximately RMB22.0 million or 12.5% as compared to approximately RMB176.5 million as at 31 December 2019, mainly due to settlement of amounts due to related parties.

Other Payables and Accruals

Other payables and accruals decreased by 48.0% from RMB1,209.0 million as of 31 December 2019 to RMB628.4 million as of 31 December 2020. The decrease was primarily due to the settlement made by the Group to its related parties regarding the cash advances made by these related parties to the Group in connection with the centralized treasury management conducted by KWG Group prior to Listing.

Current Ratio

The Group's current ratio increase from 1.11 in 2019 to 3.15 in 2020, which was mainly due to the increase in cash as a result of receiving proceeds from the Listing.

Pledge of Assets

As at 31 December 2020, none of the assets of the Group were pledged.

Contingent Liabilities

As at 31 December 2020, the Group did not have any material contingent liabilities.

Interest Rate Risk

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

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2020, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

About the Report

KWG Living Group was listed on the main board of the Stock Exchange in October 2020, and is pleased to issue our first environmental, social and governance ("**ESG**") report (the "**Report**"). The Report has been prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") as set out in Appendix 27 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), the reporting scope of which complies with the reporting principles and the "comply or explain" provisions set out in the Guide. It covers the Group's ESG policies, measures and performance, enabling each stakeholder to gain better understanding on the Group's measures, policies and its result of sustainable development. The Group will continue to improve the internal data collection procedures, strive to increase the transparency of the Report, and fulfill corporate social responsibilities.

The Report covers the Group's overall business scope from 1 January 2020 to December 31 2020, and is consistent with the time frame of the financial report. The performance of the environmental key performance indicators mainly covers the residential property projects under management including The Summit in Guangzhou and Chengdu Cosmos, the commercial property projects including Chengdu U-fun, Guangzhou The Summit U Fun, Beijing M • Cube and International Metropolis Plaza; and the area[1] occupied by the Group in International Commerce Centre in Hong Kong and International Finance Place in Guangzhou.

The preparation process of the Report follows the reporting principles recommended in the Guide, and uses it as the basis for disclosure to identify applicable ESG key performance indicators. The principles include:

Materiality	The key disclosures for the Report are determined by the materiality of various sustainability issues to the Group and relevant stakeholders.
Quantification	Each department of the Group continuously records the Company's statistics on economic, environmental and social indicators, including the key performance indicators disclosed in the Report, such as greenhouse gas emissions and energy consumption.
Consistency	Unless otherwise stated, the information collection and report format in the Report will remain consistent in the future to ensure the comparability of the information. In addition, its time frame is consistent with the financial report.

The information in the Report comes from official documents, statistical reports or related public materials of the Group, and is compiled in traditional Chinese and English, and has been uploaded to the Company's website and HKEXnews website. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The content index is included in the appendix of the Report for quick reference.

1 Prior to its Listing, the key performance indicators data of KWG Living Group came from that of KWG Group. After its spin-off Listing, the data subject to disclosure requirements are derived from the properties occupied by KWG Living Group and under its management.

Preface

KWG Living is positioned as a comprehensive property management service provider. With the vision of creating new service value, it has always adhered to independent innovation and development, and penetrated its diversified businesses such as property services, shopping mall operations and office building operations. The types of service formats cover residential, commercial complexes, office buildings and industrial parks. By leveraging on our professional and refined operations and high-quality services, KWG Living creates a diverse and wonderful life experience and a human-oriented community ecology for customers, enjoying a luxury business experience in addition to community services. In the future, KWG Living will continue to adhere to devoted operation and service, make good use of technology and innovation to empower lives and serve customers professionally, so as to continue to create value for customers and shareholders.

Entering a challenging 2020, KWG Living Group has chosen to overcome challenges. We develop our business in a steady pace without losing sight to contribute to our communities by investing resources in the environment and society to tide out hardship with the public.

The Group attaches great importance to the sustainable development of the Company and has formulated a series of policies related to sustainable development. In the process of formulation and implementation, the board of directors (the "**Directors**") of the Company (the "**Board**") is also responsible for monitoring and reviewing the effectiveness of various measures to ensure a balance between the Company's development and the environment. The Group cares about the community and respects the opinions of stakeholders. In the course of implementation of various sustainable development policies and business operations, the Group will continue to collect opinions from all parties, keep improving, and strive to promote the ESG development.

Due to constant worldwide prevalence of COVID-19, the property service industry will inevitably be affected, but there is always an opportunity in a crisis, which makes us work harder to promote high-tech intelligent management, provide an additional complex design to shopping malls, and integrate indoor and outdoor spaces, so as to meet the respective needs of customers. We will continue to maintain the service quality of KWG Living through technology and design.

In 2020, in order to formulate appropriate ESG-related policies for the Group, we engaged third-party advisor to analyze the materiality of each issue for conducting a materiality assessment, and review the implementation progress and the annual ESG report at the Board meeting to ensure the establishment of appropriate and effective risk management and internal control. The Group will definitely strive to make progress to advance on the journey of sustainability and build a better future for the society with our better services and policies.

Major Awards

KWG Living has always strictly complied with all national laws and regulations for the industry. The detailed list of relevant laws and regulations is contained in the following sections of the Report. The Group has devoted itself to its diversified businesses such as property services, shopping mall operations and office building operations, and its high-quality service quality has been recognized and satisfying to customers. In 2020, the awards or honors obtained in terms of property projects under management by the Group are as follows:

Award	Institution
2020 Top 100 Commercial Property Companies in China (Ranked 8th)	China Index Academy
Leading Companies in terms of service quality among the 2020 Top 100 Property Management Companies in China (Ranked 10th)	China Index Academy
2020 Top 100 Property Management Company in China (Ranked 17th)	China Index Academy
2020 Leading Property Management Companies Specialized in Providing Diversified and Comprehensive Services	China Index Academy

Stakeholder Communication

Maintaining close communication with stakeholders is an important way for the Group to improve sustainable development. In view of this, KWG Living stays open to the opinions and suggestions of various stakeholders through establishing a variety of communication channels, constantly reviewing the major issues of concern to stakeholders, and improving our own operational management performance.

The Group's communication channels are also committed to enable stakeholders to have an understanding of our development and management policies in a timely manner, promote communication between the two parties, increase the transparency of the our operations, and stabilize the cooperative relationship of mutual trust and mutual assistance between the Group and stakeholders, with a view to jointly achieve sustainable development targets.

	Stakeholder	Concerned issue	Communication channel and response
	Shareholders and investors	• investment return and growth • formulation of a sustainable development strategy • disclosure on corporate information • protection of the rights and interests of shareholders and investors	• convening of general meetings • investor relations activities • issuing results announcements and financial reports • regular disclosure on operation and investment information
	Employees	• career development and promotion path • employees' rights and benefits • occupational health and safety • mechanism for equal communication and appeal	• trainings and workshops on safety • encouraging employees to participate in internal and external trainings • offering clear promotion ladder
	Customers and property owners	• service quality • privacy protection • commercial integrity	• property owners' WeChat groups • customers' satisfaction survey • service online • customer or community activities
	Government	• lawful operation • tax declaration • support economic development	• setting up policies for green operation • executing and complying with state policies
	Contractor	• win-win cooperation partnership • corporate image and reputation • perform contract according to law	• setting up engagement criteria and practices • conducting technology and quality assessment to tenders • regular evaluation and inspection on suppliers
	Public and media	• care for the underprivileged and community cohesion • investment in public welfare • improve corporate transparency	• participating in and organizing community programmes • charitable activities • communication through media

Analysis and Management of Material Issues

KWG Living attaches great importance to ESG-related issues and management thereof, and deeply understands that related work will have a positive impact on the Group's financial performance and long-term development. Therefore, the Group will manage by material issues analysis, and strengthen communication with various stakeholders through preparation and disclosure of the Report, which will help the Group to continue to improve its ESG management capabilities in the long run.

In order to create more value for the Group's stakeholders, the Group believes that it is particularly important to first have an understanding of the issues that are concerned by stakeholders, and referring to the Group's internal assessment and analysis to arrive at the priority and matrix of material issues.

Identifying issues

- Based on the Group's business nature and industry characteristics, a list of ESG issues for the year was established by reference to the Guide.

Stakeholder communication

- In daily operations, the Group actively communicate with stakeholders through different channels to understand their expectations and opinions on ESG issues.

Internal and external materiality assessment

- After collecting opinions from all parties, the Group conducts materiality analysis and assessment to determine the priority and matrix of ESG material issues by reference to the ESG priorities of industry peers.

Matrix of Material ESG Issues

Environmental issues:

1. Greenhouse gas emission
2. Waste management
3. Energy and resource consumption
4. Climate risk management

Employment issues:

5. Equal recruitment
6. Communication with and caring for employees
7. Occupational health and safety
8. Employees development and training
9. Employees benefits and legality

Operating practices issues:

10. Supply chain management
11. Intelligent management and Innovations
12. Customer information and privacy security
13. Service quality
14. Protection of intellectual property rights
15. Complaint management
16. Anti-corruption

Community investment issues:

17. Community engagement

According to the results of the material matrix for the year, each stakeholder attached greater importance to and are highly concerned about issues including communication with and caring for employees, occupational health and safety, employees development and training, and service quality. KWG Living will make disclosure of each issue in the following sections of the Report based on the results of this assessment, and focus on top issues in the priority list. KWG Living will continue to improve the ESG-related management systems, and strive to improve various performances to create more value and a livable environment.

1. Caring for Employee Growth

1.1. Employment and Labour Standards

Only outstanding talents can help KWG Living to maintain excellent competitiveness and promote the sustainable development of the business. We have obtained ISO 45001:2018 certification in 2019 for carrying out standard operations. In the process of employees recruitment and management, we strictly abide by the Recruitment Management System of KWG Living Group (《合景悠活集團招聘管理制度》). In terms of handling of personnel transfers by the Group, we also strictly abide by corporate policies such as the Management Measures for Employment, Dismissal, Regularization and Change of Employees of KWG Living Group (《合景悠活集團員工入離職、轉正、異動管理辦法》) and the Management Measures for the Promotion of KWG Living Group (《合景悠活集團晉升管理辦法》) to handle all situations in a flexible and fair manner. In addition, the Employee Handbook of KWG Living Group (《合景悠活集團員工手冊》) also covers relevant regulations on the employment system, remuneration and benefits, and performance appraisal for employees' reference at any time, and is committed to improving the transparency of operation and the sense of belonging.

The Group understands and respects different cultures. We adhere to the principle of equal employment so that employees can enjoy fair and reasonable employment and competitive opportunities. In terms of employee recruitment, the Group will only take comprehensive considerations on the candidates according to the requirements of educational background and working competence to decide whether to employ. The Group has guidelines on who are the appropriate interviewers for particular positions, how to conduct our interviews, standardized interview procedures and interview questions. In arranging works and changing positions, the Group treats all employees equally, and will never offer any discrimination or differential treatment against candidates based on any non-job-related factors such as gender, hometown, belief and appearance. As long as employees have the corresponding work ability, they will definitely get the corresponding treatment.

Therefore, in terms of remuneration and benefits, all employees will receive corresponding treatment based on the principle of equality and the results of performance appraisal. Relevant benefit package are detailed in the Employee Handbook to provide employees with competitive remuneration. According to state regulations, the Group will provide social insurance, housing provident fund and other statutory employee benefits for eligible employees. The Group cares about the work-life balance of our employees, as such, in addition to statutory holidays, we also provide employees with paid sick leave, work injury leave, causal leave, official leave, marriage leave, bereavement leave, prenatal leave and maternity leave. Moreover, the Group also organizes employee activities, organizes festival celebrations, prepares holiday gifts and employee birthday bonuses or gifts, reflecting the care for employees.

In terms of employee recruitment, we strictly abide by the provisions on the Prohibition of Using Child Labour (《禁止使用童工規定》) and the relevant requirements in the Employee Handbook. Employees are required to fill in the Job Application Form (《職位申請表》) and to be checked for the original identity card upon induction, and applicants under the age of 16 are strictly prohibited from being employed. The Group will also check the human resources system on a monthly basis and conduct related compliance reviews. In case of any suspected violations are found through the system review, the human resources department will conduct an investigation. If the incident is true, the Group will resolve the labour relationship with the employees in accordance with the provisions, and give public criticism on the personnel of human resources involved.

In addition, the use of any false information or others' identity card will be regarded as a fraud, regardless of the length of employment and any special circumstances, and the Company will dismiss the employees involved. Also, the Company will reserve the right to claim for relevant economic and legal responsibilities according to the consequences and the extent of the losses caused. Up to now, there is no use of child labour, forced labour and violations of regulations in Company.

1.2. Health and Safety

KWG Living attaches great importance to the occupational safety and health of our employees, attaches importance to the physical and mental health of employees, and provides employees with a good working environment. The Group strictly complies with the Emergency Response Law of the PRC (《中華人民共和國突發事件應對法》), the Law of the PRC on the Prevention and Treatment of Occupational Diseases (《中華人民共和國職業病防治法》) and other laws and regulations to prevent or eliminate potential risks in occupational positions. However, accidents are always unexpected. In order to enable employees to calmly face all emergencies, the operation management department has formulated the Quality and Safety Administrative Measures (《質安管理辦法》) and other rules and regulations, and quality and safety officers of regional branch companies nationwide have been arranged to participate in quality and safety training on a regular basis to ensure the safe implementation of projects in various regions. All employees of the Group are required to participate safety training to improve safety awareness and crisis response capabilities, so as to ensure that everyone plays an important role in personal safety and the safety of their colleagues. The Group will also provide facilities and equipment related to health and safety for employees to ensure that they will not be exposed to occupational safety and health risks.

The Group arranges annual body check-up for staff and has also taken out business accident and critical illness insurance policies for all employees since 2015, so as to strengthen health protection at work. In the past three years (including this year), the number of work-related fatalities was zero, and the number of working days lost due to work-related injuries was 330 days.

1.3. Employee Development

Talent training has always been an important issue for the Group, and our business is supported by a capable workforce. We believe that employees are the indispensable cornerstone of the Group, and every employee has the potential to become the core leader of our corporate development in future, as such, the Group attaches great importance to the cultivation of human resources and holistic development of our employees, so that employees can grow together with us while achieving steady development of the Group. We provide employees with comprehensive training, including but not limited to our corporate culture and policies, technical knowledge required for certain positions, leadership skills, workplace safety training and general knowledge about the nature of our services. We have also established a talent pool management system and execute our leadership succession planning through "New Force Program" (新力量計劃), "Pilot Program" (領航計劃), "Excellence Program" (領英計劃) and "Leader Program" (領袖計劃).

Training program	Objective
"New Force Program" (新力量計劃)	We introduce our work culture, vision and precautions to new recruits and entry-level employees with outstanding academic profiles and offer them with online and offline training lessons, which aim at helping employees to develop comprehensive skills.
"Pilot Program" (領航計劃)	We provide advanced courses and training camps to mid-level management personnel, which aim at training them into project general managers.
"Excellence Program" (領英計劃)	We provide professional training courses to management trainees and encourage the participants to interact and communicate with people in the same industry in order to discover and absorb new industry-related information.
"Leader Program" (領袖計劃)	We hold internal workshops and symposiums for senior management, which aim at broadening the perspectives of these senior management personnel and strengthening our overall management quality.

Currently, the employee training policy of the Group is targeted at carrying out special training programs for key employees of various professions, which combines internal and external courses to effectively promote the development of employees' professional competence. On the other hand, we also carry out basic skills-trainings for front-line employees through diversified training means and methods to improve the skill standard of front-line employees, including customer service, engineering maintenance and project management.

In addition, in order to maintain the integrity atmosphere of KWG Living, the Group continues to carry out KWG Living integrity training in a variety of training programs and occasions to enhance employees' sense of integrity, and constitutes a complete talent supply chain through carrying out differentiated training programs for senior management, mid-level management personnel, entry-level employees and management trainees.

Despite the outbreak of COVID-19 during the year, the Group established an internal online learning platform "KWG Business School" (合景商學院) after understanding the learning needs of employees. "KWG Business School" offers various free virtual courses on fundamentals and management, so that employees can continuously learn and train independently during the outbreak of COVID-19.

In the near future, we plan to further enhance our training system to help our employees with their career development. We will continue to attract talent through competitive remuneration packages and promotion opportunities, and motivate our employees and increase their loyalty and level of satisfaction through a set of evaluation and incentive measures. The Group intend to recruit additional innovative and competitive personnel to join our management team in future, so as to grow our workforce.

1.4. Communication with Employees

Employees are valuable assets of the Group, and their work performance, physical and mental health, and even their sense of belonging to the Group are prime concerns. Therefore, we have always sincerely communicated with employees on a regular basis and understand their inner thoughts, with an aim to share a warm family feeling among employees.

The Group conducts performance appraisals on a regular basis, and employees can directly express their opinions and suggestions to their immediate supervisors, allowing managers to have a direct understanding of the current status of frontline employees and provide immediate feedback and processing. Employees can also learn about the multi-channel career development path of the Group, making their career development path clearer and more transparent, and planning for their future. In addition, the Group encourages employees to truly express their opinions by creating public email and setting up anonymous voice channels for employees to provide constructive opinions at any time and any place.

2. Creating Outstanding Value

2.1. Service Quality Control

In view of the nature of the industry in which the Group is located, we understand the importance of service quality, and the Group also proactively meets the needs of property owners through diversified and high-quality services. The comprehensive property management services we provide include but are not limited to:

Service segment	Scope of services provided	Specific service content
Residential property management service	1. Pre-sale management services 2. Property management services 3. Community value-added services	• Second-hand property agency services • Decoration, turnkey and move-in furnishing services • Home cleaning, improvement, renovation and remodeling services • Vacation home property management services
Commercial property management and operational service	1. Pre-sale management services 2. Commercial property management services 3. Commercial operational services 4. Other value-added services	• We provide preliminary planning and consultancy services, including market research and analysis, feasibility studies, financial projection, marketing and positioning strategy formulation • We help property developers and property owners to identify and solicit target tenants • We help manage tenants and hold marketing and promotion activities • Office cleaning and facility repair and maintenance services

Well-recognized reputation has been brought by the quality services of the Group. With respect to residential property management services, Hangzhou The More (杭州•天峻) and Hainan Pearl Coast (海南•汀瀾海岸) projects of the Group were recognized as one of the communities with five-star property management services in 2018 (2018中國五星級物業服務小區) by China Index Academy, and Guangzhou Sky Villa (廣州•天湖峰境) project was recognized as one of the showcase bases in the property management service industry in 2018 (2018中國物業服務行業示範基地). With respect to commercial property management and operational services, the Group was recognized as one of the excellent commercial property operators in 2019 (2019年度商業地產優秀運營商) by winshang.com, one of the excellent shopping mall management companies in 2019 (2019年度購物中心行業優秀管理公司獎) by mallchina.org and a 2019 high growth commercial property enterprise (2019年度高成長商業地產企業) by linkshop.com (聯商網). However, KWG Living has not stopped, and we continue to pursue excellent service quality, uphold our commitment to customers through implementing more stringent service quality control and management.

Community Environmental Management

Residential property

The property management companies of the Group hold ISO 9001 quality management system, ISO 14001 environmental management system, ISO 45001 occupational health and safety management system certification and service certification. Through carrying service philosophy of "Careful Housekeeper" and "Focusing on Customer Service", they build a warm and happy community

KWG Living is committed to stringent environmental management of the project. Because the project environment will affect the quality of life of customers to a large extent, we have high standard for matters such as selection, management and placement of green plants, pest control, daily cleaning services, cleanliness of the landscape pool, garbage collection and disposal; employees are required to implement established work procedures to ensure service quality.

Office building

The teams of KWG Living have experts in various sectors and have a deep insight into the needs of the enterprise. Coupled with extensive experience in business space planning and professional operation and management capabilities, we provide customers with efficient and high-quality business space. With many years of experience in operations of Class A office buildings, high premium rate, high occupancy rate and high collection rate, KWG Living has become a leading company in the operation and management of office buildings, and also a long-term partner of a number of Fortune 500 companies.

In order to assist the tenants in their business development, the Group caters to the needs of customers with a number of five-star services. Database will be established for each customer to facilitate the Group to provide customized services according to the needs of their companies, allowing them to focus on corporate planning and operations. Through value-added services, customers can also have one-to-one butlers to quickly solve all problems in one-stop manner. If necessary, the Group will provide customers with distinguished services such as special butler household services. In addition, leveraging our advantages by integrating commercial resources, KWG Living helps customers to carry out commercial promotion, holding a number of exciting commercial activities, including salons, lectures, exhibitions and team building activities, so as to promote commercial exchanges and cooperation opportunities.

Shopping centre

The shopping malls under current management and operation of the Group are the "U-fun" (悠方) and "M • CUBE" (摩方) malls developed by KWG Group. According to the brand positioning, the "U-fun" (悠方) brand mainly targets mid-class families for shopping and leisure, and "M • CUBE" (摩方) brand provides stylish shopping experience for young generations. The Group has customized different measures to create a warm and personalized consumer experience.

In order to provide customers better experience in the shopping centres, the Group attaches great importance to the perception and impact of every detail. The first impression of customers on the shopping centres mainly comes from the project design, therefore, the Group cooperates with internationally renowned first-class artists, and you can see live interactive art installations with strong cultural atmosphere in shopping centre, enhancing the interaction with customers and consumers. In addition to the indoor environment, the Group also pays attention to the design of outdoor venues, integrating multi-functional scenario to meet the diverse needs of the people.

Intelligent management

In recent years, KWG Living has integrated high technology into our business processes to improve the scope of intelligent management, with a view to provide higher standards and unified quality services, and no longer limited to traditional property service models. The application of technology can improve operational efficiency, reduce labor costs, and enhance customer experience. Therefore, the Group is investing in technology applications in various aspects, including the following systems or applications:

- "**CoKWG**" **APP**: To provide our customers with better customer experience and save labor costs of the Group, KWG Living provides certain services online through "CoKWG" APP, including entry control, repair and maintenance requests. "CoKWG" also allows our customers to pay property management fees online, reducing human errors in collecting property management fees.

- **Business management systems**: The Group proactively uses a leading enterprise resource planning ("**ERP**") system which is specifically designed for property management companies. The ERP system collects the payment information of our customers in real time when they complete payment through the "CoKWG" APP, WeChat official account or other payment channels, and automatically synchronizes such information to the SAP system, with which the Group manages our financial bookkeeping.

- **Facility management system**: The Group uses the facility management system to monitor the execution process of maintenance plans to enhance our efficiency in facility inspection and maintenance. In some of the residential properties, we have a facility remote monitoring and operation management system to automatically inspect the operations of the facilities under our management in real time to save our labor costs for inspection.

- **Smart communities**: The smart community is constructed by a variety of technologies to facilitate customer activities. For example, our customers may access the residential communities they live in with QR codes embedded in their "CoKWG" APP, and some of the residential properties under our management use a facial recognition system to grant access to their residents. In addition, some projects will use technology to conduct electronic patrols, saving labor costs for entry control and improve customer experience.

