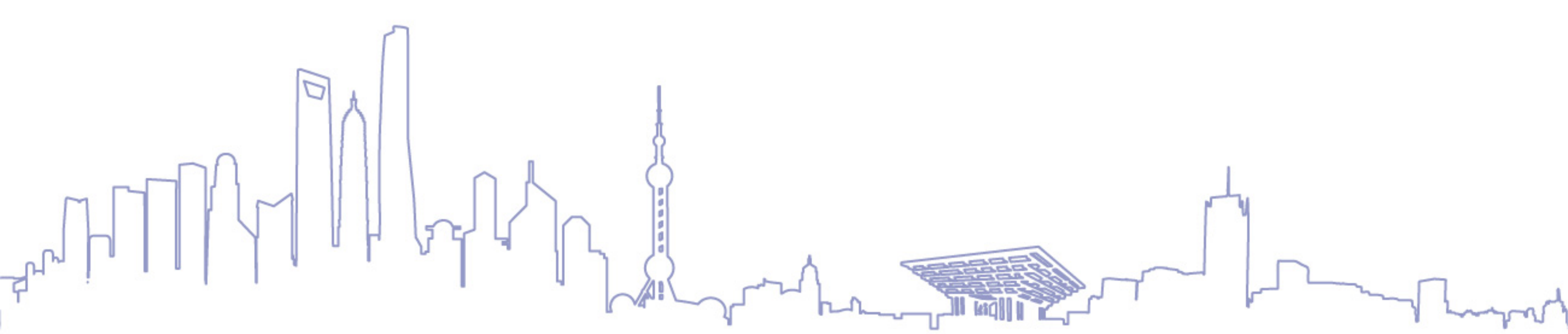
和泓服務
HEVOL SERVICES
STOCK CODE：06093.HK

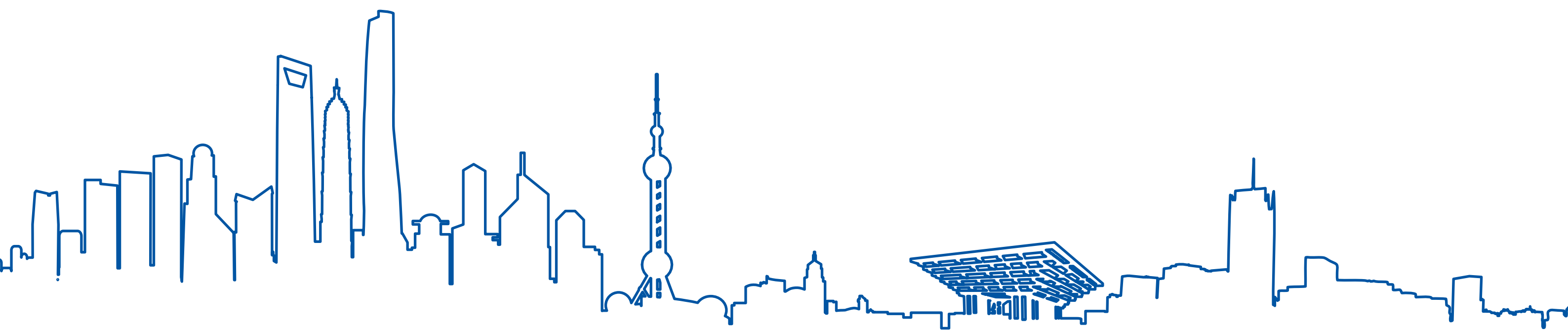
HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司
(Incorporated in the Cayman Islands with limited liability)

ANNUAL REPORT 2020

A Happy Life With Hevol



CONTENTS



Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wang Wenhao *(Chief Executive Officer)*
Ms. Hu Hongfang

Non-executive Directors
Mr. Liu Jiang *(Chairman)*
Mr. Zhou Wei

Independent Non-executive Directors
Mr. Qian Hongji
Dr. Li Yongrui
Mr. Fan Chi Chiu
Dr. Chen Lei

AUDIT COMMITTEE

Mr. Fan Chi Chiu *(Chairman)*
Mr. Qian Hongji
Dr. Chen Lei

REMUNERATION COMMITTEE

Dr. Li Yongrui *(Chairman)*
Mr. Qian Hongji
Dr. Chen Lei

NOMINATION COMMITTEE

Mr. Liu Jiang *(Chairman)*
Mr. Qian Hongji
Dr. Li Yongrui

COMPANY SECRETARY

Mr. Li Lap Keung
(Hong Kong Certified Public Accountant)

AUTHORISED REPRESENTATIVES

Mr. Wang Wenhao
Mr. Li Lap Keung

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

Suite 3101, Everbright Centre
108 Gloucester Road
Wanchai, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

16th Floor, Block D
Newlogo International Building
No. 18A Zhongguancun South Street
Haidian District, Beijing
People's Republic of China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

Grant Thornton Hong Kong Limited
Certified Public Accountants
12th Floor
28 Hennessy Road
Wanchai, Hong Kong

COMPLIANCE ADVISER

Southwest Securities (HK) Capital Limited
40/F, Lee Garden One
33 Hysan Avenue
Causeway Bay, Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Miao & Co
(in Association with Han Kun Law Offices)
Rooms 3901-05
39/F Edinburgh Tower
The Landmark
15 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

China Construction Bank, Beijing Branch,
Zhongguancun South Avenue Sub-branch,
China Construction Bank Beijing,
Gucheng Sub-branch

COMPANY WEBSITE

www.hevolwy.com.cn

STOCK CODE

6093

DATE OF LISTING

12 July 2019

Chairman's Statement

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hevol Services Group Co. Limited (the "**Company**"), I am pleased to present the annual results of the Company for the twelve months ended 31 December 2020.

In 2020, while the property management industry was overcoming the adverse effect of COVID-19 epidemic, the external environment was favourable to the industry. According to 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》)" published by the Ministry of Housing and Urban-Rural Construction and other government ministries, the government supports robust quality assurance of property management services, merger and acquisition activities, large-scale property management services, branding, the introduction of market competition in the pricing of property management services, smart property management, encourages certain property management companies to extend their business to cover elderly care, childcare, housekeeping, culture, health, housing brokerage, express delivery and other services, and exploration of the "Property Services plus Life Services" model. In 2020, the number of listed property companies in Hong Kong increased in a rapid pace, coupled with strong growth of market capitalisation across the industry. The momentum of the industry grew even stronger. The Group will make good use of this valuable opportunity to achieve rapid growth by leveraging on the favorable policies and market conditions.

In 2020, the Group implemented five core business strategies known as "五化策略", including centralisation of business locations, standardisation of project management, optimisation of business process of newly acquired property management projects, diversification of value-added services and technological empowerment. The Group's business development has made significant progress with improved quality of services. In 2020, the Group was ranked 40th among the China Top 100 Property Management Enterprises (中國物業服務百強企業) evaluated by the China Index Academy, an increase of 45 ranks from 85th in 2015, and has achieved one of the greatest improvement in ranks among the Top 100 Property Management Enterprises.

For the twelve months ended 31 December 2020, Hevol Services Group Co., Limited and its subsidiaries (together, the "**Group**") achieved revenue of RMB415.9 million, an increase of 67.5% over the same period in 2019; gross profit of RMB148.9 million, an increase of 77.0% over the same period in 2019; and profit of RMB60.0 million, an increase of 334.8% over the same period in 2019. Earnings per share attributable to Shareholders amounted to RMB12.76 cents and RMB3.97 cents in 2020 and 2019, respectively. Profitability of the Group was further strengthened in 2020, with an increase of overall gross profit margin of 1.9 percentage points to approximately 35.8% from 33.9% in 2019. Net profit margin of the Group increased by 8.8 percentage points to approximately 14.4% compared to 2019.