In the future, the Group will continue to improve the application of technology and intelligent management, build smart communities for customers, realize smart offices, enjoy smart life, and improve life and office efficiency. In particular, the "Traffic Management Cloud" (車管雲) that has been applied in some projects will be applied in more projects under management. "Traffic Management Cloud", a cloud-technology based smart traffic management system, will automatically allow our residents to drive into the communities where they live without having to going through manual entry control, which saves our labor costs for traffic management and enhances our residents' experience. It also monitors parking fee collections to ensure our collection rate. In addition, the cloud-technology based "Jun" surveillance (駿天眼) system monitors key locations in the residential communities remotely and sends alerts to our ERP system automatically when they detect irregularities, helping improve our management efficiency and service quality. In the future, the Group will focus more on the development and construction of intelligent hardware facilities such as "Traffic Management Cloud", "Jun" surveillance, intelligent access control system, equipment and facility automation management.

2.2. Health and Safety of Customers

Community safety management

Ensuring the safety of our residents is the Group's own responsibility and the essence of property management. The Group has formulated and implemented a number of guidelines for employees' reference, also arranged regular safety training and safety inspections, so that employees have sufficient knowledge and skills to face various emergencies or exceptional situations, and protect the personal and property safety of customers. The Group divides emergencies into different levels and categories, establishes corresponding countermeasures for different levels of emergencies, improves emergency response procedures, and ensures that employees are familiar with the procedures during regular training.

Service centre of each project will conduct regular safety inspections on the projects, including electricity consumption, water consumption, gas and home safety, to ensure that the hardware facilities are not damaged and operate normally. Employees of the projects will also cooperate with customers to conduct basic fire fighting knowledge training, fire escape and evacuation drills, so that each stakeholder has a clear understanding of the risks related to fire fighting and escape routes. As for the entry control of the project community, KWG Living made good use of technology through installing an electronic monitoring camera and "Jun" surveillance (駿天眼) system to monitor the area around the community in real time, and would use drones to patrol. The Group also intelligentize the access control system. Customers can open the door through non-contact methods such as face recognition and QR codes on mobile phone, and the security is relatively improved.

2.3. Communication with Customers

Customer service management

The Group attaches great importance to communication with customers. Two-way communications such as customer satisfaction surveys and community cultural activities can enable us to have a better understanding of customer needs, maintain a harmonious relationship with property owners, and improve customer satisfaction. The Group uses big data technology to collect the accumulation and correlation of behavioral data of various business profile, establish a complete user database, and formulate demand strategies. In addition, the Group actively encourages customers and employees to use the "CoKWG" APP, which aggregates multiple business profiles such as residential communities, shopping malls and office buildings, so that users can enjoy exquisite service experience by crossing different business profiles with one account, such as one-click smart key, automatic request for repair, payment of property management fees, facilitating the communication with customers.

The Group will properly handle the data collected and stored from "CoKWG" APP, and ensure the security of customer data, information systems and infrastructure according to a series of measures such as the Basic Requirements for the Administration of Confidentiality for Documents and Files (《文件檔案保密管理基本要求》). All data is made available solely to relevant data managers, and data disclosure to third party by the Group is not permitted without the consent. We have imposed strict controls on the access to, and usage of, those data by any employee of us. We classify our staff based on their positions and responsibilities and grant them different access rights so that only necessary personnel could access certain confidential information after obtaining internal approval. The Group also provides employees with customer data security training on a regular basis to ensure that the management of user rights, account passwords and data backup are under protection. We have designated our information technology department to conduct frequent review of our digital platforms and systems to ensure that our collection, storage and use of customer data comply with the Group's internal policies and applicable laws and regulations. During the track record period, we had not received any complaint or been involved in any lawsuit with respect to personal information protection.

In addition, the Group has formulated and implemented relevant regulations and internal systems on consumer rights and interests, and provided 24-hour duty manager service, 12-hour cleaning service, 12-hour hotel-style reception and 24-hour maintenance service, so as to provide customers efficient services with the most user-friendly service. For customer complaints, we have relevant processing procedures, which should be carried out in accordance with internal guidelines. When customer complaints are received by the service hotline, records and answers online in real time are required. If assistance from other departments is required, we will contact the project service centre to handle by order processing system. The project service centre is required to follow up and negotiate a solution with the customer within the specified time. If the complaint involves service quality, the Group will arrange relevant departments to investigate and interview relevant employees, and then follow up the complaint to constantly improve the customer complaint handling rate and satisfaction. The Group will continue to improve service quality and efficiency, optimize service process and improve service details.

Intellectual property

The Group respects intellectual property and believes that intellectual property is of value to help enhance the corporate competitiveness. Therefore, we ensure to deliver complete and accurate information to the public in the process of marketing, and prohibit the use of false and misleading product descriptions. In order to ensure compliant marketing activities and plans, we carefully handle matters related to advertising and intellectual property, and strive to protect all legal rights such as intellectual property, legal patent rights, trademark rights and copyrights of the Group and our partners. In the future, the Group will continue to maintain intellectual property, especially make arrangements and undergo research in advance for technical fields that we have not yet entered before using new technologies or technologies to protect copyrights.

2.4. Sustainable Supply Chain

In order to create the most comfortable living and business environment and create value, KWG Living must provide customers with selected products and services to meet their needs. In addition, for the long-term development and sustainable development policy of the Group, we must consider the supply chain management in many aspects, taking into account the needs of various stakeholders and balancing the impact on the environment and society. We are committed to creating and maintaining an effective and sustainable supply chain. We continue to monitor our suppliers' ability to meet our requirements, so as to ensure the overall quality of our suppliers. We provide a list of qualified suppliers, and the selection of which are based on factors including, among others, their background, qualifications and past performance in providing subcontracted services to us. In compliance with the Urban Real Estate Management Law of the People's Republic of China (《中華人民共和國城市房地產管理法》), the Property Management Regulations (《中華人民共和國城市房地產管理法》), the Regulation on Property Management (《物業管理條例》) and other laws and regulations, the Group formulated and implemented the Material Company Supplier Management System (《材料公司供應商管理制度》) to maintain the stability of the supply chain, the main procedures for supplier selection and management are as follows:

1. Prior to engagement of a new supplier, we will review its relevant qualifications, such as production qualifications, industry rankings, financial strength and operating risks.

2. In inspecting the selected suppliers, we will mainly inspect their production size, product quality, actual management standard and compliance, such as reviewing their safety production permits, pollution discharge permits and the payment of employee social security. In case of administrative punishment by the environmental protection department, we will review the results of their rectification to ensure that the problem has been resolved.

3. Upon passing the evaluation, the qualified suppliers will be included in the qualified supplier database. When a procurement requirement arises, they will be selected from the qualified supplier database through bidding. New suppliers will start to supply the Company after winning the bid and signing the contract.

4. The Group will comprehensively consider the supplier's transportation distance and service capacity coverage to categorize the supplier's supply area.

5. In the supply process of suppliers, the Group will conduct inspections from time to time to review their compliance in the production process, such as the production and operating environment, labor protection of operators and waste discharge, so as to ensure their continuous and stable supply of qualified products.

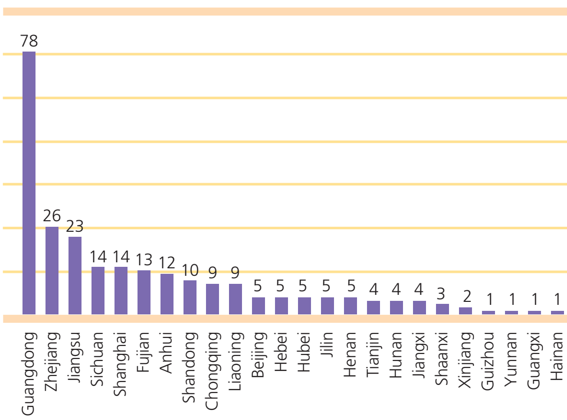
6. In November of each year, the Group will conduct an overall evaluation on the suppliers that have supplied during the year, specifically from the three aspects of quality, delivery time and service. We will continue to cooperate with the suppliers whose evaluation results are "excellent" and "qualified", suspended cooperation for no less than two years with the suppliers whose evaluation results are "unqualified", and suppliers whose evaluation results are "suppliers prohibited from cooperating" are blacklisted.

The Group sends invitations for tender to at least three suppliers for all procurements. We assess the bids by considering a wide range of factors, including price, quality and delivery time of their products or services. In order to better identify the environmental and social risks of the supply chain, the Group has mandatory requirements on the compliance and legality of suppliers. In applying for joining the Group's supplier database, suppliers must provide relevant qualification certificates, such as pollution discharge permits, safety production permits and administrative penalties. The group will give high scores to suppliers with ISO 9001, ISO 14001, ISO 45001 and other certifications for environmental and social risk items during the application process. In addition, in entering into procurement contracts with the suppliers, the Group will list the environmental protection indicators that the supplied products need to meet in accordance with national standards, industry standards, and local regulations, such as formaldehyde emissions and radionuclide limits. For materials used indoors, the Group will further improve the standards that raw materials need to meet, so as to procure more environmentally friendly materials to produce the products for supply. In conducting casual inspection on the supplier's plant/warehouse on an annual basis, the Group will take samples of the supplier's products and raw materials and send them to third-party testing institutions recognized by the state for testing. For the suppliers who fail the test, the Group will make strict assessment to ensure that the environmental protection indicators of their products or raw materials meet the provisions of the contract.

In addition, according to the types of materials, Group will adopt different procurement methods to reduce risks and waste. For the procurement of regular materials, the Group will choose a national material supply platform to simplify the material procurement process as much as possible, reduce cross-regional transportation, ensure the timeliness of material supply, and adopt a centralized procurement methods on a monthly or quarterly basis to reduce the frequency of procurement or sporadic material procurement within the cycle. For the engineering and property service procurement, the Group will give a priority to local suppliers, suppliers with local branches or projects in service to ensure the quality of on-site services, and reduce the risks and costs brought by cross-regional cooperation.

During the year, the Group was not aware of any major incidents involved in the supply chain. Currently, there are 254 suppliers in the supplier database of the Group. The geographical distribution is as follows:

Number of Supplier Database of the Group



Supply chain management contingency plans against the novel coronavirus (COVID-19)

In response to COVID-19, we have implemented a set of supply chain management contingency plans to minimize possible supply chain disruptions, including identifying various suitable service providers and material suppliers that meet our needs, and discussing with them to ensure service stability and consistency, and purchasing additional materials required for operations to reduce possible disruptions.

3. Developing an Integrity Environment

3.1. Anti-corruption

KWG Living adopts a zero tolerance stance against corruption, and strives to fight against any corruption, bribery, money laundering, extortion and fraud. In addition to complying with relevant laws and regulations, we have also formulated and required all employees to comply with a number of relevant documents, including the Monitoring and Managing System (《監察管理制度》), the Rules for Implementation of Disciplinary Actions (《處罰實施細則》), the Rules for Implementation of Inspection (《巡視工作實施細則》), the Rules for Implementation of Project Management (《案件管理實施細則》), the Regulation on Conflict of Interest for Staff Members (《員工利益衝突管理規定》) and the Management Measures for Registration and Handing Over of Gifts and Cash Gifts (《禮品禮金登記上交管理辦法》), to clarify the definition and bottom line of related behaviors for employees, and also clarifies the methods for reporting violations of rules and disciplines. For example, employees at all levels are strictly prohibited from accepting cash gifts and gifts from suppliers, service providers, property owners, potential suppliers or potential service providers and other entities or individuals outside the Group in the course of daily work and external exchanges. For various gifts and cash gifts received due to failure to refuse, the recipient/department is required to report to the monitoring centre of the Group via phone or email within three days of receiving the gifts or cash gifts, and then register and hand over the gift concerned according to the requirements of handing over process for gifts and cash gifts.

In case of any suspicious behavior found by employees, they can report it through the procedures and channels stipulated in the Employee Handbook, including telephone, email, post, WeChat official account of KWG Living and integrity whistle-blowing column on official website. The monitoring centre of the Group will definitely establish a case to review after receiving the whistle-blowing. The Group usually conducts regular self-inspections through regular audit, audit on resignations, internal control self-evaluation, special audit and case investigations, with a view to develop a fair and business environment with integrity. The Group was not aware of any corruption or related litigation cases in the year.

3.2. Integrity Education

In the future, KWG Living will continue to improve its anti-corruption work, and improve complaint channels and whistleblowing handling methods. We will also strengthen integrity education. In addition to the anti-corruption education in the induction training, we will also consider offering more regular anti-corruption training in the future to help employees to have a better understanding of the complaint management mechanism, encourage employees to make good use of complaint channels to report violations of rules and disciplines, so as to deepen the employee's awareness of integrity and self-discipline, and comprehensively enhance the awareness of integrity and law-abiding. During the year, the Group arranged a total of 8 training activities on integrity and anti-corruption, with a total of approximately 335 trainees, aiming to educate employees on the standards of integrity, train honesty, integrity and self-discipline amongst the employees, and create a fair office environment.

4. Our Response to Climate Change through Protecting Environment

The Group understands that ESG-related risks are likely to have a negative impact on the Group's business and financial performance. Therefore, in addition to always complying with the environmental-related laws and regulations contained in the Report, the Group has also formulated clear guidelines for the use of energy, greenhouse gas emissions, waste emissions and domestic waste in the course of business operations for employees' reference and application, and made greater efforts to minimize the environmental impact in the course of business operations. We also proactively study the risks and opportunities that climate change may bring to the Group's business, and prepare in advance so that the Group can maintain a leading position in the industry.

4.1. Emissions and Wastes

When carrying out daily business involving waste management and various types of emissions management, the Group will carry out waste separation and emissions treatment according to the local policies. We have enhanced the incentives for property owners and employees to participate through various publicity methods and the addition of relevant facilities. KWG Living focuses on the environmental impact of its business. Through relevant disclosure data in the Report, we quantify the environmental impact of the Group, so that all stakeholders can have an understanding of the Group's greenhouse gas emissions and carbon footprint, and also facilitate the regular monitoring and review within the Group.

Types of emissions	Related management work
Cooking lampblack emission	We use lampblack depuration to purify the grease before it is discharged into the atmosphere, and regularly clean and maintain the lampblack depuration and lampblack pipeline to ensure that the lampblack emission meets the local environmental protection requirements.
Kitchen wastewater discharge	We use grease trap to treat the grease before it is discharged into the municipal sewage pipeline, and it will be cleaned and treated by an entity with professional qualification on a regular basis. We also regularly maintain the grease trap to ensure that kitchen wastewater discharge meets local environmental protection requirements.
Toilet sewage discharge	We use septic tank or direct discharge into the municipal special sewage pipeline, and the septic tank will be cleaned and treated regularly by professional entity.
Solid waste of project	The Group sets up four different trash bins in the project for property owners and employees to separate and recycle by food waste, recyclable waste, hazardous waste and other wastes. The recycling is processed by professional cleaning companies on a regular basis, and larger decoration construction waste and building construction waste will be collected and processed in strict compliance with the relevant regulations of local urban management.
Hazardous waste	The Group will treat hazardous waste in accordance with the Directory of National Hazardous Wastes (《國家危險廢物名錄》) and internal guidelines. Hazardous wastes are mainly used, generated and involved in the Group's business include but are not limited to toner, ink cartridges, paint carriers and batteries. Before handing over to qualified suppliers for recycling and treatment, project employees will appropriately pack the hazardous waste and store them in the hazardous waste warehouse temporarily, and keep true record of the type, quantity, flow direction and other information on the hazardous waste ledger. The project service center will inspect the warehouse on a monthly basis, and any waste shall not be stored for more than one year.

The Group has long been encouraging paperless office work and tried to replace business travel with online meetings to reduce emissions and waste generated in the office. Our green office policies include:

- Advocation of green procurement and purchase products with national or local environmental protection certification
- Reasonable control of the printing quantity of publicity newspapers and magazines
- Advocating the use of double-sided printing and double-sided copying
- Placement of recycled paper cartons next to the printer to recycle secondary paper and improve paper utilization efficiency

4.2. Use of resources

As a property management service provider, the Group of course always pays attention to the use of resources, and the most consumed energy resources in the course of the Group's business operations are electricity and water resources. However, the Group has always cherished every kWh of electricity, every drop of water, every piece of paper, and every resource. Therefore, for every resource, we have formulated internal rules for the use within the Group in accordance with relevant standards, which every employee is required to comply with, we also encourage all property owners to practice green and sustainable lifestyles with us.

Electricity

While providing comprehensive property management services, the Group also consumes a lot of electricity, which we know will indirectly emit carbon dioxide and other greenhouse gases into the atmosphere. Therefore, the Group has been investing resources in energy conservation, monitoring and technology, hoping to make good use of technology to reduce electricity consumption and impact on the environment.

The Group keeps record of energy consumption statistics for some projects under management, which can compare and analyze energy consumption, analyze and deal with abnormal situations, and formulate customized energy-saving plans. In addition, the electricity consumption management measures used in daily operations by the Group include:

- "Lights off when leaving": Only lighting for emergency and monitoring in office areas and corridors will turn on after office hours. In addition to lighting, water dispensers and computers are also required to turn off.
- Lighting selection: LED lamps are used in underground parking lots, and the minimum lighting is turned on based on the number of parked vehicles according to the standard; the lighting running time is set according to the operation, and will be adjusted in a timely manner according to different seasons and strictly implemented.
- Controlling the energy consumption of air-conditioners: For offices, the temperature should not be lower than 26°C in summer and should not be higher than 18°C in winter.

Water resources

The Group actively responds to the national call for carrying out various water-saving actions. All the water used by the projects under management and offices comes from the municipal pipeline network, and some property management projects will also use the rainwater recycling system provided by the project for greening and irrigation, so there is no difficulty in obtaining suitable water source. In terms of sewage discharge, the Group also strictly abides by the relevant standards for sewage discharge in the places where we operate, and treats the content of hazardous substance in the sewage and ensures that it meets the requirements of the relevant standards before it is discharged into the pipeline network.

During the year, the Group continued to strengthen the promotions of water-saving actions, including posting water-saving signs and posters in some public areas to promote water-saving concepts and educating employees to always pay attention to water consumption at work. In addition, the water-saving appliances have been fully used for the water appliances in the projects under management of the Group. For example, water-saving faucets have been adopted for the faucets in the toilets, and the water output of the faucets has been adjusted to ensure the comfort of use while reducing water consumption. The double-button energy-saving water tank in the washroom allows employees to choose the amount of flushing according to the situation. Some washrooms also use sensor-type flushing to maintain cleanliness and reduce water by adjusting the flushing time and frequency.

The Group uses the system and water meters to monitor the water consumption of the project, conducts regular inspections of water valves, faucets, and flush toilets, helping to detect abnormal water usage such as water dripping and water leakage in time and avoid wasting water resources. In addition to reducing the use of water resources, the Group also uses rainwater recycling, sponge city design and water recycling to improve water-use efficiency without affecting the service quality.

4.3. Environment and Natural Resources

The Group is aware that our business activities will have a significant impact on environmental protection and natural resources. Therefore, the Group has actively adopted the aforesaid policies of energy saving, emission reduction and resource conservation. The specific examples adopted by the Group in each project are as follows:

Resource policy	Specific examples of project
Collection and reuse of rainwater	• In the north district of Beijing Apex, we use a 500m³ rainwater collection pond, install water pumps, connecting with greening pipelines, so as to use rainwater for irrigation in the rainy season
Sewage treatment	• We have constructed sewage treatment stations for all projects in the Hainan area, and which have been put into use • For The More in Hangzhou, the government funded the maintenance of sewage pipe network in The More and added 5 septic tanks, which will be discharged to the municipal sewage pipe network after reaching the discharge standard • We newly build one sewage treatment station for each of block 1, block 3 and block 5 of The Summit villa in Guangdong • We set up 3 grease traps to treat restaurant sewage from 27 shops in Leader Plaza in Suzhou
Cooking lampblack treatment	• For Chengdu Sky Ville South, we use water mist purification treatment to commercial catering fume extractor, and dealt with the fume exhaust problem for 9 shops in total • We add 7 lampblack fans to deal with the cooking lampblack of 27 shops in Leader Plaza in Suzhou
Solar heating	• We install a total of 20 air-to-water heat pump system and solar water heaters in Pearl Coast in Hainan
Energy saving lighting	• The landscape street lights in Tianjin Apex are changed from timing switches to light-controlled switches, which avoids the shortcomings of long time and repeated adjustments of timing switches • We use energy-saving sharing method to replace 1,500 lamps with dual-brightness radar sensors in basement of east district and west district in Chengdu Cosmos • We install 2,000 sound and light control downlights in east district and north district in The Sapphire in Suzhou

4.4. Taking Action on Climate Change

As climate change is intensifying, the global efforts in energy conservation and emission reduction have been accelerated, and international cooperation has been conducted to respond to public demands and implement the concept of sustainable development. KWG Living is also actively keeping abreast of international trends and policies, hoping to incorporate more sustainable development elements to our business process, so that we can flexibly respond to major issues that may arise from climate change.

It is believed that the extreme weather changes brought about by climate change will be one of the unavoidable climate risks for global economic activities, and extreme weather events such as large-scale wildfires, earthquakes and typhoons will bring dangers to the living environment. Therefore, the Group has always made arrangements for major disasters and has internal guidelines in place if and when there is any major situation, the responsible departments and employees will immediately respond to the emergency. The supply chain is another part that may be affected by extreme weather events, and the supply chain may be delayed or even disrupted. In order to reduce the instability of the supply chain, the Group currently has a set of supplier management practices, which will be regularly reviewed and make improvements to reduce the climate risk to the supply chain.

5. Construction of a Good Community

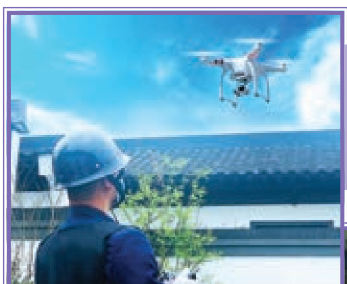
We have built a corporate culture around the core value of "Care" (用心). We strive to treat our customers with care, treat our employees with care, and treat the society with care. We carry out our work based on such core value. For example, we hold various employee activities and welfare events from time to time. We also hold various charity events with an aim to give back to the community.

Epidemic prevention policies of residential properties

Since the outbreak of COVID-19 in late January 2020, people across the country have responded to the state and government's call to stay at home, reduce contact with the public, and protect themselves while also making a huge contribution to the battle against the epidemic. Employees of KWG Living and community workers countermarched and responded quickly, formulated epidemic prevention plans and service standardization procedures, so as to fully guarantee the staying-at-home safety of residents and life service demand and supply. The Group uses resources from various aspects to ensure the stability of residents' daily supplies, such as contacting life product suppliers to ensure normal supply of supplies, opening online service ports, strengthening residents' psychological counseling and real-time sharing of anti-epidemic information to reduce residents' fears, making important contributions to the fight against the epidemic. We have been praised and reported by media for more than 20 times, and obtained over 50,000 "Likes" from property owners, and was highly recognized by the property owners and the industry.

In order to ensure the normal life of residents during the stay-at-home period, KWG Living has formulated the following service policies:	
1. Fresh food distribution for community	To solve the problem of the supply of necessary living materials for residents: we purchase materials in the form of group discount shopping, which will be conducted by community personnel. At the same time, we actively contact suppliers of food, vegetables and fruits through "CoKWG" APP to ensure the normal supply of daily necessities, and deliver them by dedicated personnel, with a total of more than 70,000 service times throughout the year, benefiting more than 20,000 property owners.
2. Application of technology and smart products	KWG Living always keep abreast of time through using drones to patrol the park and deliver meals with robots, which can also monitor the safety and epidemic prevention of the community while reducing personnel exposure. The intelligent access control system realizes non-contact command through face recognition and QR code entry control system. The number of body temperature check at the gate was approximately 93.6 million, and that of park disinfection was approximately 37,000 times during the year.
3. Organization of stay-at-home community interactive activities	As the property owners' entertainment and recreational activities were restricted during the stay-at-home period, we held online cloud-based community activities such as the 520 Cloud-Based Relay (520雲接力) event to enrich the property owner's cultural life, and presented epidemic prevention sachets during the epidemic, with the participation of over ten thousand property owners.

According to the prevention and control plan for COVID-19 by the State Council, KWG Living has adhered to the principle of "Precaution and Treatment with Precaution as Priority and Lawful and Scientific Grading and Classification", insisted on the organic combination of normalized precision prevention and control and local emergency response. According to the work requirements of "Identification and Dealing with in a Timely Manner, Precise Management and Control, and Effective Treatment", we have implemented the measures of "Early Identification, Reporting, Isolation and Treatment" through cooperating with the community to strengthen prevention and control work, and protect the lives and health of the people. We regularly conduct epidemic prevention and control drills for the project to effectively improve the ability to deal with the epidemic.



Epidemic prevention policies of commercial properties

The employees of commercial properties of KWG Living have made a lot of efforts and contributions in epidemic prevention. Looking back on the anti-epidemic work last year, KWG Living has taken the following special measures against our commercial properties, successfully assisting nearly 10,000 corporate clients and over 180,000 employees of corporate clients in resumption of work.

During the peak of the epidemic:
1. We have only opened the main entrance and exit of the project, closed other entrances and exits (such as the side door of the lobby), and implemented access control. In addition, we set single car entry and exit for carparks, with separate entry and exit management modes.
2. We have carried out thorough disinfection for all commercial projects, and disinfected public areas, facilities and equipment with aerosol.
3. We have produced "Temporary Entrance Card for Healthy Personnel" to facilitate customers to enter the office area and reduce traffic congestion during peak hours.
4. We have quickly formulated the Use Requirements and Frequency Operating Guidelines for Epidemic Prevention Materials (《防疫物資使用要求和頻次操作指引》) and the Standards of Prevention and Control Work (《防控工作標準》) to standardize epidemic prevention work.




During the resumption of work and production from the epidemic:

1. We have used modern technology for epidemic prevention in some projects. For example, 5G thermal imaging infrared temperature sensors are used for automatic body temperature check in the lobby of the office building to save customers' time for entering and exiting the office building.
2. We have set up contactless takeaway points and parcels collection points to prohibit outsiders from entering office buildings to reduce the chance of infection. In addition, the positions in unloading platform area also strictly controlled the outsiders.
3. We have placed a reminder entries in the lobby of the office building to remind customers to avoid talking in the elevator and to queue up in an orderly manner.
4. We have set up a personnel separation line in the elevator to control the number of people taking the elevator for a single time. The buttons were covered with electrostatic film and replaced regularly to avoid cross-infection.
5. We have set up special buckets for discarded masks at the entrance and exit, which were recycled by the professional epidemic prevention department, and also placed a sole disinfecting mat at the entrance of the lobby.
6. During the resumption of work, we have provided clients with free indoor disinfection and presented clients with packages for epidemic prevention containing masks, hand sanitizers, disinfection wipes and other epidemic prevention materials. At the same time, we also promoted professional knowledge of epidemic prevention to property owners.
7. We have established a special group for epidemic prevention, regularly sending reminders, producing and promoting tweets related to epidemic prevention work.

During the normalization of the epidemic:

1. We have checked the body temperature for our employees twice a day, and required the correct wearing of masks that meet the hygiene requirements and make relevant records.
2. We have actively cooperated with relevant government departments in promotion of the epidemic prevention and control, placed reminders for epidemic prevention and control in an eye-catching position outside the building, and visited customers to inform epidemic prevention notices, so as to enhance customers' awareness of epidemic prevention.
3. We have actively carried out events to thank clients and community cultural activities to improve clients satisfaction and create a harmonious atmosphere in the building.

In addition to effort to epidemic prevention, the Group has also actively organized various community and charitable activities in different regions to make contributions and social charitable investments in our community, society, country and the world. In 2020, the charitable activities of the Group can be divided into four categories: "Caring for the Elderly and Children", "Caring for the Environment", "Caring for the Community" and "Caring for the Society".

Caring for the elderly and children

*Charitable event of "**Children of the Stars (星星的孩子)**" on Christmas Day*

On Christmas Day in 2020, the office building operation department of International Finance Place in Guangzhou cooperated with the Guangzhou Autistic Children Charity Organization (廣州自閉症兒童公益組織) organized the "Children of the Stars" (星星的孩子) charitable event on Christmas. 6 children of the stars (autistic children) were invited to paint the "International Finance Place in Guangzhou" in their eyes. Every employee who works in International Finance Place could participate in the painting by the paintbrushes on-site, and the work completed with the children of the stars reflecting the concept of "We are in the Same World with Autism Children" (我們和自閉症兒童共享一個世界). In addition, the office building of KWG Living took the opportunity to sponsor a series of art courses for autism children to help them achieve their artistic dreams.

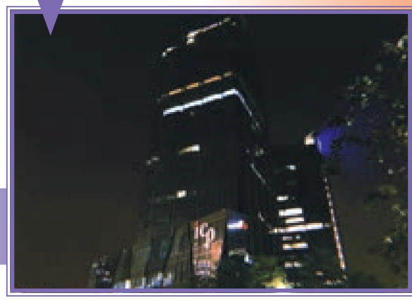
Cleaning activity for living alone elderly on Chongyang Festival, Chengdu

The Chongyang Festival of Chengdu • Sky Ville (成都•天譽) project under the management of Chengdu branch of Guangzhou Ningjun Property Management Company Limited (廣州市寧駿物業管理有限公司) ("**Ningjun Property**"), a branch of subsidiary of KWG Living, held an activity for caring the elderly who live alone by cleaning their houses, the customer service department and the environment department joint forces to visit the elderly who live alone for caring and cleaning their homes. The company has taken the initiative to reduce the cleaning burden in the lives of elderly people who live alone, and has received accolades from the elderly.

Caring for the environment

"Earth Hour"

The World Wide Fund for Nature (WWF) launched a worldwide "Earth Hour" event in 2007. Ningjun Property, proactively responded to the spread of the environmental protection concept of caring for the earth though turning off all non-essential lighting equipment and landscape lighting (including neon) in office buildings. The Group aims to call on people to face their sense of responsibility for protecting the environment and to think about the symbiotic relationship between the city and nature by turning off the lights.



Caring for the society

Volunteer Service Team Guangzhou Yijia Chuangsheng Property Management Co., Ltd. ("Yijia Chuangsheng")

The Group has continued to carry out charitable activities such as caring for disabled children and widowed elderly, and sending warmth to homeless people. Since 2016, the Group has established the volunteer service team of Yijia Chuangsheng, and cooperated with other charitable groups to carry out charitable education activities in mountainous areas and rural areas more than once, donating books to local schools, building love bookstore, and carrying out "Five-prevention" education. Through charitable activities, they attracted more people to join the volunteer team.

As a member of Guangzhou Volunteers Association for many years, the volunteer service team of Yijia Chuangsheng under the Group has approximately 200 registered volunteers. It has successively won the Appreciation on Corporate Volunteers in Guangzhou in terms of Best Corporate Volunteer Service Project in 2018 (廣州2018年度企業義工嘉許最佳企業義工服務項目), the Appreciation on Corporate Volunteers in terms of Best Charitable Enterprise (企業義工嘉許最佳公益企業), and the honorary title of "Hand-in-Hand to Support Students by the Volunteer Service Team" (手牽手助學志願服務隊資助學生) in 2018-2019.

Baisha Village, Fogang, Qingyuan in 2020 Certificate of Poverty Alleviation

Hand in Hand to Support Students by the Volunteer Service Team in 2018-2019

Best Charitable Enterprise (Appreciation on Corporate Volunteers in Guangzhou in 2018)

Entity Abiding by Contracts and Fulling Commitments in 2018

Caring for the community

Community convenience service activities

The volunteer service team of Yijia Chuangsheng insists on carrying out community convenience service activities on a monthly basis through volunteer services such as grinding knives, repairing household appliances, washing carpets, haircuts, measuring blood pressure, oral inspections, anti-fraud promotion, garbage classification promotion, and door-to-door dredging water channel and replacing light bulbs for community residents.

From September to December 2020, 16 projects, namely, R&F Peninsula (富力半島), Colour of United (盈彩美居), Top Star Victory City (星星凱旋國際), New World Oriental (東方新世界), Yijingxuan (頤景軒), Top Star Huayuan International (星星華園國際), Langqingju (朗晴居), Zhengtai Plaza (正太廣場), Bailihuating (百利華庭), Tianhe Frontier Inspection Station (天河邊檢站), Runhui Building (潤匯大廈), Star Shine Plaza (星耀廣場), Xingli Times Mansion (星力時代豪庭), Dongyi Garden (東逸花園), Huaxia Central Plaza (華夏中央廣場), and Starry Mansion (星英禦島) carried out a total of 19 convenient service activities, with the participation of 161 volunteers, and a total of 21 kinds of voluntary services, receiving accolades from more than 285 property owners.

For example, during the Harmony Cultural Festival (合睦文化節) of Hangzhou branch of Ningjun Property in September 2020 and the Harmony Cultural Festival (合睦文化節) of Guangdong branch of Ningjun Property in October, the Hangzhou branch of Ningjun Property, carried out a series of convenient services to customers during the period, including grinding knives, repairing household appliances, washing carpets and free clinical treatment, holing more than 34 activities, with the participation of more than 5,000 property owners, and receiving accolades from the property owners.

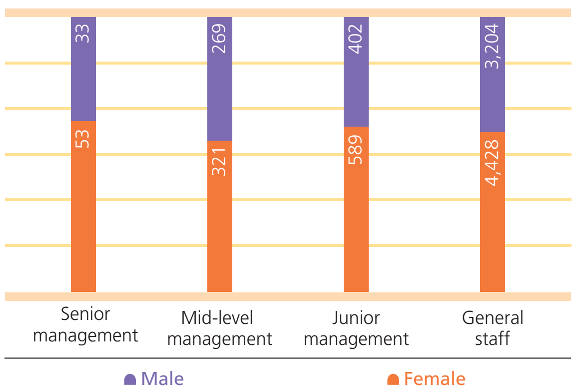
6. Laws and Regulations

ESG scope	Compliance with laws and regulations/policy
Environment	• the National Hazardous Waste List • the Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution • the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Wastes • The Environmental Protection Law of the People's Republic of China • the Law of the People's Republic of China on Environmental Impact Assessment • Energy Conservation Law of the People's Republic of China
Employment	• the Labour Law of the People's Republic of China • the Labour Contract Law of the People's Republic of China • the Employment Promotion Law of the People's Republic of China • the Social Insurance Law of the People's Republic of China • the Provisions on the Prohibition of Using Child Labour of the People's Republic of China • the Law on the Protection of Minors of the People's Republic of China
Health and safety	• The Labour Law of the People's Republic of China • the Fire Control Law of the People's Republic of China • the Production Safety Law of the People's Republic of China • the Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases • the Regulation on Work-Related Injury Insurances • Regulation on Work Safety Licenses • the Provisions on the Supervision and Administration of Occupational Health at Work Sites • Investigation and Disposition of Work Safety Accidents
Supply chain management	• the Bidding and Tendering Law of the People's Republic of China
Product liability	• the Trademark Law of the People's Republic of China • the Advertising Law of the People's Republic of China • the Patent Law of the People's Republic of China • the Fire Control Law of the People's Republic of China • the Product Quality Law of the People's Republic of China • the Law of the People's Republic of China on the Protection of Consumer Rights and Interests
Anti-corruption	• the Company Law of the People's Republic of China • the Anti-Money Laundering Law of the People's Republic of China • the Anti-monopoly Law of the People's Republic of China • the Anti-Unfair Competition Law of the People's Republic of China • Prevention of Bribery Ordinance of Hong Kong

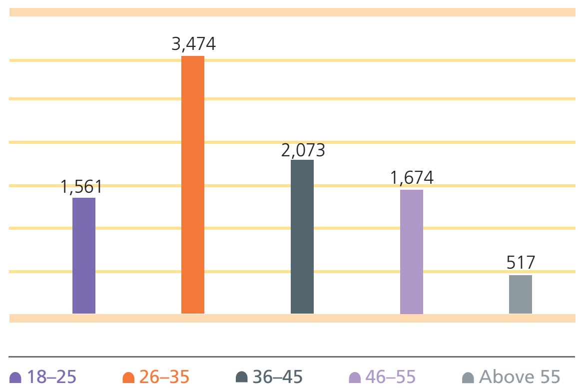
7. Summary of Data Indication (as at 31 December 2020)

The employee data of the Group in 2020 is as follows:

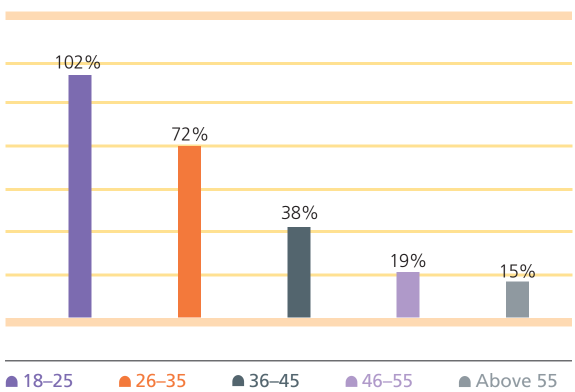
Number of employees of the Group by gender and type of employment



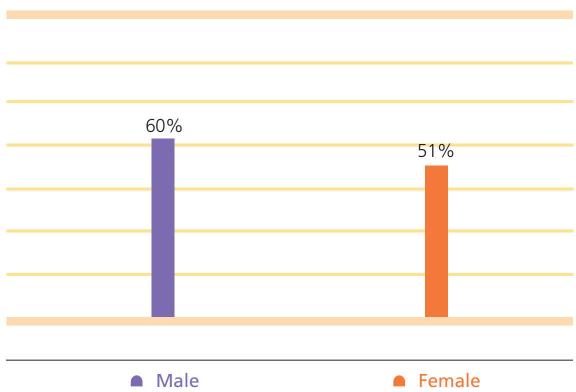
Number of employees of the Group by age group



Staff turnover rate by age group



Staff turnover rate by gender



The employee training data of the Group in 2020 is as follows:

	Rank	Average training hours for male staff (hours)	Percentage of male staff receiving training	Average training hours for female staff (hours)	Percentage of female staff receiving training
Number of employees receiving training and training hours	General staff	24	58%	17	60%
	Junior management	21	56%	17	54%
	Mid-level management	10	54%	10	54%
	Senior management	80	56%	114	56%

The environmental key performance indicators of the Group in 2020 are as follows:

No.	key performance indicators	Unit	2020
A1.1	Nitrogen oxides emissions	tonne	189,040.32[1]
	Sulphur oxides emissions	tonne	940.50[1]
	Particulate matter emissions	tonne	0.03
A1.2	Scope 1 greenhouse gas emissions	tonne	772.00
	Scope 2 greenhouse gas emissions	tonne	17,081.00
	Scope 3 greenhouse gas emissions	tonne	561.00
	Total greenhouse gas emissions	tonne	18,414.00
A1.3	Total hazardous waste	tonne	0.15[2]
	Intensity of hazardous waste	tonne per employee	0.00002
A1.4	Total non-hazardous waste	tonne	62.25
	Intensity of non-hazardous waste	tonne per employee	0.007
A2.1	Direct energy consumption	kWh in '000s	503.00
	Indirect energy consumption	kWh in '000s	81,098.00
	Total energy consumption	kWh in '000s	81,601.00
	Intensity of energy consumption	kWh in '000s per employee	8.78
A2.2	Total water consumption	cubic metre	396,166.00
	Intensity of water consumption	cubic metre per employee	42.60
A2.5	Total packaging material used for finished products	tonne	0.00[3]

Description of environmental key performance indicators:

(1) Nitrogen oxides and sulphur oxides mainly come from the vehicle emissions controlled by the Group and the gas used in the canteens of the Group's projects. In the future, the Group will set up more detailed policies to exercise strict control over these two aspects.

(2) The types of hazardous wastes disposed of by the Group are mainly batteries, lamps, bulbs, paints and ink cartridges, and ensure that all hazardous wastes have been properly disposed of in accordance with the internal guidelines of the Group.

(3) As a comprehensive property management service provider, the Group rarely uses packaging materials for our finished products, and the total consumption of which is minimal.

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Subject area	Content	Corresponding section in this report
A1 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	4.1. Emissions and Wastes
A1.1	The types of emissions and respective emissions data (tonne)	7. Summary of Data Indication
A1.2	Greenhouse gas emissions in total (tonne CO_2e) and intensity (tonne CO_2e per employee)	7. Summary of Data Indication
A1.3	Total hazardous waste produced (tonne) and intensity of hazardous waste (tonne per employee)	7. Summary of Data Indication
A1.4	Total non-hazardous waste produced (tonne) and intensity of non-hazardous waste (tonne per employee)	7. Summary of Data Indication
A1.5	Description of measures to mitigate emissions and results achieved	4.1. Emissions and Wastes
A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved	4.1. Emissions and Wastes
A2 General disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	4.2. Use of resources
A2.1	Direct and/or indirect energy (such as electricity, gas or oil) consumption by type in total (kWh in '000s); direct/indirect energy consumption and intensity of energy consumption (kWh in '000s per employee)	7. Summary of Data Indication
A2.2	Total water consumption (cubic metre) and intensity of water consumption (cubic metre per employee)	7. Summary of Data Indication
A2.3	Description of energy use efficiency initiatives and results achieved	4.2. Use of Resources
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved	4.2. Use of Resources
A2.5	Total packaging material used for finished products (tonne)	7. Summary of Data Indication
A3 General disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources	4.3. Environment and Natural Resources
A3.1	Description of the significant impact of activities on the environment and natural resources and the actions taken to manage them	4.3. Environment and Natural Resources

Subject area	Content	Corresponding section in this report
A4 General disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	4.4. Taking Action on Climate Change
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	4.4. Taking Action on Climate Change
B1 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	1.1. Employment and Labour Standards
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B2.2	Lost days due to work injury	1.2. Health and Safety
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B3 General disclosure	Policies on improving employees' knowledge and skills for discharging duties at work; description of training activities	1.3. Employee Development
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Subject area	Content	Corresponding section in this report
B4 General disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	1.1. Employment and Labour Standards
B4.1	Description of measures to review employment practices to avoid child and forced labour	1.1. Employment and Labour Standards
B4.2	Description of steps taken to eliminate such practices when discovered	1.1. Employment and Labour Standards
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Subject area	Content	Corresponding section in this report
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B7.2	Description of preventive measures and whistle blowing procedures, how they are implemented and monitored	3.1. Anti-corruption
B7.3	Description of anti-corruption training provided to directors and staff	3.1. Anti-corruption
B8 General disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests	5. Construction of a Good Community
B8.1	Focus areas of contribution	5. Construction of a Good Community
B8.2	Resources used in focus areas	5. Construction of a Good Community

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. The Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the period from the Listing Date to 31 December 2020. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

Model Code for 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 Directors' securities transactions. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the period from the Listing Date to 31 December 2020.

Board of Directors

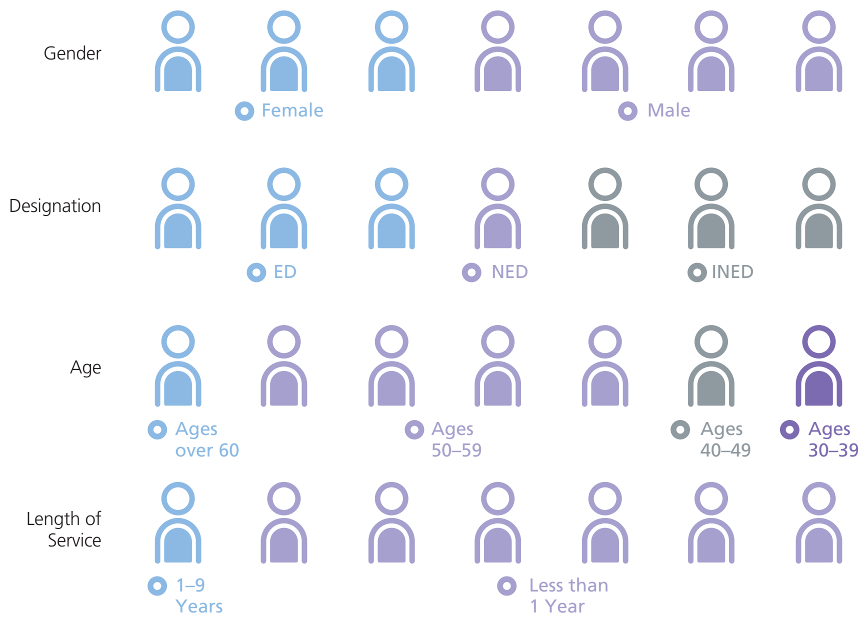
The Board is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the Executive Directors and management of the Company.

All Directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary. The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

Board Composition

As at the date of this annual report, the Board comprises Mr. KONG Jianmin *(Chairman)* as Non-executive Director; Mr. KONG Jiannan *(Chief Executive Officer)*, Ms. YANG Jingbo and Mr. WANG Yue as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors. Messrs. KONG Jianmin and KONG Jiannan are brothers. Save as disclosed above, there is no family or other material relationship among the members of the Board.

An analysis of the Board's current composition is set out in the following chart:



The biographical details of the Directors (including relationships among members of the Board), are set out in the section headed "Biographical Information of Directors and Senior Management" in this annual report and available on the Company's website.