STRONG MOMENTUM FOR SCALE EXPANSION

Up to the date of this annual report, the Group achieved total contracted management area of 33.4 million sq.m., representing an increase of approximately 307.3% compared to 8.2 million sq.m. in the beginning of 2020. The Group placed key focus on Southwestern China, the Yangtze River Delta, the Greater Bay Area, Northern China, Central China and other regions, with rapid improvement in the scale of management. As at 31 December 2020, the Group entered into equity cooperation agreements with 7 project companies, acquired 5 project companies, and increased the contracted management area by 8.0 million sq.m. In terms of entrustment business, the Group continued to integrate and utilise resources of the Group to develop new markets and successfully obtained a number of new property management projects, and increased the contracted management area by 3.7 million sq.m. As at 31 December 2020, the contracted management area and area under management of the Group were 22.5 million sq.m. and 17.9 million sq.m., respectively. The number of property management projects increased from 36 at the beginning of the year to 121, and the number of cities with our service coverage increased from 11 to 23. Contracted GFA from third-party property developers accounted for 57.5%, representing a significant increase from the beginning of the year.

FURTHER IMPROVEMENT OF SERVICE QUALITY

Quality of service is the lifeline of a corporation. The Group focused on the customer-centered policy and continuously improved the quality of property services to improve customer satisfaction and property fee collection rate. Meanwhile, the Group also improved system and service standards. Our service offerings can be segregated into five levels, including basic services, mid-end services, customised services, value-added services and technological services, which are named Hexiang (和享), Yuexiang (悦享), Zunxiang (尊享), Hongxiang (泓享), and Zhixiang (智享) respectively. In addition to the management system, environmental management system and occupational health and safety management system, the Group obtained energy management system and information safety management system certification, forming the "Five Standards" system certification. We also strengthened our standardised service process and developed a three-level quality supervision system, leading to further enhancement of service quality. With such measures we believe that the Group can enhance its customer trust and loyalty and our brand reputation of Hevol Services, facilitate business development and increase profit margin.

The Group strengthened value-added services to non-property owners in 2020. In addition to distribution services, the Group added other value-added services to non-property owners such as property management in early development phrases, management of ancillary properties, examination services, repair services, pre-move-in cleaning and parking lot consignment. The scope of services has covered the whole and entire process of property management. As at 31 December 2020, the Group's revenue from value-added services to non-property owners reached approximately RMB79.5 million, a year-on-year increase of approximately 208.2%.

In 2020, the Group launched community value-added services including real estate brokerage, lifestyle retail, venue space leasing, tourism services and hotel services. As at 31 December 2020, the Group's revenue from community value-added services reached approximately RMB77.1 million, a year-on-year increase of approximately 42.5%. In future, the Group will continue to improve and expand the community value-added services portfolio and switch the focus from the management of owners' assets to other areas including house rental, sale and decoration. Besides, the Group cooperated with large-scale e-commerce platforms to upgrade the retail service platform, and offer new community retail and community group buying services.

DEVELOPMENT DRIVEN BY TECHNOLOGICAL INNOVATION

The Group continues to employ technology to improve the quality of community life to the owners. The Group invests in smart operation management through technological means to continuously improve management efficiency and reduce operating costs. The Group employs the Internet and Internet of Things to build a full-link smart management platform for properties and implements a digital-driven decision-making management through digitalised management of operation system. The Group's digitalised management system has functions including smart traffic, smart elevator control, smart order dispatch, equipment maintenance and asset management. We also rely on our smart community application to integrate online service resources and capabilities to improve the owners' satisfaction. The application provides payment, express inquiry, decoration and moving, housekeeping and other services to meet the diversified requirements of owners. The above measures will not only reduce the costs and increase the efficiency of the Group, but also improve the quality of services and enhance owner's experience.

Over the past 19 years, we always adhered to the core value of "Serving people with a shared passion" and the "Living a happy life with Hevol" service concept. We will seize the precious opportunity arising from the current industry conditions to achieve rapid development, and will strive to create a better and happy life for the owners and also investment returns for the shareholders.

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 25 March 2021

Management Discussion and Analysis

SUMMARY OF PERFORMANCE

Total revenue of the Group in 2020 increased by approximately RMB167.6 million, or 67.5% to approximately RMB415.9 million from approximately RMB248.3 million in 2019. Revenue from property management services increased by approximately RMB90.9 million, or 54.0% from approximately RMB168.4 million in 2019 to approximately RMB259.3 million in 2020. Revenue from community value-added services increased by approximately RMB23.0 million, or 42.5% from approximately 54.1 million in 2019 to approximately RMB77.1 million in 2020. Revenue from value-added services to non-property owners significantly increased by approximately RMB53.7 million, or 208.2% from approximately RMB25.8 million in 2019 to approximately RMB79.5 million in 2020.

Gross profit of the Group in 2020 increased by approximately RMB64.8 million, or 77.0% to approximately RMB148.9 million from approximately RMB84.1 million in 2019. Gross profit margin increased to 35.8% in 2020 from 33.9% in 2019.

Profit after income tax in 2020 increased by approximately RMB46.2 million, or approximately 334.8% to approximately RMB60.0 million compared to approximately RMB13.8 million in 2019. Total comprehensive income for the year attributable to equity shareholders of the Company amounted to approximately RMB50.8 million compared to approximately RMB13.8 million in 2019.

Earnings per share attributable to equity holders of the Company amounted to RMB12.76 cents for the year ended 31 December 2020 (2019: RMB3.97 cents).

	Year ended 31 December			
	2020	2019	**Change**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**415,870**	248,275	167,595	67.5
Gross Profit	**148,905**	84,133	64,772	77.0
Gross Profit Margin	**35.8%**	33.9%		
Net Profit	**59,977**	13,793	46,184	334.8
Net Profit Margin ***(%)***	**14.4%**	5.6%		
Profit and Total Comprehensive Income Attributable to Shareholders	**50,784**	13,793	36,991	268.2
Earnings Per Share ***(RMB cents per share)***	**12.76**	3.97	8.79	221.4

INDUSTRY REVIEW

During the COVID-19 outbreak in early 2020, our property management performed their duties to prevent and control the epidemic, which had contributed to control the spread of the epidemic. Property management services played an important role in the prevention and control of the epidemic. During the epidemic, our property management personnel strengthened environmental sanitation inspections to ensure that the environment was properly sanitized. At the same time, our property management staff detected early suspected cases through residents entry and exit control and management, and when necessary, provided information to trace the movement of personal and activities. They also maintained the order of the community, including entry and exit controls with temporary permits, temperature detection and maintain community registration records etc. Our property management staff also provided delivery services to ensure that residents can meet their daily needs during home isolation.

The epidemic is gradually held under control in China. The daily life of residents has resumed to normal, catering, entertainment, shopping and other commercial activities have made a turnaround. Nevertheless, the property management industry was more resilient, and many of our peers have maintained stable business growth. In addition, reduction on social insurance and housing fund contribution and government subsidy policies for the property management companies have greatly relieved their pressure brought by labour costs during the epidemic, and by utilising the subsidy they can hire more staff for epidemic prevention and control in the community, thereby preventing a large-scale outbreak of epidemic in the community. After the outbreak of the epidemic, people have realised that property management services are closely related to their daily life in the crisis, and have increased their demand for quality property management services. Local governments have gradually paid attention to the importance of property management industry to the society, thereby encouraging and supporting the development of local property management companies. The epidemic has accelerated the rapid development of the property management industry. It is believed that, by leveraging on the healthy cash flow, the industry will have a bright future and develop at a fast pace after the epidemic.

BUSINESS REVIEW

The Group is a reputable market player in the property management industry in China, providing property management services, community value-added services and value-added services to non-property owners in the PRC for more than 19 years. According to the China Index Academy, we were ranked 40th among the "2020 Top 100 Property Management Enterprises" in terms of overall strength of property management in 2020, and we were considered as a fast-growing China Top 100 Property Management Company from 2015 to 2020 in terms of overall strength of property management based on certain key factors such as property management scale, business performance, service quality, development potential and social responsibility. As at 31 December 2020, the Group managed 121 property management projects, across 23 cities in the PRC with a total contracted gross floor area ("**GFA**") of over 22.5 million sq.m. and GFA under management of over 17.9 million sq.m. (2019: 8.2 million sq.m.).