Board Diversity

The Company has adopted a board diversity policy. Selection of candidates will 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, cultural and educational background, ethnicity, professional experience and qualification, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Board believes that the balance between Executive and Non-executive Directors (including the Independent Non-executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. The views and participation of the Non-executive Director and Independent Non-executive Directors in the Board and committee meetings provide independent judgment and advice on the issues relating to the Group's strategy, performance, conflict of interest and management process to ensure that the interests of the Shareholders are considered and safeguarded. The Board considers that each of the Non-executive Director and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

The Company currently has three Independent Non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. They have provided the Board with their diversified expertise, experience and professional advice.

Board Meeting and General Meeting

Code provision A.1.1 of the CG Code provides that the Board should meet regularly and Board meetings should be held at least four times a year. During the period from the Listing Date to 31 December 2020, no Board meeting was held by the Company as the Board did not have any matters need to be discussed. The Company will fully comply with the requirement under code provision A.1.1 of the CG Code to hold Board meetings at least four times a year at approximately quarterly intervals.

During the period from the Listing Date to 31 December 2020, no general meeting of the Company was held.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board directs and approves the Group's overall strategies whilst the responsibilities for execution and daily operations are delegated to management. The Board gives clear directions as to management's power, and reviews, from time to time, the delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. KONG Jianmin is the Chairman of the Board and his elder brother, Mr. KONG Jiannan, is the Chief Executive Officer. Despite their relationship, the division of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

The Chairman of the Board provides leadership for the Board. He is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings; Directors receive, in a timely manner, adequate information which is complete and reliable; and the Board works effectively and performs its responsibilities. He encourages Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company.

The Chief Executive Officer is responsible for the daily operation of the Group and leading the management of the Group.

Appointments and Re-election of Directors

Each Director has entered into a service contract or an appointment letter with the Company for a term of three years, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "**Articles of Association**").

Training and Support for Directors

All Directors are encouraged to participate in continuous professional development to develop and refresh their knowledge and skills. Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

The Company regularly updates Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, external experts are invited to give seminars to the Directors to update their skills and knowledge from time to time.

Based on the information provided by the Directors, the Directors participated in the following trainings during the period from the Listing Date to 31 December 2020:

Directors	Attending trainings, seminars, conferences or briefings
Executive Directors	
KONG Jiannan	√
YANG Jingbo	√
WANG Yue	√
Non-executive Director	
KONG Jianmin	√
Independent Non-executive Directors	
LIU Xiaolan	√
FUNG Che Wai, Anthony	√
NG Yi Kum	√

Board Committees

The Board has established three board committees, namely Remuneration Committee, Nomination Committee and Audit Committee, to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Remuneration Committee

The Remuneration Committee was established in October 2020. The Remuneration Committee comprises three members, namely Ms. NG Yi Kum *(Chairperson)* and Mr. FUNG Che Wai, Anthony, both of them are Independent Non-executive Directors, and Mr. KONG Jiannan, an Executive Director.

The terms of reference of the Remuneration Committee are available on the Company's website and the HKEXnews website. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for Directors' and senior management remuneration, as well as the remuneration packages of individual Executive Directors and senior management and remuneration of Non-executive Directors. Details of the remuneration payable to Directors and senior management for the period from the Listing Date to 31 December 2020 are set out in note 8 to the financial statement.

During the period from the Listing Date to 31 December 2020, no Remuneration Committee meeting was held.

Nomination Committee

The Nomination Committee was established in October 2020. The Nomination Committee comprises three members who are Non-executive Directors, namely Mr. KONG Jianmin *(Chairperson)*, Ms. NG Yi Kum and Mr. FUNG Che Wai, Anthony. The majority of them are Independent Non-executive Directors.

The terms of reference of the Nomination Committee are available on the Company's website and the HKEXnews website. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of directors and succession planning for Directors, in particular the chairman and the chief executive, as well as assessing the independence of Independent Non-executive Directors.

During the period from the Listing Date to 31 December 2020, no Nomination Committee meeting was held.

Nomination Policy

The Company has adopted a nomination policy setting out the nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors. Under the policy, the Nomination Committee will evaluate potential candidates by considering various factors, including their reputation for integrity, accomplishment and experience, time commitments, potential contribution to board diversity, and material conflict of interest with the Group (if any).

Audit Committee

The Audit Committee was established in October 2020. The Audit Committee comprises three members who are Independent Non-executive Directors, namely Ms. NG Yi Kum *(Chairperson)*, Mr. FUNG Che Wai, Anthony and Ms. LIU Xiaolan.

The terms of reference of the Audit Committee are available on the Company's website and the HKEXnews website. The principal duties of the Audit Committee include the followings:

- making recommendations to the Board on appointment, re-appointment and removal of external auditor of the Group and approving the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing and monitoring the integrity of the Groups' financial statements and annual reports and account, and interim reports;
- reviewing the Group's financial controls, and its risk management and internal control systems;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the external auditor to management, and management's response to such questions;
- reporting to the Board on matters in the code provision under the CG Code; and
- reviewing and monitoring the Group's corporate governance functions under D.3.1 of the CG Code.

During the period from the Listing Date to 31 December 2020, no Audit Committee meeting was held.

Audit and Accountability

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2020 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in Independent Auditor's Report.

External Auditor's Remuneration

For the year ended 31 December 2020, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB1.8 million and fees for non-audit services amounted to an aggregate amount of approximately RMB2.4 million. Non-audit services consisted of reporting services related to initial public offering of the Group.

Company Secretary

In compliance with Rule 3.29 of the Listing Rules, the Company Secretary confirmed that for the year ended 31 December 2020, she has taken no less than 15 hours of relevant professional training.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control system in order to safeguard the Group's assets and Shareholders' interests and reviewing and monitoring the effectiveness of the Group's risk management and internal control system on a regular basis so as to ensure that risk management and internal control system in place are adequate. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee assists the Board in performing its governance functions as to finance, operation, compliance, risk management and internal control of the Group. The risk management centre of the Group assists the Board and/or the audit committee in reviewing the effectiveness of the risk management and internal control system of the Group on a continual basis and report its finding on, at least, an annual basis. The Board may be informed regularly of material risks that would affect the performance of the Group.

The Group applies the "three lines of defense" model as the basic structure of the risk management and internal control system:

First line of defense: The Group integrates the risk management system in the core business operation practices. Each operating unit is responsible for identifying and assessing its respective risks and formulating appropriate risk mitigating measures within its terms of reference. The implementation of risk mitigating measures is monitored and the conditions of risk management work are reported to the management in a timely manner.

Second line of defense: Each function department of the Group provides and promotes the methodology and instruments of risk management and control for the first line of defense. Meanwhile, significant risks across disciplines, processes and departments are under streamlined management, and risk reminder and control strategy study are conducted on such basis.

Third line of defense: The Group's risk management centre is mainly responsible for monitoring the compliance with policies and procedures by the Group and its major departments as well as the effectiveness of internal control structure, conducting independent assessment of the financial and operational activities of the Group, and providing constructive advice to relevant management. The Group's risk management centre organises regular risk assessment of the Group and formulates internal audit plan for the year based on the results of the risk assessment. The results of the audit will also be reported to the audit committee.

The Board had reviewed and assessed the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2020. Such assessment was discussed by the management of the Group, the external auditor and the Group's risk management centre, and reviewed by the Audit Committee. The Board believes that the existing risk management and internal control systems were adequate and effective.

Disclosure of Inside Information

The Company has adopted policies on monitoring, reporting and disclosure of inside information (as defined in the Listing Rules). This ensures timely reporting and disclosure as well as fulfilment of the Group's continuous disclosure obligations. In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;

- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and the implementation was monitored by the Company; and

- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

Shareholders' Rights

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to article 58 of the Articles of Association, any one or more members holding at the date of deposit of a requisition (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 (the "**Eligible Shareholder(s)**") 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 ("**EGM**") to be called by the Board for the transaction of any business specified in such Requisition; and such meeting shall be held within two (2) months after the deposit of such Requisition.

The Eligible Shareholder(s) must deposit the Requisition to the Company's principal place of business in Hong Kong (the "**Principal Office**"), which for the time being is at Units 8205A, Level 82, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. Such Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's Hong Kong share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board considering to convene an EGM within two (2) months after the deposit of the Requisition and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

If within twenty-one (21) days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting forward Proposals at General Meeting

There are no provisions in the Articles of Association or the Companies Law of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph headed "Procedures for Shareholders to convene an Extraordinary General Meeting".

Enquiries and Concerns to the Board

Shareholders may send their enquiries and concerns to the Board by email (at cosec@kwgliving.com) or by delivering them to Unit 8205A, Level 82, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong by post.

Dividend Policy

Declaration of dividends is subject to the discretion of the Board, taking into consideration of factors such as the Group's financial results, Shareholders' interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restriction and any other factors that the Board may deem relevant. The Company has adopted a dividend policy which aims to provide the Shareholders with a sustainable dividend out of the profit of the Group.

Investor Relations

The memorandum and articles of association of the Company (the "**Memorandum and Articles of Association**") have been amended and restated with effect from the Listing Date. The latest version of the Memorandum and Articles of Association is available on the Company's website and HKEXnews website. Since the Listing Date up to 31 December 2020, the Company did not made any significant changes to its constitutional documents.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2020.

Global Offering

The Company was incorporated in the Cayman Islands on 11 September 2019 as an exempted company with limited liability and its Shares were listed on the main board of the Stock Exchange on the Listing Date.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There was no significant changes in the nature of the Group's principal activities during the year.

A fair review of the Group's business during the year, including an analysis of the Group's performance using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2020 (if any) can be found in the sections headed "Financial Highlights", the "Chairman's Statement" and the "Management Discussion and Analysis" in this annual report. The financial risk management objectives and policies of the Group can be found in note 32 to the financial statements. In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are included in Environmental, Social and Governance Report. Such discussions form part of this annual report.

Key Risks and Uncertainties

The following lists out the key risks and uncertainties facing the Group. As it is not exhaustive in listing out all factors, there may be other risks and uncertainties which are unknown or currently not but may become material in future, save as those disclosed below. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

- Unfavourable changes in requirements of policies, laws and regulatory regulated by the government;
- Adverse changes in macroeconomic environment due to the uncertainties associated with the US-China trade war and global financial conditions;
- Threats to public health and disruptions in operations due to outbreak of coronavirus pandemic or potential pandemic diseases;
- Intense competition in property management industry in China, seeking differentiated competitive strength is an urge;
- Changes in supply and demand for property management and retail business operations services;
- Decline in customers spending which may cause a decrease in sales of tenants or income of the property service, and in turn, affects the earnings of the Group;

- Future acquisitions or investments in other property companies may not succeed, and the Company may face difficulties in integrating the businesses;
- Talent shortages, the needs of recruiting and training competent staffs are strong;
- Ability to generate liquidity internally and obtain external financing.

Results and Dividends

The Group's results for the year ended 31 December 2020 are set out in the Consolidated Statement of Profit or Loss on page 101.

The Board has resolved to recommend the payment of a final dividend of RMB6 cents per Share for the year ended 31 December 2020. The proposed final dividend, if approved at the 2021 annual general meeting of the Company ("**2021 AGM**"), will be payable in cash on or around Friday, 6 August 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 23 July 2021.

The proposed final dividend shall be declared in RMB and payable in cash in Hong Kong dollars ("**HK$**"). The relevant exchange rate will be based on the average central parity rate of RMB against HK$ as announced by the People's Bank of China for the five business days preceding the date of declaration of dividend.

Financial Summary

A financial summary of the Group for the last four financial years is set out on page 180.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Acquisition of Guangzhou Runtong

Pursuant to an acquisition agreement entered into by Guangdong Hejing Youhuo Holdings Group Co., Ltd. ("**Hejing Youhuo**"), being an indirect wholly-owned subsidiary of the Company, and the shareholders of Guangzhou Runtong dated 7 December 2020, the Group acquired the 80% equity interests in Guangzhou Runtong at a cash consideration of RMB214.4 million. Guangzhou Runtong is a company established in the PRC with limited liability and is principally engaged in property management. The acquisition was completed in December 2020. Since then, Guangzhou Runtong has become a subsidiary of the Group. Further, the vendors of Guangzhou Runtong irrevocably warrant and guarantee to the Group that the revenue and annual net profit will not be less than RMB226.0 million and RMB23.0 million for the year ended 31 December 2020, RMB248.6 million and RMB25.3 million for the year ending 31 December 2021 and RMB271.2 million and RMB27.6 million for the year ending 31 December 2022, respectively. For more details, please refer to the Company's announcements dated 7 December 2020 and 30 December 2020, respectively.

The aforementioned guarantee for the year ended 31 December 2020 had been met. During the year ended 31 December 2020, Guangzhou Runtong's revenue and net profit for the year amounted to approximately RMB232.0 million and RMB28.2 million, respectively. Since the acquisition, Guangzhou Runtong did not contribute any revenue and profit to the Group for the year ended 31 December 2020.

Please refer to note 26 of the consolidated financial statements for more details.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the year ended 31 December 2020.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 24 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

Since the Listing Date and up to 31 December 2020, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

Pre-emptive Rights

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 34 and 25 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

Total distributable reserves of the Company as at 31 December 2020, calculated in accordance with Article 143 of the Articles of Association, amounted to approximately RMB2,435,344,000.

Major Customers and Suppliers

For the year ended 31 December 2020, the transaction amount of the Group's top five customers accounted for 53.9% of the total revenue of the Group (2019: 49.2%), while the transaction amount of the Group's single largest customer, KWG Group and its associates, accounted for 49.9% of the total revenue of the Group (2019: 47.0%).

For the year ended 31 December 2020, the transaction amount of the Group's top five suppliers accounted for 8.0% of the total purchase of the Group (2019: 13.5%), while the transaction amount of the Group's single largest supplier accounted for 2.5% of the total purchase of the Group (2019: 3.3%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers (other than KWG Group and its associates).

Directors

The list of Directors and their biographical information are set out on page 2, and pages 88 to 93 in this annual report respectively.

Pursuant to Article 84 of the Articles of Association, Mr. KONG Jiannan, Ms. YANG Jingbo and Mr. WANG Yue will retire from office by rotation and being eligible, offer themselves for re-election at the 2021 AGM.

The Company has received from Ms. LIU Xianlan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum, their confirmations of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent for the period from the Listing Date to the date of this annual report.

No Director proposed for re-election at the 2021 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Chief Executive

As at 31 December 2020, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

	Number of Shares held				
Name of Director	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of the issued voting Shares[(1)]
KONG Jianmin	2,300,000	841,736,661[(2)]	217,485,885[(4)]	1,061,522,546	52.61
KONG Jiannan	—	80,376,772[(3)]	978,845,774[(4)]	1,059,222,546	52.49

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,810,233 Shares) as at 31 December 2020.

(2) Plus Earn Consultants Limited ("**Plus Earn**") and Hero Fine Group Limited ("**Hero Fine**") are wholly-owned and controlled by Mr. KONG Jianmin. By virtue of the SFO, Mr. KONG Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.

(3) Peace Kind Investments Limited ("**Peace Kind**") is wholly-owned and controlled by Mr. KONG Jiannan. By virtue of the SFO, Mr. KONG Jiannan is deemed to be interested in the Shares in which Peace Kind is interested.

(4) On 14 October 2020, Plus Earn, Hero Fine, Right Rich Consultants Limited ("**Right Rich**"), Excel Wave Investments Limited ("**Excel Wave**"), Wealth Express Investments Limited ("**Wealth Express**") and Peace Kind entered into a shareholders' agreement (the "**Shareholders' Agreement**"), pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

Long position in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	% of the issued voting Shares
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at 31 December 2020, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

Directors' Interests in a Competing Business

During the year and up to the date of this annual report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Non-competition Undertaking

Each of the controlling Shareholders has entered into a deed of non-competition dated 14 October 2020 (the "**Undertakings**") details of which are disclosed in the Company's prospectus dated 19 October 2020. Each of them has confirmed to the Company that, since the Listing Date and up to 31 December 2020, he/it has complied with the Undertakings.

The Independent Non-executive Directors had reviewed the status of compliance and the confirmation provided by each of the controlling Shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from all of them regarding the Undertakings; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the Independent Non-executive Directors are of the view that the Undertakings have been complied with and been enforced by the Company in accordance with the terms.

Director's Interests in Transactions, Arrangements and Contract

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Directors' Remuneration

The Directors' remunerations are subject to the recommendations of the Remuneration Committee and the Board's approval. The remunerations are determined by the Board with reference to Directors' duties, responsibilities, performances and the results of the Group.

Equity-linked Agreements

Save as disclosed in this annual report, no equity-linked agreements was entered into by the Company during the year or subsisted at the end of the year.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2020, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Long positions in the Shares

	Number of Shares held				
Name of substantial Shareholder	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of the issued voting Shares(1)
Plus Earn	678,390,949	—	380,831,597(3)	1,059,222,546	52.49
Hero Fine	163,345,712	—	895,876,834(3)	1,059,222,546	52.49
Peace Kind	80,376,772	—	978,845,774(3)	1,059,222,546	52.49
KONG Jiantao	—	137,109,113(2)	922,113,433(3)	1,059,222,546	52.49
Right Rich	136,017,833	—	923,204,713(3)	1,059,222,546	52.49
Excel Wave	579,450	—	1,058,643,096(3)	1,059,222,546	52.49
Wealth Express	511,830	—	1,058,710,716(3)	1,059,222,546	52.49

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,810,233 Shares) as at the 31 December 2020.

(2) Right Rich, Excel Wave and Wealth Express are wholly-owned and controlled by Mr. KONG Jiantao. By virtue of the SFO, Mr. KONG Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.

(3) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

Save as disclosed above, as at 31 December 2020, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Continuing Connected Transactions

Since the Listing Date, KWG Group and its associates became connected person of the Company. The following constituted continuing connected transactions of the Group for the year ended 31 December 2020, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Property Lease Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property lease framework agreement (the "**Property Lease Framework Agreement**") with KWG Holdings (for itself and on behalf of its subsidiaries), pursuant to which KWG Group agreed to lease to the Group (i) certain properties for office and staff quarters uses; and (ii) car parking lots for sub-leasing to end-users for a term commencing from the Listing Date to 31 December 2022.

The annual cap of the fee payable by the Group under the Property Lease Framework Agreement for the year ended 31 December 2020 is RMB18.1 million, and for each of the two years ending 31 December 2021 and 31 December 2022 is RMB21.4 million and RMB25.3 million, respectively. The amount for the transactions under the Property Lease Framework Agreement involved during the period from the Listing Date to 31 December 2020 is RMB0.4 million.

2. Residential Property Management Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a residential property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Residential Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with residential property management services, including but not limited to (i) pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by KWG Group and/or its associates; and (ii) property management services, such as cleaning, security, gardening and repair and maintenance services for residential properties developed by KWG Group and/or its associates which are unsold or sold but not yet delivered to the property owners for a term commencing from the Listing Date to 31 December 2022.

The annual cap of the fee payable by the Group under the Residential Property Management Services Framework Agreement for the year ended 31 December 2020 is RMB302.5 million, and for each of the two years ending 31 December 2021 and 31 December 2022 is RMB378.2 million and RMB472.7 million, respectively. The amount for the transactions under the Residential Property Management Services Framework Agreement involved during the period from the Listing Date to 31 December 2020 is RMB48.8 million.

3. Property Agency Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property agency services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Property Agency Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with property agency services for properties developed by KWG Group and/or its associates for a term commencing from the Listing Date to 31 December 2022.

The annual cap of the fee payable by the Group under the Property Agency Services Framework Agreement for the year ended 31 December 2020 is RMB225.9 million, and for each of the two years ending 31 December 2021 and 31 December 2022 is RMB356.8 million and RMB470.6 million, respectively. The amount for the transactions under the Property Agency Services Framework Agreement involved during the period from the Listing Date to 31 December 2020 is RMB80.2 million.

4. **Commercial Property Management Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with commercial property management services, including but not limited to (i) pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by KWG Group and/or its associates; and (ii) commercial property management services, such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties developed by KWG Group and/or its associates which are (a) unsold or sold but not yet delivered to the new owners; (b) pending to be leased out; or (c) owned by KWG Group and/or its associates for their own use for a term commencing from the Listing Date to 31 December 2022.

The annual cap of the fee payable by the Group under the Commercial Property Management Services Framework Agreement for the year ended 31 December 2020 is RMB123.5 million, and for each of the two years ending 31 December 2021 and 31 December 2022 is RMB153.5 million and RMB182.1 million, respectively. The amount for the transactions under the Commercial Property Management Services Framework Agreement involved during the period from the Listing Date to 31 December 2020 is RMB21.7 million.

5. **Commercial Operational and Value-added Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial operational and value-added services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Operational and Value-added Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with (i) commercial operational services, such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by KWG Group and/or its associates; and (ii) other value-added services, such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by KWG Group and/or its associates for a term commencing from the Listing Date to 31 December 2022.

The annual cap of the fee payable by the Group under the Commercial Operational and Value-added Services Framework Agreement for the year ended 31 December 2020 is RMB108.3 million, and for each of the two years ending 31 December 2021 and 31 December 2022 is RMB150.8 million and RMB172.9 million, respectively. The amount for the transactions under the Commercial Operational and Value-added Services Framework Agreement involved during the period from the Listing Date to 31 December 2020 is RMB22.0 million.

Pursuant to a shareholders' agreement dated 30 December 2018 entered into between Plus Earn, Right Rich and Peace Kind, each of Plus Earn, Right Rich and Peace Kind was deemed to have interest in the shares and/or underlying shares in KWG Holdings held by the other parties under Section 317(1)(a) of the SFO. Thus, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are deemed to be interested in approximately 62.66%, 53.50% and 53.43% of the issued share capital of KWG Holdings, respectively as at the date of the aforementioned agreements of the continuing connected transactions. Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the Company's controlling shareholders and thus KWG Holdings is an associate of each of them and a connected person of the Company (as defined under the Listing Rules).

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the Property Lease Framework Agreement, the Residential Property Management Services Framework Agreement, the Property Agency Services Framework Agreement, the Commercial Property Management Services Framework Agreement and the Commercial Operational and Value-added Services Framework Agreement as mentioned above (collectively the "**Agreements**"), and confirmed the Agreements have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company for the year ended 31 December 2020 in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Board;
- for the connected transactions involving the provision of goods or services by the Group have not been entered into in accordance with the pricing policies of the Group in all material aspects;
- have not been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and
- have exceeded the relevant caps for the year ended 31 December 2020.

Related Party Transactions

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

The related party transactions set out in note 29 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of Directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than Directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Unless otherwise disclosed in this annual report, the Directors believe, all other related party transactions set out in note 29 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Company confirmed that it was in compliance with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2020 or a waiver from such provisions has been obtained from the Stock Exchange.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

Employees and Remuneration Policy

As at 31 December 2020, the Group has more than 9,380 employees. Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

Permitted Indemnity Provision

The Articles of Association provides that Directors, secretary and other officers and every auditor of the Company at any time, whether at present or in the past, and the liquidator or trustees (if any) acting or who have acted in relation to any of the affairs of the Company, and everyone of them, and everyone of their heirs, executors and administrators, shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. During the year, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained a sufficient public float as required by the Listing Rules as at the date of this annual report.

Events after the Reporting Period

On 17 January 2021, Hejing Youhuo entered into an acquisition agreement pursuant to which it conditionally agreed to acquire 80% equity interests in Cedar at a cash consideration of RMB1,316.0 million from Guangzhou Xiangtai Business Management Co., Ltd..

The acquisition is expected to complete later this year. Upon completion, Cedar will become a subsidiary of the Group and it is expected that the GFA under the Group's management will reach 127 million s.q.m.. Details of the acquisition are set out in the Company's announcement dated 18 January 2021.

Use of Net Proceeds from the Listing

The Shares were listed on the main board of the Stock Exchange on the Listing Date by way of Global Offering, raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately HK$2,913.1 million (equivalent to approximately RMB2,526.3 million).

As of 31 December 2020, an analysis of the utilisation of proceeds from the Listing is as follows:

Proposed use of net proceeds as set out in the Prospectus	Approximate % of net proceeds from the Listing	Net proceeds RMB million	Utilised net proceeds RMB million	Unutilised net proceeds as of 31 December 2020 RMB million	Expected time of full utilisation
Pursue strategic acquisitions and investment opportunities	60.0	1,515.8	80.0	1,435.8	Before 31 December 2022
Upgrade the intelligent service systems	25.0	631.6	—	631.6	Before 31 December 2023
Diversify its value-added services	10.0	252.6	—	252.6	Before 31 December 2022
General corporate purposes and working capital	5.0	126.3	—	126.3	Not applicable
Total	100.0	2,526.3	80.0	2,446.3	

Auditors

Ernst & Young retire and a resolution for their reappointment as auditors of the Company will be proposed at the 2021 AGM.

On behalf of the Board

KONG Jianmin
Chairman

Hong Kong
22 March 2021

Executive Directors

KONG Jiannan, aged 55, was appointed as a Director in September 2019 and was re-designated as an Executive Director and Chief Executive Officer in June 2020. He is responsible for the overall management and operation of the Group. He currently holds directorships in various subsidiaries of the Group.

Mr. Kong has over 20 years of experience in the real estate industry. He joined the Group in May 2004 as a director of Ningjun Property, where he was primarily responsible for the overall management of Ningjun Property. Prior to joining the Group, from September 1984 to October 1997, he worked at the Dongshan District Justice Bureau (東山區司法局) in Guangzhou, the PRC, where he last served as a section chief. From November 1997 to June 2007, he served as a director of Guangzhou Hejing Real Estate Co., Ltd. (廣州合景房地產開發有限公司), a subsidiary of KWG Holdings, where he was primarily responsible for coordinating and managing human resources, administrative management and IT management. Since June 2007, he has been an executive director and an executive vice president of KWG Holdings, where he is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs.

Mr. Kong has been a president of the 17th General Committee of Hong Kong Industrial & Commercial Association (香港工商總會) since August 2019, and an executive council member of the 2nd Council of Happy Hong Kong Foundation (築福香港基金會) since September 2018. He has also been a council member of Guangzhou Chuanshuo Children's Culture Foundation (廣州船説少兒文化基金會) since March 2017.

Mr. Kong graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) (also known as the Open University of China (Guangzhou) (國家開放大學(廣州))) in the PRC majoring in law in October 1988.

Mr. Kong is the elder brother of Mr. Kong Jianmin, a Non-executive Director and the Chairman of the Board.

Pursuant to the service agreement with the Company, Mr. Kong is entitled to receive a basic annual director's fee of HK$150,000.

YANG Jingbo, aged 43, was appointed as an Executive Director in June 2020 and is primarily responsible for the financial management of the Group. She is also the general manager of the financial management center of the Group. She currently holds directorships in certain subsidiaries of the Group.

Ms. Yang has over 19 years of experience in the real estate industry. She joined the Group in September 2009 as the senior tax manager of the Group. From September 2009 to February 2020, she successively served as the senior tax manager, the deputy general manager of financial sharing center and the general manager of finance and tax. She was appointed as the general manager of the financial management center of the Group in February 2020. Prior to joining the Group, from July 2000 to September 2009, she served as manager of finance and tax of the Guangzhou regional branch (廣州地區公司) of Hopson Development Holdings Limited (合生創展集團有限公司), a property developer whose shares are listed on the main board of the Stock Exchange (stock code: 0754), where she was primarily responsible for financial and tax management.

Ms. Yang is currently a member of the China Real Estate Industry Tax Compliance Promotion Committee (中國房地產開發行業税法遵從提升委員會). She has been the vice president as well as the president of South China division of the Communication Platform of the Corporate Chief Tax Officer (企業税務總監交流平台) since October 2019. She was a deputy supervisor of Financial Management Committee of Guangdong Real Estate Association (廣東省房地產行業協會財務管理專業委員會) from July 2015 to June 2018. Ms. Yang is a main author of the publications namely Analysis of the Practical Points of Collecting Value-added Tax in lieu of Business Tax (《營改增實務點解構》) and Practice of the Filing of Returns of Individual Income Tax on Comprehensive Income on a Consolidated Basis (《個人所得税綜合所得滙算清繳實務》).

Ms. Yang obtained a bachelor's degree in auditing from Guangdong Business College (廣東商學院) (now known as Guangdong University of Finance & Economics (廣東財經大學)) in the PRC in June 2000, and an executive master of business administration degree from Jinan University (暨南大學) in the PRC in December 2015. She obtained a qualification of intermediate accountant granted by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2006, a qualification of certified internal auditor granted by the Institute of Internal Auditors in November 2006 and a qualification of tax accountant granted by the China Association of Chief Financial Officers (中國總會計師協會) in June 2010.

Pursuant to the service agreement with the Company, Ms. Yang is entitled to receive a basic annual director's fee of HK$150,000.

WANG Yue, aged 39, was appointed as an Executive Director in June 2020 and is responsible for the daily operation of the residential property management service business of the Group. He is also the general manager of the residential property management department of the Group.

Mr. Wang has over 11 years of experience in the property management industry. Mr. Wang joined the Group in June 2016 as the deputy general manager of the residential property management department of the Group. Prior to joining the Group, from August 2008 to July 2011, he served as a regional manager of the Beijing branch of Changcheng Property Group Co., Ltd. (長城物業集團股份有限公司), a property management service provider in the PRC, where he was responsible for overseeing the daily operation. From August 2011 to May 2016, he worked at Beijing Longfor Property Services Co., Ltd. (北京龍湖物業服務有限公司), a subsidiary of (Longfor Group Holdings Limited (龍湖集團控股有限公司)), a property developer in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 0960), where he last served as the director of the company's property management division, and he was responsible for overseeing the operation and management of regional companies of the group.

Mr. Wang obtained a qualification of property manager granted by the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in October 2010 and a qualification of certified property manager granted by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in February 2014.

Mr. Wang obtained a bachelor's degree in business administration from Beijing University of Chemical Technology (北京化工大學) in the PRC in January 2008. He is pursuing a master's degree in business administration through long distance learning program in Business School Netherlands in Netherlands.

Pursuant to the service agreement with the Company, Mr. Wang is entitled to receive a basic annual director's fee of HK$150,000.

Non-executive Director

KONG Jianmin, aged 53, was appointed as a Non-executive Director and the Chairman of the Board in June 2020. He is responsible for providing guidance and formulation of business strategies for the overall development of the Group.

Mr. Kong has over 25 years of experience in property development and investment. He founded KWG Group in November 1994. From November 1994 to April 1995, he served as a general manager of Guangzhou Xinhengchang Enterprises Development Co., Ltd. (廣州新恒昌企業發展有限公司), a subsidiary of the KWG Holdings, where he was primarily responsible for the formulation of strategies and operation plans as well as the implementation of the business plans. From June 1995 to June 2007, he served as the chairman of the board of Guangzhou Hejing Real Estate Development Ltd. (廣州合景房地產開發有限公司), a subsidiary of the KWG Holdings, where he was responsible for strategic planning and implementation, sales and marketing of the company. Since July 2007, he has been an executive director and the chairman of the board of directors of KWG Holdings and is responsible for the formulation of the development strategies, as well as supervising project planning, business operation and sales and marketing of the KWG Group. Prior to founding the KWG Group, from December 1985 to July 1993, he worked at the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司廣州白雲路支行), where he served as a credit officer.

Mr. Kong has been an executive president of the executive committee of Guangdong Real Estate Chamber of Commerce (廣東省地產商會) since March 2008 and has been a director of the board of directors of Jinan University (暨南大學) in the PRC since November 2010.

Mr. Kong graduated from Jinan University (暨南大學) in the PRC majoring in computer science in June 1989.

Mr. Kong Jianmin is the younger brother of Mr. Kong Jiannan, an Executive Director and the Chief Executive Officer.

Pursuant to the appointment letter with the Company, Mr. Kong is entitled to receive a basic annual director's fee of HK$300,000.

Independent Non-executive Directors

LIU Xiaolan, aged 54, was appointed as an Independent Non-executive Director in October 2020 and is primarily responsible for providing independent advice on the operations and management of the Group.

Ms. Liu has over 8 years of working experience in real estate industry. From May 2002 to May 2005, she served as an assistant to the general manager and the head of the branch management center at Xiamen Powerlong Information Industry Development Co., Ltd. (廈門寶龍信息產業發展有限公司), where she was mainly responsible for assisting the general manager in the daily matters of the company and its branches all over the country. Starting from May 2005, she worked at Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a real estate developer in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 1238), where she was responsible for assisting president in the daily matters, establishment of management system of the project companies and the management of commercial property management business, and was appointed as an executive director in August 2009. She was re-designated as a non-executive director of Powerlong Real Estate Holdings Limited in April 2012 and resigned in March 2014. From March 2012 to November 2012, she served as the general manager at Kunshan Stereo City Investment Management Co., Ltd. (昆山立體之城投資管理有限公司), a company principally engaged in investment management and consulting services, where she was mainly responsible for investment management of the project. Since September 2013, she has been serving as the chairman of the board of Shanghai Yizhen Investment Management Co., Ltd. (上海溢臻投資管理有限公司), a company principally engaged in real estate consulting services and investment management, where she have been mainly responsible for its company investment and strategy formulation.

Ms. Liu has been serving as a mentor of PMBA program of E-house & Wharton Case Study and Teaching Facility (易居沃頓案例研究與教育基地) since June 2015, an economic counselor of Chengdu Skyscraper Economics Promotion Association (成都市樓宇經濟促進會) since September 2019 and a special consultant of Tianfu Institute of Building Economy (樓宇經濟天府學院) since June 2019.

Ms. Liu obtained her bachelor's degree in clinical medicine from Fujian University of Traditional Chinese Medicine (福建中醫學院) in the PRC in July 1988.

Pursuant to the appointment letter with the Company, Ms. Liu is entitled to receive a basic annual director's fee of HK$300,000.

FUNG Che Wai, Anthony, aged 52, was appointed as an Independent Non-executive Director in October 2020 and is primarily responsible for providing independence advice on the operations and management of the Group.

Mr. Fung has over 28 years of experience in accounting and financial management. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator in Cambodia whose shares are listed on the main board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to August 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司) from July 2014 to April 2017 and from September 2014 to April 2017, respectively, a solar power plants investor and operator whose shares are listed on the main board of the Stock Exchange (stock code: 0295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. Since May 2017, Mr. Fung has been the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider whose shares are listed on the main board of the Stock Exchange (stock code: 3718), where he has been primarily responsible for the supervision and management of finance of the group. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider whose shares are listed on GEM of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. Since June 2017, Mr. Fung has been an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller whose shares are listed on the main board of the Stock Exchange (stock code: 1695), where he has been primarily responsible for supervising and providing independent advice to the board.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the HKICPA in October 2001 and September 2005, respectively. Mr. Fung is currently a fellow member of the HKICPA.

Mr. Fung received his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992.

Pursuant to the appointment letter with the Company, Mr. Fung is entitled to receive a basic annual director's fee of HK$300,000.

NG Yi Kum, aged 63, was appointed as an Independent Non-executive Director in October 2020 and is responsible for providing independent advice on the operations and management of the Group.

From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (恒隆地產有限公司), a real estate development company whose shares are listed on the main board of the Stock Exchange (stock code: 0101). Prior to her joining in Hang Lung Properties Limited, she worked as a senior vice president of the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (碧桂園控股有限公司), a real estate development company whose shares are listed on the main board of the Stock Exchange (stock code: 2007). Ms. Ng joined Tse Sui Luen Jewellery (International) Limited (謝瑞麟珠寶 (國際) 有限公司) (“**TSL**”), a jewelery company whose shares are listed on the main board of the Stock Exchange (stock code: 417), in July 2015 and is currently an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary of TSL where she is primarily responsible for group finance and other administrative functions as well as defining corporate strategies.

Ms. Ng has been an independent non-executive director of Tianjin Development Holdings Limited (天津發展控股有限公司), a utilities, hotel, electrical and mechanical, strategic and other investments and pharmaceutical company whose shares are listed on the main board of the Stock Exchange (stock code: 882), since July 2010, an independent non-executive director of Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a solution provider of wireless systems whose shares are listed on the main board of the Stock Exchange (stock code: 2342), since March 2019, an independent non-executive director of CT Vision (International) Holdings Limited (中天宏信(國際)控股有限公司) (formerly known as Win Win Way Construction Holdings Limited (恆誠建築控股有限公司)), a construction company whose shares are listed on the main board of the Stock Exchange (stock code: 994), since July 2019, an independent non-executive director of CMGE Technology Group Limited (中手游科技集團有限公司), a mobile game publisher whose shares are listed on the main board of the Stock Exchange (stock code: 302), since September 2019, and an independent non-executive director of Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a commercial operational and residential property management services provider whose shares are listed on the main board of the Stock Exchange (stock code: 9909), since December 2019.

While Ms. Ng is currently holding directorships in six other companies listed on the Stock Exchange as disclosed above, our Directors are of the view that Ms. Ng will be able to devote sufficient time to discharge her duties and responsibilities as an independent non-executive Director given that: (i) save for her role in TSL as an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary, her roles in the other five listed companies primarily require her to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) she has demonstrated that she is capable of devoting sufficient time to discharge her duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year; (iii) as retrieved from the annual report(s) of these listed companies, she has attended most of the board meetings, committee meetings and shareholders’ meetings during her tenure as an independent non-executive director of Tianjin Development Holdings Limited, and all of the board meetings, committee meetings and shareholders’ meetings during her tenure as an executive director of TSL, and as an independent non-executive director of Comba Telecom Systems Holdings Limited, CT Vision (International) Holdings Limited, CMGE Technology Group Limited and Powerlong Commercial Management Holdings Limited; (iv) as confirmed by Ms. Ng, none of the listed companies that she has a directorship with has questioned or complained about her time devoted to such companies; (v) she has acquired extensive management experience and developed substantial knowledge on corporate governance through her directorships in other listed companies, which is expected to facilitate the proper discharge of her duties and responsibilities as an independent non-executive director; (vi) Ms. Ng’s role in the Group is non-executive in nature and she will not be involved in the daily management of the Group’s business, thus her engagement as our Independent Non-executive Director will not require her full-time participation; and (vii) she has confirmed that she will have sufficient time to fulfill her duties as an Independent Non-executive Director notwithstanding her directorships in six other listed companies.

Ms. Ng served as a director of DS Healthcare Group, Inc. from May 2016 to May 2017, a company which develop proprietary technologies and products of hair care and personal care needs, whose shares were listed on the Nasdaq Capital Market in the United States (old stock code: DSKX) but were delisted in December 2016. She served as an independent director of China Mobile Games and Entertainment Group Limited, a mobile games company listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, from September 2012 to August 2015. From June 2013 to August 2019, Ms. Ng was an independent non-executive director of China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), a clean energy development company which was delisted from the main board of the Stock Exchange (old stock code: 0735) in August 2019. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (香港資源控股有限公司), a jewelery company whose shares are listed on the main board of the Stock Exchange (stock code: 2882), from September 2008 to July 2015, and an independent non-executive director of China Finance Investment Holdings Limited (中國金控投資集團有限公司) (formerly known as Cypress Jade Agricultural Holdings Limited (從玉農業控股有限公司)), a company principally engaged in agricultural business and money lending business whose shares are listed on the main board of the Stock Exchange (stock code: 0875), from December 2011 to June 2013.

Ms. Ng is a qualified accountant and holds a master's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong. She is an associate of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Chartered Secretaries, a fellow of the Association of Chartered Certified Accountants and the HKICPA and a member of the American Institute of Certified Public Accountants. She is an elected member of Quality Tourism Services Association Governing Council (Retailer Category) with effect from February 2019. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013.

Pursuant to the appointment letter with the Company, Ms. Ng is entitled to receive a basic annual director's fee of HK$300,000.

Senior Management

KUANG Xiaoling, aged 44, joined the Group in March 2007 as a human resources supervisor and was appointed as the human resources general manager in September 2016. She is the general manager of the human resources and administration center of the Group since February 2020. Ms. Kuang is primarily responsible for the management of human resources and administrative matters of the Group.

Prior to joining the Group, from June 2004 to July 2006, Ms. Kuang worked at Productivity (Guangzhou) Consulting Co., Ltd. (生產力(廣州)諮詢有限公司), a company engaged in the provision of environmental technology consulting services, where she served as a consultant responsible for providing human resources consulting services. From August 2005 to March 2006, she worked at PricewaterhouseCoopers, where she served as a senior consultant responsible for providing consulting services. From April 2006 to March 2007, she worked at Mercer Consulting (China) Co., Ltd. Guangzhou Branch (美世諮詢(中國)有限公司廣州分公司), a company engaged in providing enterprises management services, where she served as a consultant responsible for providing human resources consulting services.

Ms. Kuang graduated from Jiangxi Normal University (江西師範大學) in the PRC majoring in English in December 1998, and a master's degree in business administration from Sun Yat-sen University (中山大學) in the PRC in June 2004.

FANG Shuyang, aged 41, joined the Group in January 2018 as an administrative supervisor and was appointed as a general manager of Yijia Chuangsheng in December 2019. He was then appointed as a general manager of post-investment management department in December 2020. Mr. Fang is primarily responsible for the property management service business of the Group.

From January 2018 to December 2019, Mr. Fang served as an administrative supervisor of the Group responsible for administrative management. He has also been the deputy general manager of residential property management department since September 2019 and is responsible for administrative, procurement, branding management. Prior to joining the Group, from July 2005 to January 2010, Mr. Fang worked at Southern Metropolis Daily, where he served as a journalist responsible for news reporting. From January 2010 to October 2015, he worked at Amway (China) Co., Ltd. (安利(中國)日用品有限公司), a company engaged in the sale of health, beauty and home care products, where he served as an assistant manager of strategic communication. From November 2015 to January 2018, he worked at Lvshou Health Industry Group Co., Ltd. (綠瘦健康產業集團有限公司), a company engaged in manufacturing and sale of health and nutrition related products, where his last position was an administrative supervisor responsible for administrative and procurement management.

Mr. Fang obtained a bachelor's degree in information management and library science and a master's degree in management from Nanjing University (南京大學) in the PRC in June 2002 and June 2005, respectively.

CHEN Yan, aged 40, joined the Group in April 2012 as a senior manager of legal department of the Group. He is the general manager of the legal center of the Group since February 2020. Mr. Chen is responsible for overseeing the legal and compliance matters of the Group.

Mr. Chen has over 14 years of experience in handling legal matters. Prior to joining the Group, from December 2005 to October 2007, he worked at Guangzhou Arbitration Commission (廣州仲裁委員會), where he served as a secretary responsible for handling arbitration cases. From November 2007 to March 2010, he worked at the Guangzhou branch of Carrefour (China) Management Consulting Co., Ltd. (家樂福(中國)管理諮詢有限公司廣州分公司), a company engaged in property management, where he served as a manager of legal department in the southern China region responsible for overseeing legal and compliance matters. From March 2010 to April 2012, he worked at the Guangzhou branch of Teyi Elite Property Management (Beijing) Co., Ltd. (特易精英物業管理(北京)有限公司廣州分公司), a company engaged in property management in the PRC, where he served as a legal manager responsible for contract management. From April 2012 to February 2020, Mr. Chen successively served as a senior manager, a deputy supervisor, a supervisor, and the general manager of legal department of the Group.

Mr. Chen obtained a bachelor's degree in law from Sun Yat-sen University (中山大學) in the PRC in June 2003. He obtained a master's degree in international business and corporate law from the University of Lancaster in the United Kingdom in November 2005.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KWG Living Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 101 to 179, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other intangible assets	
As at 31 December 2020, the net carrying amount of goodwill and other intangible assets arising from business combinations amounted to approximately RMB260,208,000 and RMB151,133,000, respectively. The Group's other intangible assets arising from business combinations comprised property management contracts, customer relationships and non-compete agreements, and all of these other intangible assets are with finite useful lives. In accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* ("**HKAS 36**"), the Group is required to annually test the goodwill for impairment. Besides, according to HKAS 36, for an intangible asset with a finite useful life, the Group shall also assess at the end of each reporting period whether there is any indication that the intangible asset may be impaired, and shall test the intangible asset for impairment if such indication exists. Management's assessment on the impairment was complex and involves significant management judgements and estimates to determine the asset's recoverable amount, such as forecasted revenues, costs, expenses and discount rates, which are sensitive to the expected future market conditions and the relevant cash-generating units' actual performance. Relevant disclosures are included in notes 2.4, 3, 15 and 16 to the consolidated financial statements.	Our audit procedures included an analysis of the rationale and objective evidence used by management in evaluating whether there are impairment indicators for individual intangible asset arising from business combinations. If any impairment indicator exists, the related intangible asset is taken into further assessment about whether any impairment losses occur. For goodwill and those intangible assets arising from business combinations with impairment indicators, with the assistance from our valuation specialists, we evaluated the methodologies and assumptions used by the Group. We reviewed assumptions relating to the forecasted revenues, costs, expenses and discount rate for each cash-generating unit. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test was most sensitive, that was, those that had the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets arising from business combinations.