In 2020, the Group achieved relatively fast growth in management scale, with total revenue increased by 67.5% to approximately RMB415.9 million in 2020 compared to approximately RMB248.3 million in 2019. The Group's GFA under management reached approximately 17.9 million sq.m. in 2020 from approximately 8.2 million sq.m. in 2019. During the year, the Group acquired (i) 70% equity interests of Shanghai Tongjin Property Management Services Co. Ltd* ("**Shanghai Tongjin**") with a consideration of RMB29.6 million, (ii) 60% equity interests of Shanghai Tongjia Property Management Services Co. Ltd* ("**Shanghai Tongjia**") with a consideration of RMB3.8 million, (iii) 60% equity interest of Dongguan Baoying Property Management Company Ltd* ("**Dongguan Baoying**") with a consideration of RMB15.0 million, (iv) 51% equity interests of Guizhou Xingji Property Services Company Limited* ("**Guizhou Xingji**") with a consideration of RMB25.5 million, and (v) 65% of equity interests of Hohhot Huigu Property Services Company Limited* ("**Hohhot Huigu**") with a consideration of RMB12.0 million. All of the above acquisitions were completed in 2020 and the Group's GFA under management has increased by approximately 6.0 million sq.m., together with external expansion projects by bidding, projects co-operation with other third party property developers and property management projects developed by Hevol Real

Estate Group, our aggregate GFA under management reached approximately 17.9 million sq.m. as at 31 December 2020. Our geographical coverage in China has expanded to 23 cities and our coverage of geographical regions in China now include the northern region, southwestern region, northeastern region, southern region and eastern region. We believe that acquisition is a cost-effective way to develop our service offerings and property management portfolio. Through acquiring property management companies in the Yangtze River Delta region and Greater Bay Area, Southwestern China and other regions of the PRC, with their existing strength and experience, the acquisitions can create synergies with the business of our Group. The Group will be able to further enhance its market share and brand influence and fill the market gap in the region, expand the scope and size of its property management business and improve its business growth and profitability.

PROPERTY MANAGEMENT SERVICES

Property Management Services

The Group provides a range of property management services to property owners and residents, as well as property developers, including security, cleaning, greening, gardening services as well as repair and maintenance services, with a focus on residential communities. The Group's property management portfolio also covers other types of properties such as commercial properties. As at 31 December 2020, the Group managed 121 property management projects with a total GFA under management of 17.9 million sq.m., covering 23 cities in the PRC across five geographical regions in China, including northern region, southwestern region, northeastern region, southern region and eastern region.

Geographical Coverage

The table below sets out the breakdowns of: (i) revenue from property management services; and (ii) GFA under management by geographic regions which the Group has property management operation, for the year ended 31 December 2020:

	31 December 2020				31 December 2019			
	Revenue		GFA under management		Revenue		GFA under management	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Northern China[1]	79,817	30.8	5,460	30.6	71,113	42.2	3,336	40.4
Northeastern China[2]	14,437	5.6	894	5.0	12,550	7.5	604	7.3
Southwestern China[3]	70,594	27.2	5,911	33.1	60,375	35.9	3,411	41.4
Southern China[4]	27,759	10.7	2,175	12.2	24,341	14.4	898	10.9
Eastern China[5]	66,707	25.7	3,416	19.1	–	–	–	–
Total	259,314	100.0	17,856	100.0	168,379	100.0	8,249	100.0

Notes:

(1) "Northern China" includes Beijing, Tianjin, Tangshan, Qinhuangdao and Hohhot.

(2) "Northeastern China" includes Dandong, Harbin, Fushun and Shenyang.

(3) "Southwestern China" includes Chongqing, Guiyang, Chengdu, Zunyi, Xichang and Anshun.

(4) "Southern China" includes Sanya, Changsha, Guangzhou, Jiangmen and Dongguan.

(5) "Eastern China" includes Shanghai, Kunshan and Wuxi.

As at 31 December 2020, our geographical coverage of property management projects has expanded to 23 cities across China. The following diagram illustrates our geographical coverage of properties under management as at 31 December 2020:

The Group managed a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of public facilities. During the year, the Group generated the majority of its property management service revenue from managing residential properties, which will continue to account for a significant portion of our revenue stream in the near future. The table below sets out the breakdowns of its: (i) revenue generated from property management services by type of properties, and (ii) total GFA under management by type of properties for the periods indicated:

	31 December 2020				31 December 2019			
	Revenue generated from property management services		GFA under management		Revenue generated from property management services		GFA under management	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Residential properties	225,985	87.1	16,747	93.8	152,838	90.8	7,794	94.5
Non-residential properties	33,329	12.9	1,109	6.2	15,541	9.2	455	5.5
Total	259,314	100.0	17,856	100.0	168,379	100.0	8,249	100.0

Community value-added services

As an extension of the Group's property management services business, it provides community value-added services to property owners and residents for the property management projects under the Group's management. The Group's community value-added services help to address the lifestyle and daily needs of the property owners and residents, to enhance their customer experience, satisfaction and loyalty, as well as to create a healthier and more convenient living community. The Group mainly provides three types of community value-added services, namely: (i) home-living services, (ii) leasing of car parking space, and (iii) leasing of common facilities.

The Group provides home-living services such as property repair and maintenance services, cleaning, interior decoration, collection of electricity tariffs, purchase assistance, as well as accommodation and catering services to property owners upon request. The Group also leases out common areas such as swimming pools, car parking spaces and advertising spaces to third party contractors to generate stable revenue stream for its business. The Group is devoted to cultivate a harmonious and closely-knitted community culture. The Group organises a wide range of community cultural activities on a regular basis, including community sports events, community carnivals, elderly care and community festival celebrations for residents in its property management projects.

Value-added services to non-property owners

The Group is committed to expanding its value-added services to non-property owners and diversifying its sources of revenue. The Group offers comprehensive supporting services such as sales assistance services and management consultation services for the property developer projects. For example, the Group provides display unit management services, market planning services and visitor reception services to property developers during the sales and marketing phase of these property management projects in order to facilitate the sale of those development projects. Provision of value-added services to non-property owners can help the Group to diversify its business segments, understand the needs of property developers and strengthen its knowledge on various aspects of property management.

PROSPECT

The management of the Group strive to provide high-quality services to its customers through its standardised and smart management process which allows the Group to strengthen its operational efficiency and effective control over its costs. Through the provision of property management services, the Group has achieved revenue growth, expanded its business and established its loyal customer base, all of which serve as a solid foundation for the provision and further development of the Group's value-added services. The Group's community value-added services complement its property management services and enhance the satisfaction and loyalty of property owners and residents. The Group's value-added services to non-property owners complement its property management services through providing sales assistance services to property developers during the development and selling phase of their properties. The skills and knowledge that the Group acquire throughout the process help its management to understand the changing requirements for property management service providers. The Group has strong capabilities to provide service offerings which meet its customers' needs so as to diversify its revenue base and improve its market position.

Going forward, the Group will strive to speed up the expansion strategy and the increase in GFA under management through merger and acquisitions. On 3 November 2020, the Group entered into a sale and purchase agreement to acquire 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd.* ("**Zhongshan Zhongzheng**") with a consideration of RMB15.4 million; on 28 December 2020, the Group entered into a sale and purchase agreement to acquire 60% equity interests of Sichuan Wansheng Property Service Co., Ltd.* ("**Sichuan Wansheng**") with a consideration of RMB42.9 million; on 5 February 2021, the Group entered into a sale and purchase agreement to acquire 51% equity interests of Jiangsu Shenhua Times Property Group Co., Ltd.* ("**Jiangsu Shenhua**") with a consideration of RMB40.8 million. All of these acquisitions were completed before March 2021. It is a cost-effective way to grow the Group's service offerings and property management portfolio in the Eastern region, Southwest region and Southern region. After these acquisitions, total GFA of the Group under management have been increased from approximately 17.9 million sq.m. as at 31 December 2020 to approximately 25.3 million sq.m. as at the date of this annual report. In addition, the Group had entered into the Supplemental Master Services Agreement with Hevol Real Estate Group to provide certain ancillary property management services to Hevol Real Estate Group from the second half of year 2020, in return for a steady stream of income to the Group. Revenue of ancillary property management services for the year ended 31 December 2020 amounted to approximately RMB37.1 million and we expect that the amount will be further increased in the coming year. We will continue to increase our investment in expanding community value-added services through allocating high-calibre personnel, with the aim of enhancing operational capacity and having value-added services to exceed 30% of our total revenue.