EY安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2020, the gross amount of the Group's trade receivables amounted to RMB619,508,000, against which an allowance for impairment of RMB12,800,000 was made based on the expected credit loss approach under Hong Kong Financial Reporting Standard 9 *Financial Instruments*. Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. It involved significant judgments and estimates when management made these assumptions and selected the inputs to the impairment calculation, based on the Group's past history, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period. Relevant disclosures are included in notes 2.4, 3 and 19 to the consolidated financial statements.	Our procedures in relation to management's impairment assessment on trade receivables included assessing the appropriateness of the credit loss provisioning methodology adopted by management and the reasonableness of the estimated credit loss rates by considering historical cash collection performance and movements of the ageing of trade receivables, and taking into account the existing market conditions. We also assessed, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management. Our testing also included checking the mathematical accuracy of the calculation of the provision for loss allowance.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors 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 of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

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

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

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

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

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

安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2021

Consolidated Statement of Profit or Loss

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
REVENUE	5	**1,517,227**	1,124,878
Cost of sales		**(878,679)**	(705,050)
Gross profit		**638,548**	419,828
Other income and gains	5	**11,548**	5,180
Selling and distribution expenses		**(1,987)**	(921)
Administrative expenses		**(193,563)**	(164,424)
Other expenses, net		**(10,514)**	(10,647)
Finance costs	7	**(317)**	(351)
Share of profit of an associate	17	**1,911**	1,939
PROFIT BEFORE TAX	6	**445,626**	250,604
Income tax expense	10	**(121,937)**	(65,617)
PROFIT FOR THE YEAR		**323,689**	184,987
Attributable to:			
Owners of the parent		**323,083**	184,887
Non-controlling interests		**606**	100
		323,689	184,987
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted (express in RMB cents per share)	12	**19**	11

Consolidated Statement of Comprehensive Income

Year ended 31 December 2020

	2020 RMB'000	2019 RMB'000
PROFIT FOR THE YEAR	**323,689**	184,987
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**163**	(122)
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**163**	(122)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(73,806)**	(1)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(73,806)**	(1)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(73,643)**	(123)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**250,046**	184,864
Attributable to:		
Owners of the parent	**249,440**	184,764
Non-controlling interests	**606**	100
	250,046	184,864

Consolidated Statement of Financial Position

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,240**	5,016
Right-of-use assets	14	**6,827**	8,211
Goodwill	15	**260,208**	134,718
Other intangible assets	16	**157,856**	81,807
Investment in an associate	17	**7,954**	6,043
Deferred tax assets	18	**14,741**	18,957
Other non-current assets		**287**	192
Total non-current assets		**456,113**	254,944
CURRENT ASSETS			
Trade receivables	19	**606,708**	567,272
Prepayments, other receivables and other assets	20	**200,942**	704,553
Restricted cash	21	**5,150**	18,652
Cash and cash equivalents	21	**2,959,619**	416,765
Total current assets		**3,772,419**	1,707,242
CURRENT LIABILITIES			
Trade payables	22	**154,465**	176,533
Other payables and accruals	23	**628,367**	1,208,991
Contract liabilities	5	**95,695**	76,960
Lease liabilities	14	**3,557**	3,279
Dividend payable	11	**200,000**	—
Tax payable		**115,922**	72,004
Total current liabilities		**1,198,006**	1,537,767
NET CURRENT ASSETS		**2,574,413**	169,475
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,030,526**	424,419
NON-CURRENT LIABILITIES			
Lease liabilities	14	**3,172**	4,727
Deferred tax liabilities	18	**33,879**	22,264
Total non-current liabilities		**37,051**	26,991
Net assets		**2,993,475**	397,428

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Share capital	24	**17,499**	—*
Reserves	25	**2,939,456**	384,583
Equity attributable to owners of the parent		**2,956,955**	384,583
Non-controlling interests		**36,520**	12,845
Total equity		**2,993,475**	397,428

* The amount is less than RMB1,000.

KONG Jiannan
Director

YANG Jingbo
Director

	Attributable to owners of the parent							
	Share capital RMB'000	Merger reserve RMB'000 Note 25(a)	Statutory surplus funds RMB'000 Note 25(c)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2019	—	7,000	5,543	—	187,276	199,819	—	199,819
Profit for the year	—	—	—	—	184,887	184,887	100	184,987
Other comprehensive loss for the year:								
Exchange differences on translation into presentation currency	—	—	—	(123)	—	(123)	—	(123)
Total comprehensive income/(loss) for the year	—	—	—	(123)	184,887	184,764	100	184,864
Acquisition of subsidiaries	—	—	—	—	—	—	13,078	13,078
Transfer to statutory surplus funds	—	—	4,638	—	(4,638)	—	—	—
Dividends paid to non-controlling shareholders of a subsidiary	—	—	—	—	—	—	(333)	(333)
At 31 December 2019	—*	7,000	10,181	(123)	367,525	384,583	12,845	397,428

* The amount is less than RMB1,000.

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 Note 25(a)	Capital reserve RMB'000 Note 25(b)	Statutory surplus funds RMB'000 Note 25(c)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	–	–	7,000	–	10,181	(123)	367,525	384,583	12,845	397,428
Profit for the year	–	–	–	–	–	–	323,083	323,083	606	323,689
Other comprehensive loss for the year:										
Exchange differences on translation into presentation currency	–	–	–	–	–	(73,643)	–	(73,643)	–	(73,643)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(73,643)	323,083	249,440	606	250,046
Issue of shares (note 24)	3,325	2,619,929	–	–	–	–	–	2,623,254	–	2,623,254
Share issue expenses	–	(66,714)	–	–	–	–	–	(66,714)	–	(66,714)
Capitalisation issue (note 24)	14,174	(14,174)	–	–	–	–	–	–	–	–
Contribution from a shareholder (note 25(b))	–	–	–	942	–	–	–	942	–	942
Acquisition of a subsidiary under common control (note 25(a, b))	–	–	(7,000)	(27,550)	–	–	–	(34,550)	–	(34,550)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	23,027	23,027
Proceeds from capital injection from non-controlling shareholders	–	–	–	–	–	–	–	–	800	800
Transfer to statutory surplus funds	–	–	–	–	38,261	–	(38,261)	–	–	–
Dividends declared	–	–	–	–	–	–	(200,000)	(200,000)	–	(200,000)
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(758)	(758)
At 31 December 2020	17,499	2,539,041*	–*	(26,608)*	48,442*	(73,766)*	452,347*	2,956,955	36,520	2,993,475

* These reserve accounts comprised the consolidated other reserves of RMB2,939,456,000 (2019: RMB384,583,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**445,626**	250,604
Adjustments for:			
Finance costs	7	**317**	351
Share of profit of an associate	17	**(1,911)**	(1,939)
Bank interest income	5	**(2,443)**	(1,410)
Gain on disposal of items of property, plant and equipment, net	6	**(35)**	(198)
Depreciation of property, plant and equipment	6	**2,201**	1,687
Depreciation of right-of-use assets	6	**4,441**	3,381
Amortisation of other intangible assets	6	**22,629**	20,326
Impairment losses on financial assets, net	6	**10,212**	8,164
Share-based payment expense		**942**	—
		481,979	280,966
Increase in trade receivables		**(22,956)**	(233,439)
Decrease/(increase) in prepayments, other receivables and other assets		**581,687**	(16,148)
Decrease in other non-current assets		**17**	57
Decrease in restricted cash		**17,068**	11,425
Increase/(decrease) in trade payables		**(22,155)**	46,479
Increase/(decrease) in other payables and accruals		**(697,901)**	171,942
Increase in contract liabilities		**18,735**	20,620
Cash generated from operations		**356,474**	281,902
Interest received		**2,443**	1,410
Interest paid		**(317)**	(351)
Income tax paid		**(85,051)**	(23,556)
Net cash flows from operating activities		**273,549**	259,405
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment		**(2,942)**	(1,612)
Purchase of items of other intangible assets		**(7,221)**	—
Proceeds from disposal of items of property, plant and equipment		**325**	209
Cash advances made to related parties		**(613,707)**	(34,651)
Repayment from related parties		**548,337**	14,000
Acquisition of subsidiaries	26	**(67,209)**	7,107
Net cash flows used in investing activities		**(142,417)**	(14,947)

	Notes	2020 RMB'000	2019 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(3,941)**	(2,939)
Acquisition of a subsidiary under common control	25(a, b)	**(34,550)**	—
Proceeds from issue of shares		**2,623,254**	—
Share issue expenses		**(66,714)**	—
Proceeds from capital injection from non-controlling shareholders		**800**	—
Cash advances from related parties		**440,600**	5,089
Repayment of cash advances to related parties		**(473,315)**	(5,500)
Dividends paid to non-controlling shareholders of a subsidiary		**(758)**	(333)
Net cash flows from/(used in) financing activities		**2,485,376**	(3,683)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**2,616,508**	240,775
Cash and cash equivalents at beginning of the year		**416,765**	175,990
Effect of foreign exchange rate changes, net		**(73,654)**	—
CASH AND CASH EQUIVALENTS AT END OF YEAR		**2,959,619**	416,765
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**2,959,619**	416,765
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**2,959,619**	416,765

1. Corporate and Group Information

General information

KWG Living Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 11 September 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively the "**Group**") were involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "**PRC**") (the "**Listing Business**").

The Company's shares became listed on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020 (the "**Listing**").

On 7 October 2020, the board of directors of KWG Group Holdings Limited ("**KWG Holdings**") declared a special dividend to be satisfied wholly by way of distribution in specie to its then qualifying shareholders of an aggregate of 1,589,025,505 shares of the Company, representing the entire issued share capital of the Company immediately following the capitalisation issue (note 24) and before completion of the Listing, pro rata to their respective shareholdings in KWG Holdings on 9 October 2020 on the basis of one share for every two KWG Holdings shares held on 9 October 2020, rounded down to the nearest share (the "**Distribution**"). The Distribution was completed on 30 October 2020.

In the opinion of the directors, prior to the Distribution, the immediate holding company of the Company was KWG Holdings, which was incorporated in the Cayman Islands, and the ultimate holding company was Plus Earn Consultants Limited ("**Plus Earn**"), which was incorporated in the British Virgin Islands ("**BVI**"). and wholly owned by Mr. Kong Jianmin. After the Distribution and as at 31 December 2020, Plus Earn, Hero Fine Group Limited ("**Hero Fine**"), Right Rich Consultants Limited ("**Right Rich**"), Excel Wave Investments Limited ("**Excel Wave**"), Wealth Express Investments Limited ("**Wealth Express**"), Peace Kind Investments Limited ("**Peace Kind**"), Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are a group of persons who are together entitled to control 51.60% equity interest of the Company. Hero Fine is incorporated in the BVI and wholly owned by Mr. Kong Jianmin. Right Rich, Excel Wave and Wealth Express are incorporated in the BVI and wholly owned by Mr. Kong Jiantao. Peace Kind is incorporated in the BVI and wholly owned by Mr. Kong Jiannan.

Group reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "**Reorganisation**"), the Listing Business was operated through Guangzhou Ningjun Property Management Company Limited ("**Ningjun Property**") and its subsidiaries in Mainland China.

In preparation for the Listing of the Company's shares on the main board of the Stock Exchange, the Reorganisation was undertaken, pursuant to which Ningjun Property and its subsidiaries, engaged in the Listing Business, were transferred to the Company. The Reorganisation mainly involved the following:

Incorporation of the Company

On 11 September 2019, the Company was incorporated in the Cayman Islands as an exempted company with limited liability. As at the date of incorporation, the authorised share capital of the Company was Hong Kong Dollar ("**HK$**") 380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the date of its incorporation, one fully-paid ordinary share of the Company was issued and allotted at par to an initial subscriber, an independent third party, and such share was transferred to Happy Harmony International Limited ("**Happy Harmony**"), the then wholly-owned subsidiary of KWG Holdings, at par on the same date. On 24 June 2020, KWG Holdings subscribed 35 ordinary shares of the Company at par.

1. Corporate and Group Information *(continued)*

Group reorganisation *(continued)*

Acquisition of PRC subsidiaries

(1) On 4 March 2020, Total Super Investments Limited ("**Total Super**"), a wholly-owned subsidiary of KWG Holdings transferred its entire equity interest in Guangdong Hejing Youhuo Holdings Group Co., Ltd. ("**Hejing Youhuo**") to KWG Living Group (Hong Kong) Company Limited ("**KWG Living (HK)**"), a wholly-owned subsidiary of the Company, at nil consideration as the registered capital of Hejing Youhuo had yet to be paid up at the time of such transfer. Upon completion of such transfer, Hejing Youhuo is wholly owned by KWG Living (HK) and is an indirect wholly owned subsidiary of the Company.

(2) On 5 March 2020, Hejing Youhuo injected RMB63 million as additional registered capital of Ningjun Property, representing 90% of the enlarged registered capital of Ningjun Property, which was fully paid on 19 March, 2020. Upon completion of such capital injection, Ningjun Property became owned as to 90% by Hejing Youhuo and 10% by Total Super. On 24 March 2020, Total Super transferred the remaining 10% of the equity interest in Ningjun Property to Hejing Youhuo at a consideration of RMB34.55 million, which was determined with reference to 10% of the net asset value of Ningjun Property as of 20 March 2020 and fully settled in May 2020. Upon completion of such transactions, Ningjun Property is wholly owned by Hejing Youhuo and is an indirect wholly owned subsidiary of the Company.

(3) On 7 January 2020, Ningjun Property transferred its entire equity interest in Guangzhou Liheng Commercial Management Company Limited ("**Liheng Commercial**") to Hejing Youhuo at nil consideration as the registered capital of Liheng Commercial had yet to be paid up at the time of such transfer. Upon completion of such transfer, Liheng Commercial is wholly owned by Hejing Youhuo and is an indirect wholly owned subsidiary of the Company.

(4) On 10 January 2020, Ningjun Property transferred its entire equity interest in Guangzhou Guanli Property Agency Company Limited ("**Guanli Property**") to Hejing Youhuo at nil consideration as the registered capital of Guanli Property had yet to be paid up at the time of such transfer. Upon completion of such transfer, Guanli Property is wholly owned by Hejing Youhuo and is an indirect wholly owned subsidiary of the Company.

(5) On 7 January 2020, Ningjun Property transferred its entire equity interest in Guangzhou Lijun Property Management Company Limited ("**Lijun Property**") to Hejing Youhuo at nil consideration as the registered capital of Lijun Property had yet to be paid up at the time of such transfer. Upon completion of such transfer, Lijun Property is wholly owned by Hejing Youhuo and is an indirect wholly owned subsidiary of the Company.

(6) On 6 March 2020, Total Super transferred its entire equity interest in Guangzhou Fuyu Property Management Services Company Limited ("**Fuyu Property**") to Hejing Youhuo at nil consideration as the registered capital of Fuyu Property had yet to be paid up at the time of such transfer. Upon completion of such transfer, Fuyu Property is wholly owned by Hejing Youhuo and is an indirect wholly owned subsidiary of the Company.

1. Corporate and Group Information *(continued)*

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Robust Profit Enterprises Limited	BVI/British Virgin Islands	US$50,000	100	—	Investment holding
Forever Fame Enterprises Limited	BVI/British Virgin Islands	US$50,000	—	100	Investment holding
Ever Thriving Developments Limited	BVI/British Virgin Islands	US$1	—	100	Investment holding
Gorgeous Chance Development Limited	Hong Kong	HK$1	—	100	Investment holding
KWG Living (HK)	Hong Kong	HK$1	—	100	Investment holding
Ningjun Property#	PRC/Mainland China	RMB70,000,000	—	100	Property management
Hejing Youhuo#^	PRC/Mainland China	RMB50,000,000	—	100	Business services
Guanli Property#	PRC/Mainland China	RMB1,000,000	—	100	Real estate intermediary business
Liheng Commercial#	PRC/Mainland China	RMB100,000,000	—	100	Commercial operational services
Meishan Jiangtianyue Property Management Co., Ltd.#	PRC/Mainland China	RMB5,000,000	—	100	Property management
Lijun Property#	PRC/Mainland China	RMB100,000,000	—	100	Property management
Guangzhou Fuxin Property Management Co., Ltd.#	PRC/Mainland China	RMB7,000,000	—	100	Property management
Fuyu Property#	PRC/Mainland China	RMB10,000,000	—	100	Property management

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangdong Gangyu Enterprise Management Co., Ltd. ("**Gangyu Enterprise**")#	PRC/Mainland China	RMB5,000,000	—	100	Business services
Guangzhou Yijia Chuangsheng Property Management Co., Ltd.#	PRC/Mainland China	RMB20,000,000	—	100	Property management
Guangzhou Huanyu Property Management Co., Ltd.#	PRC/Mainland China	RMB2,000,000	—	60	Property management
Foshan Xingyu Property Management Co., Ltd.#	PRC/Mainland China	RMB500,000	—	60	Property management
Taizhou Yuncheng Property Management Co, Ltd. ("**Taizhou Yuncheng**")#	PRC/Mainland China	RMB10,000,000	—	60	Property management
Guangzhou Runtong Property Management Co., Ltd. ("**Guangzhou Runtong**")#	PRC/Mainland China	RMB11,180,000	—	80	Property management

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

^ This entity is registered as a wholly-foreign-owned enterprise under PRC law.

2.1 Basis of Preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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 described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions* (early adopted)
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

2.2 Changes in Accounting Policies and Disclosures *(continued)*

The nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) Conceptual Framework for Financial Reporting 2018 (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendments did not have any impact on the financial position and performance of the Group.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that 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. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

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*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKFRS 17	*Insurance Contracts*[3, 6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
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]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[2]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative RFR. The Phase 2 amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments are effective for annual periods beginning on or after 1 January 2021 and shall be applied retrospectively, but entities are not required to restate the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKAS 1 clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

2.3 Issued But Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 Summary of Significant Accounting Policies

Investment in an associate

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise 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.

The Group's investment in an associate is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Group's investment in the associate.

Business combinations other than those under common control and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations other than those under common control and goodwill *(continued)*

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

A party is considered to be related to the Group if:

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

- (i) has control or joint control over the Group;
- (ii) has significant influence over the Group; or
- (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

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

- (i) the entity and the Group are members of the same group;
- (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
- (iii) the entity and the Group are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.4 Summary of Significant Accounting Policies *(continued)*

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

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings (excluding the right-of-use assets)	5% to 33%
Plant and machinery	9% to 33%
Furniture and office equipment	18% to 33%
Motor vehicles (excluding the right-of-use assets)	9% to 50%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statement of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 1 to 10 years.

Property management contracts acquired in business combinations

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 2 to 3 years.

Customer relationships acquired in business combinations

Customer relationships acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 10 years. The Group estimates the useful life of the customer relationships and determines the amortisation periods with reference to its industry experience and taking into account the customer turnover history and expectation of the renewal pattern of property management contracts.

Non-compete agreements

Non-compete agreements acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 7 years.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases

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

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (relate to the buildings and motor vehicles) are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 17 years
Motor vehicles	2 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

(c) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets that are not capitalised are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

Subsequent measurement
The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)
Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Derecognition of financial assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "Pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets
The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value and, in the case of payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables and other payables.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

2.4 Summary of Significant Accounting Policies *(continued)*

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

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

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(a) Residential property management services

The Group provides residential property management services, pre-sale management services and community value-added services related to the residential properties to property developers, property owners, property owners' associations or residents.

(i) For residential property management services, the Group bills a fixed amount for services provided on a monthly or quarterly 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.

(ii) Pre-sale management services mainly include cleaning, security and maintenance services for pre-sale display units and sales offices to property developers at the pre-delivery stage. The Group agrees the price for each service with the property developers upfront, issues the monthly bill to the property developers which varies based on the actual level of service completed in that month, and recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(iii) For community value-added services, such as resident services and property agency services to property developers, revenue is recognised when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

(b) Non-residential property management and commercial operational services

The Group provides commercial property management services, pre-sale management services, commercial operational services and other value-added services related to the commercial properties, including office buildings and shopping malls, to property developers, owners of the commercial properties or tenants.

(i) The Group enters into commercial property management service contracts with property owners or tenants, pursuant to which the Group provides commercial property management services including file management, cleaning, security and maintenance services.

For the provision of commercial property management services to property owners or tenants at the operation stage of the commercial properties, the Group recognises the fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Group and all the related management costs as its cost of services.

(ii) The Group enters into pre-sale management services with property developers or owners of the commercial properties, pursuant to which the Group provides cleaning, security and maintenance services for pre-sale display units and sales offices at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(b) Non-residential property management and commercial operational services (continued)

(iii) The Group enters into commercial operational service contracts with property developers or owners of office buildings and shopping malls, pursuant to which the Group provides the following services:

- preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services to property owners during the preparation stage; and

- commercial operational services during the operation stage, including tenant management services.

Revenue in respect of the provision of preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services was recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

For commercial operational services during the operational stage, the Group bills a service fee based on a net basis with respect to shopping malls or a profit mark-up on top of cost with respect to office buildings.

(iv) The Group provides other value-added services including mainly car parks, advertising spaces and common area management services.

When the Group leases car parks from property developers and operates the leased car parks, revenue is recognised when the related service is rendered. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

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

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

2.4 Summary of Significant Accounting Policies *(continued)*

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Foreign currencies

The financial statements is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company and certain of its Hong Kong and overseas subsidiaries is HK$. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the weighted average exchange rates for the year. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies *(continued)*

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, and its Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the reporting period are translated into RMB at the weighted average exchange rates for the reporting period.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was approximately RMB260,208,000 (2019: RMB134,718,000). Further details are given in note 15 to the financial statements.

Provision for expected credit losses on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 19 and 20 to the financial statements.

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("**IBR**") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable operating segments as follows:

(a) Residential property management services; and

(b) Non-residential property management and commercial operational services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain cost of sales and administrative expenses, other income and gains, other expenses and losses, finance costs and income tax expense are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to management for review.

4. OPERATING SEGMENT INFORMATION *(continued)*

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Year ended 31 December 2020

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Segment revenue	**1,062,367**	**454,860**	**1,517,227**
Segment result	**273,948**	**209,817**	**483,765**
Reconciliation:			
Unallocated operating costs			(40,767)
Other income and gains			11,548
Other expenses, net			(10,514)
Finance costs			(317)
Share of profit of an associate	–	1,911	1,911
Profit before tax			445,626
Income tax			(121,937)
Profit for the year			323,689
Other segment information			
Share of profit of an associate	–	1,911	1,911
Depreciation of property, plant and equipment	1,869	332	2,201
Amortisation of other intangible assets			22,629
Depreciation of right-of-use assets			4,441
Impairment losses on trade receivables, net	8,660	530	9,190
Impairment losses/(write-back of impairment losses) on other receivables, net	2,994	(1,972)	1,022
Capital expenditure*	11,511	92,351	103,862
Unallocated amounts of capital expenditure			3,588
			107,450

4. OPERATING SEGMENT INFORMATION *(continued)*

Year ended 31 December 2019

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Segment revenue	759,234	365,644	1,124,878
Segment result	136,674	128,267	264,941
Reconciliation:			
Unallocated operating costs			(10,458)
Other income and gains			5,180
Other expenses, net			(10,647)
Finance costs			(351)
Share of profit of an associate	—	1,939	1,939
Profit before tax			250,604
Income tax			(65,617)
Profit for the year			184,987
Other segment information			
Share of profit of an associate	—	1,939	1,939
Depreciation of property, plant and equipment	1,369	318	1,687
Amortisation of other intangible assets			20,326
Depreciation of right-of-use assets			3,381
Impairment losses on trade receivables, net	6,462	251	6,713
Impairment losses on other receivables, net	531	920	1,451
Capital expenditure*	2,711	512	3,223
Unallocated amounts of capital expenditure			107,226
			110,449

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and other intangible assets including additions from the acquisition of subsidiaries.

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Mainland China, and the non-current assets of the Group are located in Mainland China.

4. OPERATING SEGMENT INFORMATION *(continued)*

Information about major customers

For the years ended 31 December 2020 and 2019, approximately RMB757,073,000 and RMB528,159,000 of revenue were derived from KWG Holdings and its subsidiaries and its joint ventures, associates and other related parties, respectively.

5. REVENUE, OTHER INCOME AND GAINS AND CONTRACT LIABILITIES

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services during the reporting period. An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	2020 RMB'000	2019 RMB'000
Types of services by segment		
Residential property management services		
Pre-sale management services	**258,921**	221,810
Property management services	**513,573**	382,047
Community value-added services	**289,873**	155,377
	1,062,367	759,234
Non-residential property management and commercial operational services		
Pre-sale management services	**24,794**	21,342
Property management services	**279,740**	259,766
Commercial operational services	**96,606**	42,570
Other value-added services	**53,720**	41,966
	454,860	365,644
Total revenue from contracts with customers	**1,517,227**	1,124,878
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**1,173,634**	927,535
Revenue from contracts with customers recognised at a point in time	**343,593**	197,343
Total	**1,517,227**	1,124,878

5. REVENUE, OTHER INCOME AND GAINS AND CONTRACT LIABILITIES *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2020 RMB'000	2019 RMB'000
Third parties	**93,444**	65,878
Related parties (note 29(b))	**2,251**	11,082
Contract liabilities	**95,695**	76,960

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2020 was mainly due to the increase in short term advances received from customers in relation to the provision of property management services at the end of the year.

The following table shows the amounts of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2020 RMB'000	2019 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	**53,389**	38,756
Non-residential property management and commercial operational services	**19,212**	12,247
	72,601	51,003

5. REVENUE, OTHER INCOME AND GAINS AND CONTRACT LIABILITIES *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

Information about the Group's performance obligations is summarised below:

For residential property management services and non-residential property management and commercial operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was an unsatisfied performance obligation at the end of each of the respective periods.

	2020 **RMB'000**	2019 RMB'000
Other income and gains		
Bank interest income	**2,443**	1,410
Government grants	**3,519**	219
Gain on disposal of items of property, plant and equipment, net	**35**	198
Late penalty income	**973**	1,131
Tax incentives on value-added tax	**4,055**	1,836
Others	**523**	386
	11,548	5,180

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2020 RMB'000	2019 RMB'000
Cost of services provided		**878,679**	705,050
Depreciation of property, plant and equipment	13	**2,201**	1,687
Depreciation of right-of-use assets	14	**4,441**	3,381
Amortisation of other intangible assets	16	**22,629**	20,326
Auditors' remuneration		**1,844**	109
Gain on disposal of items of property, plant and equipment, net		**(35)**	(198)
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**541,322**	432,731
Pension scheme contribution		**27,285**	31,494
		568,607	464,225
Impairment losses on financial assets, net:			
Trade receivables*	19	**9,190**	6,713
Other receivables*	20	**1,022**	1,451
		10,212	8,164
Rental expense:			
Short-term leases and low-value leases	14(b)	**10,059**	23,049

* The impairment of trade receivables and other receivables are included in "Other expenses, net" in the consolidated statement of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Note	2020 RMB'000	2019 RMB'000
Interest on lease liabilities	14	**317**	351

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Mr. Kong Jiannan was appointed as a director of the Company on 11 September 2019, and was re-designated as an executive director and chief executive officer of the Company on 19 June 2020. Mr. Wang Yue and Ms. Yang Jingbo were appointed as executive directors of the Company on 19 June 2020. Before 19 June 2020, Mr. Wang Yue received remuneration from a subsidiary now comprising the Group for his appointment as a senior management member of the subsidiary. Mr. Kong Jianmin was appointed as a non-executive director of the Company on 19 June 2020.

Directors' and chief executive's remuneration during the year and prior year are as follows:

	2020 RMB'000	2019 RMB'000
Fees	**253**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**2,318**	1,089
Pension scheme contributions	**62**	56
	2,380	1,145
	2,633	1,145

Note: Directors' and chief executive's remuneration set out above included the emoluments for the services provided by them as employees of the group entities prior to becoming the directors of the Company during the year and prior year, and was excluded from the employee benefit expense disclosed in note 6 to the financial statements.

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2020 RMB'000	2019 RMB'000
Fees	**253**	—
Other emoluments:		
Salaries, allowances and benefits in kind	**1,077**	—
Pension scheme contributions	**29**	—
	1,106	—
	1,359	—

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION *(continued)*

(a) Independent non-executive directors

Ms. Liu Xiaolan, Mr. Fung Che Wai, Anthony and Ms. Ng Yi Kum were appointed as independent non-executive directors of the Company on 9 October 2020.

The fees paid to independent non-executive directors during the year were as follows:

	2020 RMB'000	2019 RMB'000
Ms. Liu Xiaolan	**46**	—
Mr. Fung Che Wai, Anthony	**46**	—
Ms. Ng Yi Kum	**46**	—
	138	—

There were no other emoluments payable to the independent non-executive directors during the year (2019: Nil).

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020				
Executive director and chief executive:				
Mr. Kong Jiannan	**23**	**—**	**—**	**23**
Executive directors:				
Mr. Wang Yue	**23**	**1,791**	**31**	**1,845**
Ms. Yang Jingbo	**23**	**527**	**31**	**581**
	46	**2,318**	**62**	**2,426**
Non-executive director:				
Mr. Kong Jianmin	**46**	**—**	**—**	**46**
	115	**2,318**	**62**	**2,495**
2019				
Director:				
Mr. Wang Yue	—	1,089	56	1,145

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one director and the chief executive (2019: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2019: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2020 **RMB'000**	2019 RMB'000
Salaries, allowance and benefits in kind	**4,266**	4,790
Pension scheme contributions	**141**	174
	4,407	4,964

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	2020	2019
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**4**	2
HK$1,500,001 to HK$2,000,000	**—**	2
	4	4

10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the entities within the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the year.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Mainland China was calculated at the tax rate of 25% on their assessable profits for the year, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

10. INCOME TAX *(continued)*

Nanning branch of Ningjun Property was recognised as an encouraged enterprise in the Western Development Area and was subject to a preferential income tax rate of 15% for the year.

	Note	2020 RMB'000	2019 RMB'000
Current		**128,969**	73,651
Deferred	18	**(7,032)**	(8,034)
Total tax charge for the year		**121,937**	65,617

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate is as follows:

	2020 RMB'000	2019 RMB'000
Profit before tax	**445,626**	250,604
Tax at the statutory tax rate (25%)	**111,407**	62,651
Lower tax rates for specific provinces	**(1,887)**	(969)
Expenses not deductible for tax	**12,895**	1,443
Profits attributable to an associate	**(478)**	(485)
Tax due to the Reorganisation (note)	**–**	2,977
Tax charge for the year	**121,937**	65,617

Note:

During the year ended 31 December 2019, as a result of the internal transfer of the equity interests of certain subsidiaries within the Group as part of the Reorganisation, corporate income tax of approximately RMB2,977,000 was provided in relation to the deemed gain arising from share transfer.

11. DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim	**200,000**	—
Proposed final — RMB6 cents (2019: Nil) per ordinary share	**121,069**	—
	321,069	—

During the year, an interim dividend of RMB5,555,556 (2019: Nil) per ordinary share (before the capitalisation issue) totalling RMB200,000,000 was declared.

The board of directors recommended a final dividend of RMB6 cents per ordinary share totalling approximately RMB121,069,000 for the year ended 31 December 2020 (2019: Nil).

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculations of basic and diluted earnings per share amounts for both years are based on the assumption that the Reorganisation and the capitalisation issue as detailed in notes 1 and 24, respectively, have been effective from 1 January 2019.

The calculation of the basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,700,418,561 (2019: 1,634,426,233) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020 RMB'000	2019 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent	**323,083**	184,887

	Number of shares	
	2020	2019
Shares		
Weighted average number of ordinary shares in issue during the year in the basic earnings per share calculation	**1,700,418,561**	1,634,426,233

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT *(continued)*

	2020	2019
Earnings per share		
Basic and diluted (RMB cents per share)	**19**	11

13. PROPERTY, PLANT AND EQUIPMENT

	Note	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2020						
At 1 January 2020:						
Cost		1,009	1,005	8,538	2,983	13,535
Accumulated depreciation		(235)	(350)	(6,035)	(1,899)	(8,519)
Net carrying amount		774	655	2,503	1,084	5,016
At 1 January 2020, net of accumulated depreciation		774	655	2,503	1,084	5,016
Additions		89	196	2,406	251	2,942
Acquisition of subsidiaries	26	–	1,386	87	1,300	2,773
Disposals		(134)	–	(55)	(101)	(290)
Depreciation provided during the year		(257)	(158)	(1,458)	(328)	(2,201)
At 31 December 2020, net of accumulated depreciation		472	2,079	3,483	2,206	8,240
At 31 December 2020						
Cost		954	2,587	10,961	4,433	18,935
Accumulated depreciation		(482)	(508)	(7,478)	(2,227)	(10,695)
Net carrying amount		472	2,079	3,483	2,206	8,240

13. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Note	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2019						
At 1 January 2019:						
Cost		247	723	7,318	2,410	10,698
Accumulated depreciation		(109)	(213)	(4,909)	(1,605)	(6,836)
Net carrying amount		138	510	2,409	805	3,862
At 1 January 2019, net of accumulated depreciation		138	510	2,409	805	3,862
Additions		162	248	734	280	1,424
Acquisition of a subsidiary	26	600	34	501	293	1,428
Disposals		—	—	(11)	—	(11)
Depreciation provided during the year		(126)	(137)	(1,130)	(294)	(1,687)
At 31 December 2019, net of accumulated depreciation		774	655	2,503	1,084	5,016
At 31 December 2019						
Cost		1,009	1,005	8,538	2,983	13,535
Accumulated depreciation		(235)	(350)	(6,035)	(1,899)	(8,519)
Net carrying amount		774	655	2,503	1,084	5,016

14. LEASES

The Group as a lessee

The Group has lease contracts for buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 6 months and 17 years, while motor vehicles generally have lease terms of 2 years. The Group is restricted from assigning and subleasing the leased assets outside the Group according to the terms in certain agreements.

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(a) Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and their movements during the reporting period are as follows:

		Right-of-use assets			
	Notes	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000	Lease liabilities RMB'000
At 1 January 2019		4,311	—	4,311	3,909
New leases		44	—	44	35
Acquisitions of subsidiaries	26	7,128	109	7,237	7,001
Depreciation charge		(3,319)	(62)	(3,381)	—
Accretion of interest recognised during the year	7	—	—	—	351
Payments		—	—	—	(3,290)
At 31 December 2019		8,164	47	8,211	8,006
At 1 January 2020		**8,164**	**47**	**8,211**	**8,006**
New leases		**3,057**	**—**	**3,057**	**2,664**
Depreciation charge		**(4,394)**	**(47)**	**(4,441)**	**—**
Accretion of interest recognised during the year	7	**—**	**—**	**—**	**317**
Payments		**—**	**—**	**—**	**(4,258)**
At 31 December 2020		**6,827**	**—**	**6,827**	**6,729**

	2020 RMB'000	2019 RMB'000
Lease liabilities analysed into:		
Current portion	**3,557**	3,279
Non-current portion	**3,172**	4,727
	6,729	8,006

The maturity analysis of lease liabilities is disclosed in note 32(c) to the financial statements.

As disclosed in note 2.2 to the financial statements, the Group has early adopted the amendment to HKFRS 16 and applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

14. LEASES *(continued)*

The Group as a lessee *(continued)*

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Note	**2020 RMB'000**	2019 RMB'000
Interest on lease liabilities		**317**	351
Depreciation charge of right-of-use assets		**4,441**	3,381
Expense relating to short-term leases and low-value assets	6	**10,059**	23,049
Total amount recognised in profit or loss		**14,817**	26,781

(c) The total cash outflow for leases is disclosed in note 27(c) to the financial statements.

15. GOODWILL

	Note	RMB'000
At 1 January 2019:		
Cost and carrying amount		—
Acquisition of subsidiaries	26	134,718
Cost and carrying amount at 31 December 2019		134,718
At 1 January 2020:		
Cost and net carrying amount		**134,718**
Acquisition of subsidiaries	26	**125,490**
Cost and carrying amount at 31 December 2020		**260,208**

During the year ended 31 December 2020, the Group acquired Guangzhou Runtong and Taizhou Yuncheng from independent third parties, which are engaged in the provision of property management services. Details of the acquisitions are disclosed in note 26 to the financial statements.

15. GOODWILL *(continued)*

Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level and allocated to the residential property management cash-generating unit (the "**Residential CGU**") and non-residential property management and commercial operational services cash-generating unit (the "**Non-residential CGU**") for impairment testing.

The recoverable amount of the Residential CGU and Non-residential CGU has been determined based on a value in use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management.

As at 31 December 2020

CGU	Principal business	Allocated goodwill RMB'000	Annual revenue growth rate	Terminal growth rate	Pre-tax discount rate
Gangyu Enterprise — Residential	Residential property management	111,150	6.0%–9.0%	3.0%	17.24%
Gangyu Enterprise — Non-residential	Non-residential property management and commercial operational	23,568	3.0%	3.0%	17.45%
Guangzhou Runtong	Non-residential property management	125,490	5.4%–8.3%	2.5%	19.34%

Assumptions were used in the value in use calculation of the Residential CGU and Non-residential CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Annual revenue growth rate — The predicted revenue growth rate of the Residential CGU and Non-residential CGU for the five years subsequent to the date of assessment is one of the assumptions used in the value-in-use calculations.

Terminal growth rate — The growth rate used to extrapolate the cash flows of the Residential CGU and Non-residential CGU beyond the five-year period is estimated to be 2.5% to 3.0%, which has taken into consideration of the prevailing industry practice.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant units.

The values assigned to the key assumptions are consistent with external information sources.

The directors of the Company are of the view that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGUs to exceed their recoverable amount as at 31 December 2020 and 2019.

During the years ended 31 December 2020 and 2019, the management of the Group determined that no impairment of goodwill should be recognised for the CGUs.

16. OTHER INTANGIBLE ASSETS

	Property management contracts RMB'000	Customer relationships RMB'000	Software RMB'000	Non-compete agreements RMB'000	Total RMB'000
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	**15,090**	**65,754**	**963**	**—**	**81,807**
Additions	**—**	**—**	**7,221**	**—**	**7,221**
Acquisition of subsidiaries (note 26)	**26,408**	**57,525**	**—**	**7,524**	**91,457**
Amortisation provided during the year	**(13,929)**	**(7,239)**	**(1,461)**	**—**	**(22,629)**
At 31 December 2020	**27,569**	**116,040**	**6,723**	**7,524**	**157,856**
At 31 December 2020:					
Cost	**54,265**	**129,915**	**10,016**	**7,524**	**201,720**
Accumulated amortisation	**(26,696)**	**(13,875)**	**(3,293)**	**—**	**(43,864)**
Net carrying amount	**27,569**	**116,040**	**6,723**	**7,524**	**157,856**
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	—	—	1,817	—	1,817
Acquisition of subsidiaries (note 26)	27,857	72,390	69	—	100,316
Amortisation provided during the year	(12,767)	(6,636)	(923)	—	(20,326)
At 31 December 2019	15,090	65,754	963	—	81,807
At 31 December 2019 and at 1 January 2020:					
Cost	27,857	72,390	2,795	—	103,042
Accumulated amortisation	(12,767)	(6,636)	(1,832)	—	(21,235)
Net carrying amount	15,090	65,754	963	—	81,807

17. INVESTMENT IN AN ASSOCIATE

	2020 RMB'000	2019 RMB'000
Share of net assets	**7,954**	6,043

Particulars of the associate are as follows:

Name	Place of registration and business	Nominal value of registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Guangzhou Guanzhou Property Management Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	49%	Property management

The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have any official English name.

The following table illustrates the financial information of the Group's associate that is not individually material:

	2020 RMB'000	2019 RMB'000
Share of the associate's profit for the year and total comprehensive income	**1,911**	1,939
Carrying amount of the Group's investment in an associate at end of the year	**7,954**	6,043

18. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Note	Fair value adjustment arising from acquisitions of subsidiaries RMB'000	Excess of carrying amount of right-of-use assets over the tax bases RMB'000	Total RMB'000
At 1 January 2020		20,211	2,053	22,264
Acquisition of a subsidiary	26	22,863	—	22,863
Deferred tax credited to profit or loss during the year		(5,291)	(85)	(5,376)
At 31 December 2020		37,783	1,968	39,751

Deferred tax assets

	Accrued liabilities and future deductible expenses RMB'000	Provision on impairment losses of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	13,709	3,246	2,002	18,957
Deferred tax credited to profit or loss during the year	204	1,132	320	1,656
At 31 December 2020	13,913	4,378	2,322	20,613

18. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Deferred tax liabilities

	Fair value adjustment arising from acquisitions of subsidiaries RMB'000	Excess of carrying amount of right-of-use assets over the tax bases RMB'000	Total RMB'000
At 1 January 2019	—	1,078	1,078
Acquisition of subsidiaries (note 26)	25,062	1,750	26,812
Deferred tax credited to profit or loss during the year	(4,851)	(775)	(5,626)
At 31 December 2019	20,211	2,053	22,264

Deferred tax assets

	Accrued liabilities and future deductible expenses RMB'000	Provision on impairment losses of financial assets RMB'000	Total RMB'000
At 1 January 2019	10,149	1,566	11,715
Acquisition of subsidiaries (note 26)	4,834	—	4,834
Deferred tax credited to profit or loss during the year	728	1,680	2,408
At 31 December 2019	15,711	3,246	18,957

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

18. DEFERRED TAX ASSETS AND LIABILITIES *(continued)*

Deferred tax assets *(continued)*

At 31 December 2020 and 2019, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for expansion of the Group's operation by way of investment to its subsidiaries and future acquisition in Mainland China. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB490,486,000 and RMB367,677,000 as at 31 December 2020 and 2019, respectively.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**14,741**
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(33,879)**
Net deferred tax liabilities	**(19,138)**

19. TRADE RECEIVABLES

	Note	**2020 RMB'000**	2019 RMB'000
Related parties	29(b)	**379,301**	449,546
Third parties		**240,207**	126,870
Trade receivables		**619,508**	576,416
Less: Allowance for impairment of trade receivables		**(12,800)**	(9,144)
Total		**606,708**	567,272

Trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. For trade receivables from property management services, the Group charges property management fees on a quarterly or monthly basis. For trade receivables from related parties, the Group's trading terms are mainly on credit and the credit period is generally between three months and one year. For trade receivables from third parties, the payment is generally due upon the issuance of demand letters. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. As the Group's trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

19. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2020 RMB'000	2019 RMB'000
Within 1 year	**558,918**	380,505
1 to 2 years	**28,001**	96,061
2 to 3 years	**16,695**	66,439
Over 3 years	**3,094**	24,267
	606,708	567,272

The movements in the loss allowance for impairment of trade receivables are as follows:

	Note	2020 RMB'000	2019 RMB'000
At beginning of year		**9,144**	3,872
Impairment losses recognised, net	6	**9,190**	6,713
Amount written off as uncollectible		**(5,534)**	(1,441)
At end of year		**12,800**	9,144

As at the end of the reporting period, all trade receivables were denominated in RMB.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

19. TRADE RECEIVABLES *(continued)*

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

	Third parties — past due				Related parties	Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years		
As at 31 December 2020						
Expected credit loss rate	**2.27%**	**6.17%**	**10.40%**	**75.63%**	**—**	**2.07%**
Gross carrying amount (RMB'000)	**197,043**	**17,698**	**18,434**	**7,032**	**379,301**	**619,508**
Expected credit losses (RMB'000)	**(4,473)**	**(1,092)**	**(1,917)**	**(5,318)**	**—**	**(12,800)**
As at 31 December 2019						
Expected credit loss rate	3.01%	6.41%	10.76%	61.94%	—	1.59%
Gross carrying amount (RMB'000)	80,221	24,399	16,836	5,414	449,546	576,416
Expected credit losses (RMB'000)	(2,415)	(1,564)	(1,812)	(3,353)	—	(9,144)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	Note	2020 RMB'000	2019 RMB'000
Amounts due from related parties	29(b)	**4,205**	561,734
Prepayments		**33,764**	21,916
Deposits		**13,705**	3,689
Advances to employees		**3,681**	2,458
Other receivables		**87,297**	50,672
Payments on behalf of residents and tenants (note)		**59,751**	63,983
Others		**3,404**	3,944
		205,807	708,396
Impairment allowance		**(4,865)**	(3,843)
		200,942	704,553

Note:

Payments on behalf of residents and tenants represent the current accounts with the residents and tenants of communities and properties managed by the Group.

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS *(continued)*

The movements in provision for impairment of payments on behalf of residents and tenants are as follows:

	2020 RMB'000	2019 RMB'000
At beginning of year	**3,843**	2,392
Impairment losses recognised in profit or loss, net	**1,022**	1,451
At end of year	**4,865**	3,843

Expected credit losses are estimated by applying a loss rate approach with reference to the days past due for groupings of parties with similar loss patterns. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The following table provides information about the exposure to credit risk and ECLs for payments on behalf of residents and tenants which are assessed collectively based on an estimated average credit loss rate as at 31 December 2020 and 2019.

	31 December 2020			31 December 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
Credit-impaired	**8.1%**	**59,751**	**(4,865)**	6.0%	63,983	(3,843)

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	2020 RMB'000	2019 RMB'000
Cash and bank balances	**2,712,773**	435,417
Time deposits	**251,996**	—
	2,964,769	435,417
Less: Restricted cash	**(5,150)**	(18,652)
Cash and cash equivalents	**2,959,619**	416,765

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB508,550,000 (2019: RMB435,417,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH *(continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash represented cash at bank restricted for social security and tendering purposes at 31 December 2020 and 2019, and a guarantee secured for bank loans of an entity controlled by KWG Holdings, i.e., a fellow subsidiary of the Company at 31 December 2019, which was released on 13 October 2020. The information about the joint guarantee is disclosed in notes 29(d) and 32(c) to the financial statements.

22. TRADE PAYABLES

	Note	**2020 RMB'000**	2019 RMB'000
Related parties	29(b)	**4,855**	18,930
Third parties		**149,610**	157,603
Trade payables		**154,465**	176,533

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

	2020 RMB'000	2019 RMB'000
Within 1 year	**147,957**	152,711
1 to 2 years	**3,400**	6,426
2 to 3 years	**1,698**	10,462
Over 3 years	**1,410**	6,934
	154,465	176,533

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 90 days.