FINANCIAL REVIEW

Revenue

The Group derived revenue from: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. Overall revenue increased by approximately RMB167.6 million, or approximately 67.5% from approximately RMB248.3 million in 2019 to approximately RMB415.9 million in 2020, such growth was attributable to: (i) an increase in revenue resulted from the acquisition of Shanghai Tongjin in January 2020, which contributed approximately RMB87.2 million; (ii) an increase in ancillary property management services to Hevol Real Estate Group contributing to revenue of approximately RMB36.2 million; and (iii) an increase in revenue from community value-added services due to the growth in the number of property management projects.

The following table sets out a breakdown of the Group's total revenue by business segment for the years indicated:

	Year ended 31 December					
	2020		2019		**Change**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**259,314**	**62.4**	168,379	67.8	90,935	54.0
Community value-added services (including leasing income)	**77,076**	**18.5**	54,105	21.8	22,971	42.5
Value-added services to non-property owners	**79,480**	**19.1**	25,791	10.4	53,689	208.2
Total	**415,870**	**100.0**	248,275	100.0	167,595	67.5

Property management services

Property management services primarily include property management fees paid for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities. Revenue increased by approximately RMB90.9 million, or 54.0%, from approximately RMB168.4 million in 2019 to approximately RMB259.3 million in 2020. Such increase was primarily attributable to the increase in the total GFA under management through organic growth, acquisition of peers and external expansion by bidding for new property management projects. The Group's GFA under management increased from approximately 8.2 million sq.m. in 2019 to approximately 17.9 million sq.m. in 2020, and the number of property management projects increased from 36 to 121. The increased GFA under management of 6.0 million sq.m. was contributed from the acquisition of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji and Hohhot Huigu. Revenue of property management services from these five newly acquired entities contributed approximately RMB74.1 million in 2020.

Community value-added services

Revenue from community value-added services is mainly divided into three segments, including (i) home-living services, (ii) leasing of car parking space, and (iii) leasing of common facilities, which amounted to approximately RMB35.9 million, RMB21.8 million, and RMB17.4 million, respectively for the year ended 31 December 2020. Revenue from home-living services, leasing of car parking space and leasing of common facilities, which amounted to approximately RMB23.8 million, RMB18.9 million and RMB11.4 million, respectively, for the year ended 31 December 2019.

For the years ended 31 December 2019 and 2020, revenue from community value-added services represented approximately 21.8% and approximately 18.5% respectively of the Group's total revenue. The increase of approximately RMB23.0 million, or 42.5% from approximately RMB54.1 million in 2019 to approximately RMB77.1 million in 2020 was due to an increase in the number of property management projects through acquisitions and external development by bidding of new projects. In addition, the Group actively developed and expanded value-added services to existing residential communities which also contributed to the increase.

Value-added services to non-property owners

The Group provides a wide range of value-added services to non-property owners including sales assistance services and management consultation services. The Group also provided ancillary property management services to Hevol Real Estate Group, including (i) consultancy and planning services, (ii) preliminary stage property management start-up services, (iii) property management services of properties held by Hevol Real Estate Group, (iv) inspection services, (v) repair services, (vi) cleaning services, and (vii) formaldehyde removal services. Revenue from value-added services to non-property owners increased by approximately RMB53.7 million, or 208.2% from approximately RMB25.8 million in 2019 to approximately RMB79.5 million in 2020. The increase was due to Hevol Real Estate Group having more properties under development which reached the selling stages and required our sales assistance services in 2020 compared to 2019. In addition, the ancillary property management services which started from June 2020 had contributed approximately RMB36.2 million during the year.

Cost of Sales

Cost of sales of the Group primarily comprises staff costs, sub-contracting costs, utility expenses, repairs and maintenance costs, cost of providing ancillary property management services, material costs and sales taxes. Cost of sales increased by approximately RMB102.9 million or 62.7% from approximately RMB164.1 million in 2019 to approximately RMB267.0 million in 2020. Such increase was mainly attributable to: (i) increase of the Group's sub-contracting costs by approximately RMB28.2 million in 2020 compared to 2019, due to an increase in its GFA under management resulting from the expansion of property management services, (ii) increase of the Group's staff costs by approximately RMB25.4 million from approximately RMB48.1 million in 2019 to approximately RMB73.5 million in 2020 due to the increasing number of service employee headcount as a result of business expansion and acquisition of subsidiaries, including Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji and Hohhot Huigu, and (iii) an increase of utilities and repairs and maintenance expenses of approximately RMB41.6 million resulted from an increase in the number of property management projects. The increase of cost of sales was substantially in line with the growth rate of revenue, primarily due to the parallel increase in the cost resulted from the Group's business expansion.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2020		2019			
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	**Change**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**76,769**	**29.6**	50,299	29.9	26,470	52.7
Community value-added services (including leasing income)	**40,387**	**52.4**	29,707	54.9	10,680	36.0
Value-added services to non-property owners	**31,749**	**39.8**	4,127	16.0	27,622	669.3
Total	**148,905**	**35.8**	84,133	33.9	64,772	77.0

Overall gross profit of the Group increased by approximately RMB64.8 million, or 77.0% from approximately RMB84.1 million in 2019 to approximately RMB148.9 million in 2020. The increase in gross profit of each segment is in line with the increase in revenue of each segment, primarily due to the increase in gross profit resulted from the expansion of the Group's business scale. Overall gross profit margin of the Group increased from approximately 33.9% in 2019 to approximately 35.8% in 2020. Such increase was primarily attributable to benefits of economic of scale resulted from an increase in the number of property management projects and new revenue from ancillary property management services that contributed relatively high gross profit margin.

Property management services

Gross profit for the Group's property management services increased by approximately RMB26.5 million, or 52.7% from approximately RMB50.3 million in 2019 to approximately RMB76.8 million in 2020. The increase of gross profit is primarily attributable to: (i) an increase in GFA under management as a result of an increasing number of property management projects; and (ii) an increasing level of the average charging rate of the Group's property management services. Gross profit margin remained stable at 29.6% in 2020.

Community value-added services

Gross profit for the Group's community value-added services increased by RMB10.7 million, or 36.0% from approximately RMB29.7 million in 2019 to approximately RMB40.4 million in 2020, The increase was mainly due to an increase of revenue from home-living and other services, management and leasing of car parking spaces and leasing of common facilities, which in aggregate increased by approximately RMB21.0 million due to an increase in the number of property management projects from 36 in 2019 to 121 in 2020. Gross profit margin decreased slightly from 54.9% in 2019 to 52.4% in 2020, which was attributable to an increase in cost of materials for repairs and maintenance.

Value-added services to non-property owners

Gross profit of value-added services to non-property owners increased significantly by approximately RMB27.6 million, or 669.3% from approximately RMB4.1 million in 2019 to approximately RMB31.7 million in 2020. Such changes were attributable to the increase in the number of property development projects under development by Hevol Real Estate Group, which reached the selling phases and required the Group's sales assistance services during the year. In addition, the Group has started to provide ancillary property management services to Hevol Real Estate Group after passing the resolution at the EGM on 19 June 2020 that contributed revenue of approximately RMB36.2 million and considerable gross profit in 2020. Gross profit margin increased from approximately 16.0% in 2019 to approximately 39.8% in 2020, which was mainly attributable to relatively higher profit margin of ancillary property management services compared to that of sales assistance services.

Other Income

The increase of other income from approximately RMB4.7 million was mainly due to an amount of recovery of bad debts approximately RMB4.4 million, during the year ended 31 December 2020.