23. OTHER PAYABLES AND ACCRUALS

	Notes	2020 RMB'000	2019 RMB'000
Amounts due to related parties	29(b)	**1,847**	818,923
Payroll and welfare payables		**149,570**	126,047
Deposits and temporary receipts from property owners		**241,284**	177,042
Other tax payables		**17,962**	13,910
Accruals and other payables		**27,735**	30,516
Consideration payable to original shareholders on acquisition of subsidiaries	26	**135,600**	8,000
Receipts on behalf of residents and tenants		**54,369**	34,553
		628,367	1,208,991

The other payables are unsecured and interest-free.

24. SHARE CAPITAL

	2020 HK$'000	2019 HK$'000
Authorised:		
10,000,000,000 (2019: 38,000,000) ordinary shares at par value of HK$0.01 each	**100,000**	380

	2020 HK$'000	2019 HK$'000	2020 Equivalent to RMB'000	2019 Equivalent to RMB'000
Issued and fully paid:				
2,017,810,233 (2019: 1) ordinary shares at par value of HK$0.01 each	**20,178**	—	**17,499**	—

24. SHARE CAPITAL *(continued)*

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK$'000	Share capital equivalent to RMB'000
Issue of share at 11 September 2019 (date of incorporation) (note (a))	1	—	—
At 31 December 2019 and 1 January 2020	1	—	—
Issue of share at 24 June 2020 (note (b))	35	—	—
Capitalisation issue (note (c))	1,634,426,197	16,344	14,174
Initial public offering (note (d))	383,384,000	3,834	3,325
At 31 December 2020	**2,017,810,233**	**20,178**	**17,499**

Notes:

(a) The Company was incorporated on 11 September 2019 with authorised and issued share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 each. On the date of its incorporation, one fully-paid ordinary share of the Company was issued at par to an initial subscriber, an independent third party, and such share was transferred to Happy Harmony, the then wholly-owned subsidiary of KWG Holdings, at par on the same date.

(b) On 24 June 2020, the Company adopted the "Share Incentive Scheme". As part of the arrangement under the Share Incentive Scheme, (i) KWG Holdings subscribed 35 ordinary shares of the Company at par; and (ii) KWG Holdings transferred its entire issued share capital in Happy Harmony to an employee of the company (the "**Employee**") at a consideration of US$6,075,000 (the "**Consideration**").

(c) On 9 October 2020, a written resolution was passed by the Company's shareholders, approving (i) the increase of the authorised share capital to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each; and (ii) the capitalisation of share premium into 1,634,426,197 ordinary shares by applying HK$16,344,000 (equivalent to RMB14,174,000) to pay up in full at par for allotment and issue to the then existing shareholders in proportion to their respective shareholdings in the Company.

(d) On 30 October 2020, the Company issued 383,384,000 ordinary shares in its initial public offering at HK$7.89 per share for a total cash consideration, before expenses, of HK$3,024,900,000 (equivalent to RMB2,623,254,000).

25. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Merger reserve

As at 31 December 2019, the merger reserve of the Group represented the combined issued capital of the subsidiaries now comprising the Group arising from the Reorganisation as mentioned in note 1 to the financial statements.

(b) Capital reserve

As at 31 December 2020, the movements of the capital reserve are as follows.

In March 2020, as part of the Reorganisation, Hejing Youhuo, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Ningjun Property and its subsidiaries with a capital injection of RMB63,000,000 to Ningjun Property and a cash consideration of RMB34,550,000 to Total Super, a wholly-owned subsidiary of KWG Holdings. As both parties were under control of KWG Holdings before and after the combination and such control was not provisional, this combination was a business combination involving entities under common control. The difference of RMB27,550,000 between (i) the cash consideration of RMB34,550,000 and (ii) the outstanding merger reserve of RMB7,000,000 was debited to the capital reserve.

On 24 June 2020, KWG Holdings, the then sole shareholder of Happy Harmony, which in turn holds one ordinary share of the Company, approved the transfer of the entire issued share capital of Happy Harmony (the "**Transferred Share**") to the Employee, at the Consideration of US$6,075,000. The Consideration was fully settled on 24 June 2020 and has been funded by an interest-free loan from Mr. Kong Jianmin (the "**Loan**"), one of the Company's controlling shareholders. Upon completion of the aforesaid share transfer and immediately after the subscription of 35 shares of the Company by KWG Holdings at par on 24 June 2020, KWG Holdings and the Employee through Happy Harmony held 97.22% and 2.78% equity interest in the Company, respectively. The share transferred to the Employee constitutes a share-based payment arrangement under HKFRS 2 Shared-based Payment and the share-based payment expense which represents the difference of RMB320,000 between (i) the fair value of the Transferred Share and (ii) the Consideration of US$6,075,000 was charged to profit or loss as an expense in full immediately upon the completion of the share transfer with a corresponding increase in capital reserve of approximately RMB320,000 during the year. The deemed interest expense of the Loan to the Employee, calculated based on the outstanding Loan principal and a general market interest rate that the Employee could possibly obtain from financial institutions in Hong Kong on an arm's length basis as of the date of the Loan agreement entered into between Mr. Kong Jianmin and the Employee, was charged to profit or loss with a corresponding increase in capital reserve of approximately RMB622,000 during the year to reflect the contribution to the Company from Mr. Kong Jianmin, one of the Company's controlling shareholders.

(c) Statutory surplus funds

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of these subsidiaries, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

26. BUSINESS COMBINATIONS

Acquisition of Guangzhou Runtong

In December 2020, the Group acquired 80% equity interests in Guangzhou Runtong from third parties at a consideration of RMB214,400,000. Guangzhou Runtong is engaged in the property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Guangzhou Runtong as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	2,628
Other intangible assets	89,723
Other non-current assets	112
Trade receivables	25,021
Prepayments and other receivables	13,662
Restricted cash	3,566
Cash and bank balances	12,650
Trade payables	(87)
Other payables and accruals	(13,708)
Deferred tax liabilities	(22,430)
Total identifiable net assets at fair value	111,137
Non-controlling interests	(22,227)
Goodwill arising on acquisition	125,490
Satisfied by cash	80,000
Unpaid amount included in other payables to original shareholders	134,400
Total consideration	214,400

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB25,021,000 and RMB12,662,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB25,021,000 and RMB12,662,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

26. BUSINESS COMBINATIONS *(continued)*

Acquisition of Guangzhou Runtong *(continued)*

An analysis of the cash flows in respect of the acquisition of Guangzhou Runtong is as follows:

	RMB'000
Cash consideration paid	**(80,000)**
Cash and bank balances	**12,650**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(67,350)**

Since the acquisition, Guangzhou Runtong did not contribute any revenue and profit to the Group for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Group and the profit of the Group for the year ended 31 December 2020 would have been approximately RMB1,749,204,000 and RMB351,920,000, respectively.

Acquisition of Taizhou Yuncheng

In December 2020, the Group acquired 60% equity interests in Taizhou Yuncheng from third parties at a consideration of RMB1,200,000. Taizhou Yuncheng is engaged in the property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Taizhou Yuncheng as at the date of acquisition were as follows:

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	**145**
Other intangible assets	**1,734**
Trade receivables	**649**
Prepayments and other receivables	**427**
Cash and bank balances	**141**
Other payables and accruals	**(663)**
Deferred tax liabilities	**(433)**
Total identifiable net assets at fair value	**2,000**
Non-controlling interests	**(800)**
Goodwill arising on acquisition	**–**
Unpaid amount included in other payables to original shareholders	**1,200**

26. BUSINESS COMBINATIONS *(continued)*

Acquisition of Taizhou Yuncheng *(continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB649,000 and RMB69,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB649,000 and RMB69,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Taizhou Yuncheng is as follows:

	RMB'000
Cash consideration paid	–
Cash and bank balances acquired	**141**
Net inflow of cash and cash equivalents included in cash flows from investing activities	**141**

Since the acquisition, Taizhou Yuncheng did not contribute any revenue and loss to the Group for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Group and the profit of the Group for the year ended 31 December 2020 would have been approximately RMB1,520,373,000 and RMB321,288,000, respectively.

Acquisition of Gangyu Enterprise

In January 2019, the Group acquired 100% equity interest in Gangyu Enterprise from third parties at a total consideration of RMB197,466,000. Gangyu Enterprise and its subsidiaries are engaged in property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in Mainland China.

26. BUSINESS COMBINATIONS *(continued)*

Acquisition of Gangyu Enterprise *(continued)*

The fair values of the identifiable assets and liabilities of Gangyu Enterprise and its subsidiaries as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	1,428
Right-of-use assets	14(a)	7,237
Other intangible assets	16	100,316
Deferred tax assets	18	4,834
Other non-current assets		249
Trade receivables		13,781
Prepayments and other receivables and other assets		11,741
Cash and cash equivalents		27,107
Trade payables		(2,247)
Other payables and accruals		(49,092)
Contract liabilities		(2,278)
Lease liabilities	14(a)	(7,001)
Tax payables		(3,437)
Deferred tax liabilities	18	(26,812)
Total identifiable net assets at fair value		75,826
Non-controlling interests		(13,078)
Goodwill arising on acquisition	15	134,718
Satisfied by cash during the year ended 31 December 2019		20,000
Unpaid amount included in other payables to original shareholders as at 31 December 2019	23	8,000
Settled by related parties on behalf of the Group and included in other payables as at 31 December 2019		169,466
Total consideration		197,466

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB13,781,000 and RMB9,355,000, respectively. The gross contractual amounts of trade receivables and other receivables were approximately RMB14,286,000 and RMB9,355,000, respectively, of which trade receivables of approximately RMB505,000, were expected to be uncollectible. The transaction cost incurred for this acquisition is insignificant.

The Group has elected to initially measure the non-controlling interests in Gangyu Enterprise's subsidiaries at fair value at the date of acquisition.

26. BUSINESS COMBINATIONS *(continued)*

Acquisition of Gangyu Enterprise *(continued)*

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Gangyu Enterprise and its subsidiaries is as follows:

	RMB'000
Cash consideration	(20,000)
Cash and bank balances acquired	27,107
Net inflow of cash and cash equivalents included in cash flows from investing activities	7,107

Since the acquisition, Gangyu Enterprise and its subsidiaries contributed approximately RMB92,001,000 to the Group's revenue and a profit of approximately RMB10,735,000 to the combined profit for the year ended 31 December 2019. Had the combination taken place at the beginning of 2019, the revenue of the Group and the profit of the Group for the year ended 31 December 2019 would have been approximately RMB1,142,005,000 and RMB190,007,000, respectively.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB3,057,000 (2019: RMB7,281,000) and approximately RMB2,664,000 (2019: RMB7,036,000), respectively, in respect of lease arrangements for buildings and motor vehicles.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS *(continued)*

(b) Changes in liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

	Other payables RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	**32,715**	**8,006**	**40,721**
Changes from financing cash flows	**(32,715)**	**(3,941)**	**(36,656)**
Interest expense	**—**	**317**	**317**
Interest paid classified as operating cash flows	**—**	**(317)**	**(317)**
Other non-cash movements	**—**	**2,664**	**2,664**
At 31 December 2020	**—**	**6,729**	**6,729**
At 1 January 2019	33,126	3,909	37,035
Changes from financing cash flows	(411)	(2,939)	(3,350)
Interest expense	—	351	351
Interest paid classified as operating cash flows	—	(351)	(351)
Acquisition of subsidiaries	—	7,001	7,001
Other non-cash movements	—	35	35
At 31 December 2019	32,715	8,006	40,721

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2020 RMB'000	2019 RMB'000
Within operating activities	**10,376**	23,400
Within financing activities	**3,941**	2,939
	14,317	26,339

28. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

29. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2020 RMB'000	2019 RMB'000
Residential property management service income:		
Subsidiaries, joint ventures and associates of KWG Holdings*	**527,572**	341,424
Non-residential property management and commercial service income:		
Subsidiaries and joint ventures of KWG Holdings	**227,727**	186,359
Other related parties**	**1,774**	376
	229,501	186,735
Rental cost and expenses:		
Subsidiaries of KWG Holdings	**9,703**	14,034
Information technology expenses:		
KWG Holdings	**2,000**	2,000

* KWG Holdings is ultimately controlled by Plus Earn.

** Other related parties are entities that are controlled by Mr. Kong Jiantao, an executive director of KWG Holdings.

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contracting parties.

29. RELATED PARTY TRANSACTIONS *(continued)*

(b) Outstanding balances with related parties

	2020 RMB'000	2019 RMB'000
Prepayments and receivables from related parties		
Trade receivables		
Subsidiaries, joint ventures and associates of KWG Holdings	**379,301**	449,546
Prepayments and other receivables		
Subsidiaries and joint ventures of KWG Holdings	**4,205**	561,690
Other related parties	**—**	44
	4,205	561,734
Payables to related parties		
Trade payables		
Subsidiaries and joint ventures of KWG Holdings	**4,855**	18,930
Other payables		
Subsidiaries and joint ventures of KWG Holdings	**1,847**	817,793
Other related parties	**—***	1,130
	1,847	818,923
Lease liabilities		
Subsidiaries of KWG Holdings	**1,120**	1,180
Contract liabilities		
Subsidiaries and joint ventures of KWG Holdings	**2,251**	11,082
Dividend payable		
A subsidiary of KWG Holdings	**194,440**	—

* The amount is less than RMB1,000.

The Group's outstanding balances of trade receivables, trade payables, lease liabilities and contract liabilities with related parties are trade in nature; and the outstanding balances of prepayments and other receivables and other payables with related parties are non-trade in nature.

29. RELATED PARTY TRANSACTIONS *(continued)*

(c) Compensation of key management personnel of the Group

	2020 RMB'000	2019 RMB'000
Salaries, allowance and benefits in kind	**7,550**	6,775
Pension scheme contributions	**233**	277
	7,783	7,052

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

(d) Financial guarantee with a related party

	2020 RMB'000	2019 RMB'000
Provision of financial guarantee for bank loans of an entity controlled by KWG Holdings — maximum exposure	**—**	1,456,000

The fair value of the above financial guarantee is insignificant at initial recognition.

On 13 October 2020, the financial guarantees provided by the Group for bank loans of an entity controlled by KWG Holdings, as disclosed in notes 21 and 32(c), had been released.

30. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2020 RMB'000	2019 RMB'000
Financial assets — financial assets at amortised cost		
Trade receivables	**606,708**	567,272
Financial assets included in prepayments, other receivables and other assets	**160,093**	676,235
Restricted cash	**5,150**	18,652
Cash and cash equivalents	**2,959,619**	416,765
	3,731,570	1,678,924

30. FINANCIAL INSTRUMENTS BY CATEGORY *(continued)*

	2020 RMB'000	2019 RMB'000
Financial liabilities — financial liabilities at amortised cost		
Trade payables	**154,465**	176,533
Lease liabilities	**6,729**	8,006
Financial liabilities included in other payables and accruals	**460,835**	1,069,034
Dividend payable	**200,000**	—
	822,029	1,253,573

31. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

Fair value hierarchy

The Group did not hold any financial assets and liabilities measured at fair value as at 31 December 2020 and 2019.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, trade and other receivables, and trade and other payables, which arise directly from its operations. The Group has other financial assets and liabilities such as lease liabilities. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with a material impact, on the Group's financial performance. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(a) Foreign currency risk

As at 31 December 2020, the Group had cash and bank deposits of approximately RMB2,456,219,000 (31 December 2019: Nil) which were denominated in foreign currencies, mainly in HK$. The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of HK$, with all other variables held constant, of the Group's profit before tax.

	Change in foreign Currency rate	Increase/ (decrease) in equity* RMB'000
2020		
If RMB weakens against HK$	**5%**	**122,811**
If RMB strengthens against HK$	**5%**	**(122,811)**
2019		
If RMB weakens against HK$	5%	—
If RMB strengthens against HK$	5%	—

* Excluding retained profits.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and restricted cash.

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

The Group expects that the credit risk associated with trade receivables and other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term. Thus, the impairment provision recognised during the reporting period was minimal for the trade receivables and other receivables from related parties.

There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of the Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Credit risk *(continued)*

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December. The amounts presented from third parties are gross carrying amounts for financial assets.

31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	619,508	619,508
Financial assets included in prepayments, other receivables and other assets					
— Normal**	105,207	–	–	–	105,207
— Doubtful**	–	59,751	–	–	59,751
Restricted cash					
— Not yet past due	5,150	–	–	–	5,150
Cash and cash equivalents					
— Not yet past due	2,959,619	–	–	–	2,959,619
	3,069,976	59,751	–	619,508	3,749,235

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(b) Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*

31 December 2019

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	576,416	576,416
Financial assets included in prepayments, other receivables and other assets					
— Normal**	616,095	—	—	—	616,095
— Doubtful**	—	63,983	—	—	63,983
Restricted cash					
— Not yet past due	18,652	—	—	—	18,652
Cash and cash equivalents					
— Not yet past due	416,765	—	—	—	416,765
	1,051,512	63,983	—	576,416	1,691,911

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(c) Liquidity risk *(continued)*

The table below analyses the maturity profile of the Group's financial liabilities as at the end of the reporting period, which is based on contractual undiscounted payments.

As at 31 December 2020

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	**61,858**	**92,607**	**—**	**—**	**154,465**
Lease liabilities	**—**	**3,751**	**2,626**	**960**	**7,337**
Financial liabilities included in other payables and accruals	**83,951**	**376,884**	**—**	**—**	**460,835**
Dividend payable	**200,000**	**—**	**—**	**—**	**200,000**
	345,809	**473,242**	**2,626**	**960**	**822,637**

As at 31 December 2019

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	24,321	152,212	—	—	176,533
Lease liabilities	—	3,512	4,190	1,080	8,782
Financial liabilities included in other payables and accruals	883,992	185,042	—	—	1,069,034
Financial guarantee given to banks in connection with bank loans granted to a fellow subsidiary	1,456,000	—	—	—	1,456,000
	2,364,313	340,766	4,190	1,080	2,710,349

As at 31 December 2019, the bank loans of RMB1,456,000,000 of an entity controlled by KWG Holdings, i.e., a then fellow subsidiary of the Company, were jointly guaranteed by a subsidiary of the Company and KWG Holdings, and pledged by certain properties of subsidiaries of KWG Holdings and certain cash at banks of the Group. The fair value of the above financial guarantee is insignificant at initial recognition.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

(d) Interest rate risk

The Group is not exposed to material interest rate risk.

(e) Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain a healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities, and a liabilities to assets ratio, which is total liabilities divided by total assets. The current ratios and liabilities to assets ratios at the end of the reporting periods are as follows:

	2020 **RMB'000**	2019 RMB'000
Total current assets	**3,772,419**	1,707,242
Total current liabilities	**1,198,006**	1,537,767
Total assets	**4,228,532**	1,962,186
Total liabilities	**1,235,057**	1,564,758
Current ratio	**3.15**	1.11
Liabilities to assets ratio	**0.29**	0.80

33. EVENT AFTER THE REPORTING PERIOD

An equity acquisition agreement dated 17 January 2021 was entered into between Hejing Youhuo, Guangzhou Xiangtai Business Management Co., Ltd., ("**Guangzhou Xiangtai**"), Cedar Industrial Group Limited, Shouguang Qixing Enterprise Management Center (Limited Partnership) and Cedar Technology Group Co., Ltd. ("**Cedar**") pursuant to which Hejing Youhuo has conditionally agreed to purchase and Guangzhou Xiangtai has conditionally agreed to sell 80% equity interests of Cedar for a total cash consideration of RMB1,316,000,000. Details of the acquisition are set out in the Company's announcement dated 18 January 2021.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2020 RMB'000	2019 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	**2,456,208**	—
Prepayments, deposits and other receivables	**612**	—
Total current assets	**2,456,820**	—
CURRENT LIABILITIES		
Other payables and accruals	**3,977**	83
Total current liabilities	**3,977**	83
NET CURRENT ASSETS/(LIABILITIES)	**2,452,843**	(83)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,452,843**	(83)
NET ASSETS/(LIABILITIES)	**2,452,843**	(83)
EQUITY		
Share capital	**17,499**	—*
Reserves (note)	**2,435,344**	(83)
TOTAL EQUITY/(DEFICIENCY IN ASSETS)	**2,452,843**	(83)

* The amount is less than RMB1,000.

34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 11 September 2019	—	—	—	—
Loss for the year	—	—	(82)	(82)
Other comprehensive loss for the year:				
Exchange differences on translation into presentation currency	—	(1)	—	(1)
Total comprehensive loss for the year	—	(1)	(82)	(83)
At 31 December 2019	—	(1)	(82)	(83)
At 1 January 2020	**—**	**(1)**	**(82)**	**(83)**
Loss for the year	**—**	**—**	**(29,808)**	**(29,808)**
Other comprehensive loss for the year:				
Exchange differences on translation into presentation currency	**—**	**(73,806)**	**—**	**(73,806)**
Total comprehensive loss for the year	**—**	**(73,806)**	**(29,808)**	**(103,614)**
Issue of shares	**2,619,929**	**—**	**—**	**2,619,929**
Share issue expenses	**(66,714)**	**—**	**—**	**(66,714)**
Capitalisation issue (note 24)	**(14,174)**	**—**	**—**	**(14,174)**
At 31 December 2020	**2,539,041**	**(73,807)**	**(29,890)**	**2,435,344**

35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 March 2021.

Four Years Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last four financial years, as extracted from the audited financial statements and the Company's prospectus dated 19 October 2020, is set out below:

	Year ended 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS				
REVENUE	**1,517,227**	1,124,878	659,136	463,381
Cost of sales	**(878,679)**	(705,050)	(476,175)	(359,111)
Gross profit	**638,548**	419,828	182,961	104,270
Other income and gains	**11,548**	5,180	2,475	1,984
Selling and distribution expenses	**(1,987)**	(921)	(499)	(476)
Administrative expenses	**(193,563)**	(164,424)	(75,178)	(45,267)
Other expenses, net	**(10,514)**	(10,647)	(4,456)	(2,726)
Finance costs	**(317)**	(351)	(199)	(186)
Share of profit/(loss) of an associate	**1,911**	1,939	(796)	—
PROFIT BEFORE TAX	**445,626**	250,604	104,308	57,599
Income tax expense	**(121,937)**	(65,617)	(24,626)	(13,451)
PROFIT FOR THE YEAR	**323,689**	184,987	79,682	44,148
Attributable to:				
Owners of the parent	**323,083**	184,887	79,682	44,148
Non-controlling interests	**606**	100	—	—
	323,689	184,987	79,682	44,148

	As at 31 December			
	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY				
TOTAL ASSETS	**4,228,532**	1,962,186	1,216,350	1,197,802
TOTAL LIABILITIES	**1,235,057**	1,564,758	1,016,531	1,077,665
TOTAL EQUITY	**2,993,475**	397,428	199,819	120,137

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