Administrative Expenses

Administrative expenses of the Group mainly include staff costs, travelling and entertainment expenses, professional fees, conference and training costs for its employees, telecommunication and utilities expenses and depreciation and amortisation. Administrative expenses of the Group increased by approximately RMB24.9 million, or 47.6% from approximately RMB52.4 million in 2019 to approximately RMB77.3 million in 2020, primarily due to: (i) an increase in staff costs of approximately RMB10.6 million resulted from the increase in the business scale of the Group; (ii) an increase in professional fees of approximately RMB3.5 million in relation to annual audit, legal, acquisition of subsidiaries and financial consultancy after listing, (iii) the inclusion of administrative expenses of five newly acquired subsidiaries, and (iv) an increase of amortisation of intangible assets and depreciation of property, plant and equipment of approximately RMB3.7 million resulted from the acquisition of subsidiaries.

Income Tax Expenses

Income tax expenses of the Group increased by approximately RMB5.4 million, or 57.4% from approximately RMB9.4 million in 2019 to approximately RMB14.8 million in 2020, primarily due to the increase of our taxable income resulted from an increase in operation profit and inclusion of income tax of five newly acquired subsidiaries.

Profit for the Year

Profit for the year increased by approximately RMB46.2 million, or 334.8% from approximately RMB13.8 million in 2019 to approximately RMB60.0 million in 2020, primarily due to: (i) the expansion of business scale and an increasing number of property management projects; (ii) the inclusion of net profit of newly acquired subsidiary, Shanghai Tongjin and other four newly acquired subsidiaries, and (iii) the inclusion of listing-related expenses in 2019.

Intangible Assets

Intangible assets increased from approximately RMB2.7 million in 2019 to approximately RMB24.9 million in 2020. The increase was mainly due to additions of intangible assets of approximately RMB20.9 million, which resulted from the acquisition of subsidiaries and the addition of computer software of approximately RMB3.7 million during the year.

Investment Properties

Investment properties which consisted of certain carparking spaces and shop premises, decreased from RMB30.9 million in 2019 to RMB29.8 million in 2020 mainly due to depreciation.

Goodwill

Goodwill arise from the acquisitions of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji and Hohhot Huigu amounted to approximately RMB59.6 million.

Other Deposits

Other deposits represented deposits paid to property developers or owners' committee at the inception of entering into property management services contracts.

Deposits Paid for Acquisition of Subsidiaries

Deposits paid for acquisition of subsidiaries of approximately RMB7.8 million as at 31 December 2020 mainly represented the deposit of RMB7.7 million paid for the acquisition of Zhongshan Zhongzheng.

Trade and Other Receivables

Trade and other receivables include trade receivables, prepayments and other receivables. Trade receivables are mainly related to property management services as well as value-added services. Trade receivables of the Group increased from approximately RMB29.4 million as at 31 December 2019 to approximately RMB104.3 million as at 31 December 2020, primarily due to the inclusion of trade receivables of five newly acquired subsidiaries of approximately RMB25.6 million and delayed payment of trade receivables by related parties of approximately RMB50.1 million. Other receivables mainly consist of deposits, prepayment and other receivables and payment on behalf of property owners. Other receivables increased from approximately RMB9.4 million as at 31 December 2019 to approximately RMB63.2 million as at 31 December 2020, mainly due to (i) an increase in other deposits of approximately RMB33.0 million resulted from deposits paid for entering into property management services contracts, and (ii) an increase of payment on behalf of property owners of approximately RMB12.8 million resulted from inclusion other receivables of five newly acquired subsidiaries.

Contract Liabilities

The Group's contract liabilities mainly arise from advance payments made by customers while the underlying property management services are yet to be provided. Contract liabilities of the Group increased from approximately RMB58.3 million as at 31 December 2019 to approximately RMB80.4 million as at 31 December 2020, representing an increase of approximately RMB22.1 million, primarily due to: (i) the managing of an increasing number of property management projects, and (ii) the inclusion of contract liabilities of five newly acquired subsidiaries which amounted to approximately RMB19.5 million.

Trade and Other Payables

Trade payables of the Group increased from approximately RMB10.5 million as at 31 December 2019 to approximately RMB35.9 million as at 31 December 2020, primarily due to an increase in purchase of subcontracting services, materials and utilities for the Group's business expansion and inclusion of trade payables of five newly acquired subsidiaries of approximately RMB8.0 million. Other payables mainly consist of accrued staff costs, deposits received and amounts collected on behalf of property owners. The increase of other payables of the Group from approximately RMB63.4 million as at 31 December 2019 to approximately RMB142.2 million as at 31 December 2020 was primarily due to an increase of: (i) accrued charges and other payables of approximately RMB6.3 million; (ii) amounts collected on behalf of property owners to pay utilities of approximately RMB35.0 million; (iii) renovation deposits collected from property owners of approximately RMB13.2 million; and (iv) staff costs and welfare accruals of approximately RMB17.5 million, all of which were resulted from an increasing number of property management projects and inclusion of balances of five newly acquired subsidiaries for the year ended 31 December 2020.

Liquidity, Capital Structure and Financial Resources

As at 31 December 2020, the Group's bank balances and cash increased by approximately RMB91.7 million from approximately RMB199.8 million as at 31 December 2019 to approximately RMB291.5 million as at 31 December 2020, primarily due to (i) the issuance of 80,000,000 ordinary Shares on 24 June 2020 at an issue price of HK$1.28 per share with net proceeds amounted to approximately RMB92.0 million, and (ii) inclusion of bank balance of those five newly acquired subsidiaries. The Group's financial position remained solid. As at 31 December 2020, the Group's net current assets increased from approximately RMB103.3 million as at 31 December 2019 to approximately RMB197.2 million as at 31 December 2020. As at 31 December 2020, the Group's current ratio was approximately 1.72 times compared to 1.76 times as at 31 December 2019. The Group did not have any borrowings as at 31 December 2020.

Proceeds from the Listing

With the Shares of the Company listed on the Stock Exchange on 12 July 2019, the net proceeds from the Global Offering were approximately HK$75.8 million (equivalent to approximately RMB66.6 million), which will be utilised for the purposes as set out in the Company's prospectus dated 27 June 2019 (the "**Prospectus**"). As at 31 December 2020, RMB42.9 million, or 64.4%, of the net proceeds from the listing have been utilised. As at the date of this annual report, the Directors of the Company anticipate that such proceeds will be applied in the manner consistent with that in the Group's prospectus.

Set out below is the actual utilisation of net proceeds as at 31 December 2020:

Net proceeds (in RMB million)

Item	Percentage	Available	Utilised	Unutilised	Expected time of use of unutilised proceeds
1 Acquisition of other property management companies	51.8%	34.5	34.5	–	On or before 31 December 2022
2 Bidding for new property management projects	7.7%	5.1	1.3	3.8	On or before 31 December 2022
3 Investment in advanced technologies and smart communities	23.1%	15.4	4.7	10.7	On or before 31 December 2022
4 Expansion of value-added services business segment	14.4%	9.6	0.4	9.2	On or before 31 December 2022
5 Working capital and general corporate purpose	3.0%	2.0	2.0	–	On or before 31 December 2022
	100.0%	66.6	42.9	23.7	

Proceeds from the placing of shares

On 24 June 2020, the Company issued 80,000,000 ordinary shares (the "**Placing Shares**") at an issue price of HK$1.28 per share to not less than six placees who and whose ultimate beneficial owners are independent third parties. As a result, the Company received net proceeds of approximately HK$100,864,000 (equivalent to RMB91,930,000) after deduction of the placing commission and other related expenses. Such proceeds will be used for potential future mergers and acquisitions and general working capital. The market price of the Placing Shares was HK1.33 per share as quoted on the Stock Exchange on 15 June 2020, the date when the terms of the placing agreement were fixed. As at 31 December 2020, RMB27.4 million, or 30.0%, of the net proceeds from the Placing Shares have been utilised. The Company will continue to seek suitable targets for mergers and acquisitions using a prudent approach to utilise the net proceeds in the first half of 2021 as intended. Details of the Placing Shares are set out in the Company's announcements dated 15 June 2020 and 24 June 2020.

Asset Charges

As at 31 December 2020, none of the assets of the Group were pledged (31 December 2019: Nil).

Material Acquisitions and Disposals of Assets

The Group plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed several material equity acquisitions (details are set out in note 26 to the consolidated financial statements). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

Significant Investment Held and Future Plans for Material Investment and Capital Assets

Save as disclosed elsewhere in this annual report, during the year 2020, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this annual report.

Gearing Ratio

The Group did not have any interest-bearing borrowings as at 31 December 2020 (31 December 2019: Nil).

Contingent Liabilities

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

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign Exchange Risk

During the year ended 31 December 2020, the functional currency of Company and a subsidiary incorporated in Hong Kong was changed from RMB to HK$. Bank deposits denominated in HK$ are therefore not exposed to significant foreign currency risk and the Group's sensitivity to foreign currency has decreased during the year ended 31 December 2020. The Group's exposures to currency risk mainly arise from its bank deposits denominated HK$ which is not the functional currency of the Group's entities to which these transactions relate. As at 31 December 2019, the Group's bank deposits denominated in HK$ amounted to RMB25,883,000. The Group currently does not hedge its foreign exchange risk, but is continuous monitoring the foreign exchange exposure and the management will consider hedging the foreign exchange exposure where there is a material impact on the Group.

Employees and Benefits Policies

The Group had approximately 2,154 employees as at 31 December 2020 compared to 996 employees as at 31 December 2019. For the year ended 31 December 2020, the Group's total staff costs were approximately RMB116.5 million. The remuneration package of the employees included salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of the employees, a monthly social insurance fund covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, the housing provident fund, or other mandatory provident fund schemes on behalf of the employees. The Group hosted comprehensive internal staff training programmes for our staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. The Group provided orientation training to new hires and introduce them to our corporate culture to understand our service standards and procedures. The Group also provided training courses and regular seminars on various aspects of our business operations, such as quality control and customer relationship management, to our employees. The Group had also adopted a share option scheme, details of which are disclosed in the paragraph headed "Share Option Scheme" in this annual report.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Wenhao (王文浩), aged 42, was appointed as our executive Director, general manager and Chief Executive Officer on 13 February 2019. Mr. Wang is responsible for overseeing the daily operations of the Group.

Mr. Wang has over 17 years' of experience in property management. Prior to joining our Group, from May 2002 to May 2005, Mr. Wang served as assistant to the director of management department and customer service manager of Shenzhen Jindi Property Management Co., Ltd. (深圳市金地物業管理有限公司). From June 2005 to May 2007, Mr. Wang worked as a project manager of Beijing Angang Property Services Limited Company (北京安港物業服務有限公司) and was mainly responsible for providing pre-project property services as well as formulating project management plans and operation manuals. Mr. Wang was appointed as general manager of Beijing Hevol Property Services Company Limited (北京和泓物業服務有限公司) ("**Beijing Hevol**") from May 2007 to April 2018. From September 2015 to April 2018, Mr. Wang also served as a director and the director of the strategic development department of Beijing Hong Sheng Investment Limited (北京泓升投資有限責任公司) ("**Beijing Hongsheng**"). Since November 2012, Mr. Wang has been serving as a director of Hunan Hehua Property Services Company Limited (湖南和華物業服務有限公司). Since April 2018, Mr. Wang has been serving as the general manager of Beijing Hongsheng and as an executive director of Beijing Hongsheng since February 2019.

Mr. Wang completed college-level studies in administrative management at The Open University of China (中央廣播電視大學) in China in July 2013. Mr. Wang was accredited by China State Construction Engineering Corporation (中國建築工程總公司) as an electrical engineer in June 2011.

Ms. Hu Hongfang (胡洪芳), aged 53, was appointed as our Director on 9 August 2018 and was redesignated as our executive Director and was appointed as our Chief Financial Officer on 13 February 2019. Ms. Hu is responsible for the overall strategic planning, business development and financial management of our Group.

Prior to joining our Group, Ms. Hu served as assistant accountant of the Xuzhou West Station of the Jinan Bureau of the Ministry of Railways (鐵道部濟南局徐州鐵路西站) from August 1992 to March 2003. She was the manager of the finance department and accountant of the Xuzhou Railway Advertisement and Decoration Information Networks Co. Ltd. (徐州鐵路廣告裝飾信息網絡有限公司) from April 2003 to November 2005. From December 2005 to May 2007, Ms. Hu served as the deputy general manager and chief financial officer of Chongqing Qishan Shiye Co., Ltd. (重慶祺山實業有限公司). Ms. Hu has been serving as the executive director and general manager of Chongqing Hevol Property Services Company Limited (重慶和泓物業服務有限公司) since June 2007. Ms. Hu has also served as the chairman of Guizhou Furuiying Information Consultancy Limited (貴州福瑞盈信息諮詢有限公司) ("**Guizhou WFOE**") since September 2018, as a director of Hevol Group Limited and as a director and chairman of the board of Guizhou Hevol Abundance Property Management Limited (貴州和泓豐盈物業管理有限公司) ("**Hevol Abundance**") since August 2018.

Ms. Hu obtained a bachelor's degree in accounting from East China Jiaotong University (華東交通大學) in China in July 1991. Ms. Hu was accredited as an accountant by Ministry of Finance of the PRC in May 1996.

NON-EXECUTIVE DIRECTORS

Mr. Liu Jiang (劉江), aged 53, is the founder of our Group. He was appointed as our Director on 28 May 2018 and was redesignated as our non-executive Director and the Chairman of our Board on 13 February 2019. Mr. Liu is responsible for the provision of guidance for the overall development of our Group. Mr. Liu is the Chairman of the nomination committee of the Board.

Mr. Liu has over 24 years' of experience in property development and management. From February 1995 to March 2001, Mr. Liu worked in Beijing Longyang Real Estate Development Co., Ltd. (北京龍洋房地產開發有限公司) as deputy general manager. Mr. Liu has been serving as the chairman of Hevol Holding Group Limited (和泓控股集團有限公司) ("**Hevol Investment**") since March 2001. Mr. Liu was the chairman of Beijing Hongsheng from September 2015 to December 2017. Mr. Liu is also the founder and controlling shareholder of Hevol Real Estate Group (和泓置地集團).

Mr. Liu has been a non-executive director of Ourgame International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 6899), since March 2015.

Mr. Liu obtained a bachelor's degree in accounting from East China Jiao Tong University (華東交通大學) in China in July 1991.

Mr. Zhou Wei (周煒), aged 47, was appointed as our non-executive Director on 13 February 2019. Mr. Zhou is responsible for the provision of guidance for the overall development of our Group.

Prior to joining Hevol Real Estate Group in 2003, Mr. Zhou took up different positions in different design and architecture institution or companies. Mr. Zhou served as the general manager in the research and development centre of Hevol Real Estate Group Limited (和泓置地集團有限公司) ("**Hevol Real Estate**") from August 2003 to September 2015. Mr. Zhou served as the director of Beijing Hongsheng from September 2015 to April 2019 and has served as the vice president of Hevol Real Estate since April 2018. Mr. Zhou has served as director and general manager of Hevol Abundance since July 2018, as director and general manager of Guizhou WFOE since September 2018 and as executive director of Beijing Hevol from October 2018 to February 2019. Mr. Zhou also served as executive director and general manager of Guiyang Hevol Property Services Company Limited (貴陽和泓物業服務有限公司) from November 2006 to January 2018.

Mr. Zhou obtained a bachelor's degree in architecture from the North China University of Technology (北方工業大學) in China in July 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qian Hongji (錢紅驥), aged 46, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is a member of the audit committee, nomination committee and remuneration committee of the Board.

From May 1999 to May 2004, Mr. Qian was a lawyer and a partner of Beijing Fenglian Licheng Law Firm (北京豐聯立成律師事務所). From May 2005 to present, Mr. Qian has worked at Beijing Dacheng Law Firm (北京大成律師事務所) as senior partner and global director.

Mr. Qian has been an independent non-executive director of China Biotech Services Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8037), since March 2018.

Mr. Qian obtained a bachelor's degree in law from China Youth University of Political Studies (中國青年政治學院) in China in July 1998 and a master's degree in law from Peking University in China in January 2009. Mr. Qian is a practising PRC lawyer.

Mr. Fan Chi Chiu (范智超), aged 35, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is the chairman of the audit committee.

Mr. Fan has over 12 years' of experience in accounting and corporate finance. Mr. Fan worked as a senior associate of PricewaterhouseCoopers from October 2007 to June 2011 and an analyst in Barclays Investment Bank from July 2011 to February 2014. Mr. Fan was a finance director of Vantasia Holdings (H.K.) Limited from April 2014 to March 2015. Mr. Fan joined ELL Environment Holdings Limited, the shares of which are listed on the Stock Exchange (stock code 1395), in April 2015 as the financial controller and is currently the chief financial officer since June 2015. He is currently an executive director of Grace Wine Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8146), since July 2017. He has been acting as an independent non-executive director of (a) Shinelong Automotive Lightweight Application Limited, the shares of which are listed on the Stock Exchange (stock code: 1930), since June 2019; and (b) Weihai City Commercial Bank Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 9677), since June 2020.

Mr. Fan obtained his bachelor's degree in professional accountancy from the Chinese University of Hong Kong in December 2007. Mr. Fan was accredited as a certified public accountant by the Hong Kong Institute of Certified Public Accountants in January 2011.

Dr. Chen Lei (陳磊), aged 48, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is a member of the audit committee and the remuneration committee.

Dr. Chen has over 11 years' of experience in accounting and management studies. He has been teaching at the Guanghua School of Management of Peking University since July 2008 and he is currently an associate professor of Accounting at the Guanghua School of Management, Peking University. Dr. Chen also serves as an associate editor for China Management Accounting Review (中國管理會計).

Dr. Chen had been an independent non-executive director of (a) Dawning Information Industry Co., Ltd. (曙光信息產業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 603019), since May 2015; (b) Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601006), since May 2017; and (c) Dong Yi Ri Sheng Home Decoration Group Co.,Ltd. (東易日盛家居裝飾集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002713), since August 2017.

Dr. Chen obtained his bachelor's degree in international finance from Tsinghua University in China in July 1996. He also obtained his master's degree in business from Indiana University in the United States in September 1999 and doctor of philosophy in management science from the University of Texas at Dallas in August 2004. He was awarded the completion certificate for training in senior management of listed companies by the Shenzhen Stock Exchange in May 2012.

Dr. Li Yongrui (李永瑞), aged 51, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is the chairman of the remuneration committee and a member of the nomination committee of the Board.

Dr. Li is currently an associate professor in School of Government Management of Beijing Normal University (北京師範大學). Dr. Li has been a lecturer in management studies in Beijing Normal University (北京師範大學) since July 2003 and an associate professor of Beijing Normal University (北京師範大學) since June 2005.

Dr. Li obtained his bachelor's degree in science from Guizhou Normal University (貴州師範大學) in China in July 1991 and master's degree in sport pedagogy from Liaoning Normal University (遼寧師範大學) in China in July 1997. Dr. Li graduated from Beijing Sport University (北京體育大學) in China with a doctor's degree in education in July 2001 and he was a psychology postdoctoral researcher at Beijing Normal University (北京師範大學) in China from July 2001 to July 2003.

SENIOR MANAGEMENT

Mr. Gao Yongxing (高永星), aged 43, was appointed as our deputy general manager on 13 February 2019. Mr. Gao is responsible for the daily operations of our Group.

Prior to joining our Group, from January 2001 to October 2004, Mr. Gao was employed by Beijing Ziluoyuan Property Management Co., Ltd. (北京紫羅園物業管理有限公司) as deputy general manager. From November 2004 to May 2007, Mr. Gao was a project manager of the Bixing Park Management Office (碧興園管理處) of Beijing Bixingyuan Property Management Co., Ltd. (北京碧興源物業管理有限公司). Mr. Gao has been serving as deputy general manager of Beijing Hevol since May 2007. Mr. Gao has been serving as supervisor of Beijing Hongsheng since September 2015.

Mr. Gao completed college-level studies in property management at Hebei University of Science and Technology (河北科技大學) in China in July 1998 and in administrative management at The Open University of China (國家開放大學) in China in July 2017. Mr. Gao was qualified as an economist (經濟師) by China State Construction Engineering Corporation (中國建築工程總公司) in June 2011.

COMPANY SECRETARY

Mr. Li Lap Keung (李立强), aged 38, was appointed as our company secretary on 13 February 2019.

Mr. Li worked at BDO Limited from September 2008 to February 2011 and his last position was senior auditor. From February 2011 to January 2012, Mr. Li worked at Ernst & Young and his last position was senior auditor. Mr. Li worked as an auditor at Mazars CPA Limited from March 2012 to May 2015 and his last position was assistant manager. From February 2017 to May 2017, Mr. Li served as a compliance officer at Jimei Securities Limited. From June 2015 to August 2017, Mr. Li worked at Starlight Culture Entertainment Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1159), as a senior internal audit manager. Mr. Li has been serving as an independent non-executive director of Palinda Group Holdings Limited (百利達集團控股有限公司), the shares of which are listed on the Stock Exchange (Stock code: 8179), since 22 February 2019.

Mr. Li obtained his bachelor's degree in accounting from the City University of Hong Kong in November 2008. Mr. Li was qualified as a Hong Kong Certified Public Accountant by the Hong Kong Institute of Certified Public Accountants in July 2012.

Corporate Governance Report

The board of directors (the "**Board**") of Hevol Services Group Co. Limited ("**Hevol Services**" or the "**Company**", together with its subsidiaries, the "**Group**") is committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders of the Company (the "**Shareholders**"), enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

During the year ended 31 December 2020, the Company has adopted and complied with the principles and code provisions set out in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

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 codes of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**").

The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2020 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

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

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

During the year ended 31 December 2020, the Company arranged for appropriate cover on Directors' and senior management' liability insurance policy to indemnify the Directors and senior management for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the year.

BOARD COMPOSITION

As at 31 December 2020, the Board comprised eight Directors, consisting of two executive Directors, two non-executive Directors and four independent non-executive Directors.

During the year ended 31 December 2020, the Board comprises the following Directors:

Executive Directors

Mr. Wang Wenhao *(Chief Executive Officer)*
Ms. Hu Hongfang

Non-executive Director

Mr. Liu Jiang *(Chairman)*
Mr. Zhou Wei

Independent Non-executive Directors

Mr. Fan Chi Chiu
Mr. Qian Hongji
Dr. Chen Lei
Dr. Li Yongrui

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed "Biography of Directors and Senior Management" of this annual report. Save as disclosed in such section, to the best knowledge of the Company, there are no other relationships (including financial, business, family or other material relationships) among the Directors and senior management of the Company.

During the year ended 31 December 2020, the Board had met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (among which, at least one independent non-executive Director shall possess appropriate professional qualifications or accounting or related financial management expertise).

The Company has also met Rule 3.10A of the Listing Rules regarding the appointment of independent non-executive Directors representing at least one-third of the Board.

For the year ended 31 December 2020, the company secretary of the Company confirmed that he had received not less than 15 hours of relevant professional training to update his knowledge and skills.

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decision. They bring an impartial view on the Company's strategies, performance and control.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and the Shareholders.

The Company has received an annual confirmation of independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

TRAINING AND SUPPORT FOR DIRECTORS

The Company has established procedures for training and development of Directors. Newly appointed Directors will be provided with comprehensive, formal and tailored induction on the first occasion of his/her appointment and, subsequently, necessary briefing and professional development so as to ensure the Directors have adequate understanding and strengthen their awareness of the business and operation of the Group, their responsibilities and obligations under the statutory and common law, the Listing Rules, laws and other regulatory requirements and governance policies, enable the Directors to discharge their duties properly. The company secretary maintains proper records of training attended by the Directors.

During the year ended 31 December 2020, the summary of training received by the Directors is as follows:

Directors	Type of trainings(1)
Mr. Liu Jiang *(Chairman)*	A/B
Mr. Wang Wenhao *(Chief Executive Officer)*	A/B
Ms. Hu Hongfang	A/B
Mr. Zhou Wei	A/B
Dr. Chen Lei	A/B
Dr. Li Yongrui	A/B
Mr. Fan Chi Chiu	A/B
Mr. Qian Hongji	A/B

Notes:

(1) A: attending seminars and/or conferences relevant to the Directors' duties and responsibilities or corporate governance.

B: reading materials relating to Directors' duties and responsibilities or corporate governance or regulatory updates.

BOARD MEETINGS

The Board and board committees (the "**Board Committees**") meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend regular meetings and discuss the matters on the agenda.

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

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

During the year ended 31 December 2020, the Directors have made active contribution to the affairs of the Group and four Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim and annual results of the Group.

The Company's memorandum and articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at the meetings for approving transactions in which such Directors or any of their associates have a material interest.

As at the date of this annual report, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

ATTENDANCE RECORDS OF THE DIRECTORS

During the year ended 31 December 2020, four Board meetings and two general meetings were held. Information regarding the attendance of Board meetings by individual Directors is as follows:

Name of members of the Board/ the Board Committees	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meetings
	Attendance/Number of meetings held				
Executive Directors:					
Mr. Wang Wenhao *(Chief Executive Officer)*	4/4	N/A	N/A	N/A	2/2
Ms. Hu Hongfang	4/4	N/A	N/A	N/A	2/2
Non-executive Directors:					
Mr. Liu Jiang *(Chairman)*	4/4	N/A	N/A	1/1	2/2
Mr. Zhou Wei	4/4	N/A	N/A	N/A	2/2
Independent Non-executive Directors:					
Dr. Chen Lei	4/4	4/4	1/1	N/A	2/2
Dr. Li Yongrui	4/4	N/A	1/1	1/1	2/2
Mr. Fan Chi Chiu	3/4	4/4	N/A	N/A	2/2
Mr. Qian Hongji	4/4	4/4	1/1	1/1	2/2

Other than regular meetings, the Chairman has also met with non-executive Directors (including independent non-executive Directors) without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting. The Board procedures are in compliance with the articles of associations of the Company (the "**Articles**"), as well as relevant rules and regulations. For the year ended 31 December 2020, there were no significant changes to the Articles.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Liu Jiang ("**Mr. Liu**") is the Chairman and Mr. Wang Wenhao ("**Mr. Wang**") is the Chief Executive Officer of the Company. The roles of the Chairman and Chief Executive Officer are segregated. Mr. Liu and Mr. Wang are not connected in any respect. The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the Board level. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that Board Committees work smoothly and effectively.

DELEGATION BY THE BOARD

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

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

CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance functions include:

(a) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;

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

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

(d) to develop and review the Company's policies and practices on corporate governance and offer proposals and report relevant matters to the Board;

(e) to review the Company's compliance with the corporate governance rules and disclosure in its corporate governance reports; and

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

The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company with an initial term of three years effective from 12 July 2019 (the "**Listing Date**"). The respective executive Directors or the Company may terminate the contract by serving not less than three months' written notice to the other party.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company with a term of three years commencing from the Listing Date. In accordance with their respective letters of appointment, each of the independent non-executive Directors is entitled to receive a fixed amount of director's emoluments while the non-executive Directors shall not receive any remuneration.

Except for those disclosed above, none of the Directors has entered into any service contracts with any members of the Group, excluding the contracts expiring within a year or may be terminated by the employers without paying any compensation (legal compensations excluded).

In accordance with the Articles, one-third of the Directors (or the nearest number but no less than one-third of the Directors, if the number of Directors is not a multiple of three (3)) are subject to retirement by rotation at each annual general meeting and each Director shall retire by rotation at least once every three years at an annual general meeting. Any Director newly appointed by the Board to fill a causal vacancy of the Board or serve as a new Director shall submit himself/herself for election by Shareholders at the next general meeting after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition and offering proposals regarding the appointment, re-election and succession plans of Directors to the Board

BOARD COMMITTEES

As part of good corporate governance, the Board has set up a Remuneration Committee, an Audit Committee and a Nomination Committee for overseeing particular aspects of the Company's affairs. Each Committee has its own specific delegated authorities and operates within defined written terms of reference, which are posted on the websites of the Stock Exchange and the Company. All the Board Committees should report to the Board on their decisions or recommendations made.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Fan Chi Chiu, who acts as the chairman, Dr. Chen Lei and Mr. Qian Hongji.

The duties of the Audit Committee include, inter alias, reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board in fulfilling its responsibility over the audit; making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; and reviewing the Company's financial control, risk management and internal control systems. The Audit Committee should meet at least twice a year to discuss and review the financial information, the risk management and internal control systems and relevant matters. The proceedings of the Audit Committee meetings are the same as that of the Board meetings. The terms of reference of the Audit Committee are currently available on the websites of the Stock Exchange and the Company.

During the year 2020, the Audit Committee had reviewed the audit planning memorandums, the interim results as at 30 June 2020, financial reporting and compliance procedures, compliance and internal control report, risk management and internal control system, the remuneration of external auditors, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budget.

The Company's annual results announcement and annual report for the year have been reviewed by the Audit Committee.

The Audit Committee held four meetings for the year ended 31 December 2020 and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

AUDITOR'S REMUNERATION

During the year ended 31 December 2020, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor, is set out below:

Category of services	**Fee paid/ payable** *RMB'000*
Audit services	1,616
Non-audit services	240
Total	1,856

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely Dr. Li Yongrui, who acts as the chairman, Dr. Chen Lei and Mr. Qian Hongji.

The responsibilities and authorities of the Remuneration Committee are clearly defined by its terms of reference, the principal duties of which include:

(i) making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

(iii) making recommendations to the Board on the remuneration packages of executive Directors and senior management, including benefits in kind, pension rights compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iv) making recommendations to the Board on the remuneration of non-executive Directors;

(v) considering factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;

(vi) considering the level of remuneration required to attract and retain directors to manage the Company successfully;

(vii) ensuring that no Director or any of his or her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Committee must not be involved in deciding his or her own remuneration;

(viii) reviewing and approving compensation payments and arrangements to Directors and senior management of the Company for loss or termination of their office or appointment, or dismissal or removal for misconduct and to assess whether the proposed payments or arrangements are fair, not excessive, reasonable, consistent with the relevant contractual terms, or otherwise appropriate; and

(ix) advising shareholders of the Company on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

The Board together with the Remuneration Committee monitors the performance of the executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time when necessary. The terms of reference of the Remuneration Committee are currently available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held one meeting for the year ended 31 December 2020 and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2020 are set out in note 11(a) to the consolidated financial statements.

Details of the 5 individuals with the highest emoluments (including Directors, senior management and employees of the Group) are set out in note 11(b) to the consolidated financial statements.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three members, including one non-executive Director, namely Mr. Liu, who acts as the chairman, and two independent non-executive Directors, namely Dr. Li Yongrui and Mr. Qian Hongji.

The main duties of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and removal of Directors. The terms of reference of the Nomination Committee are currently available on the websites of the Stock Exchange and the Company.

The Nomination Committee held one meeting for the year ended 31 December 2020 and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

The Nomination Committee was primarily responsible for the following duties:

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

(ii) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(iii) identifying individuals who are suitably qualified to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iv) assessing the independence of independent non-executive directors; and

(v) making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the chief executive of the Company.

BOARD DIVERSITY POLICY

The Board has adopted a board diversity ("**Board Diversity Policy**") in accordance with the requirements of the Listing Rules which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is intended to set out the basic principles to ensure that members of the Board achieve an appropriate balance of skills, experience and perspectives to enhance the effective function of the Board and maintain a high standard of corporate governance.

Nominations and Appointments

All Board nominations and appointments shall be based on the principle of meritocracy, daily business needs and the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is primarily responsible for identifying persons with suitable qualifications and selecting nominees to serve as director or to advise the Board on this.

Measurable Objectives

Selection of candidates will be based on a range of diversity and refer to the business model and specific needs of the Company, including but not limited to gender, age, ethnicity, language, cultural background, educational background, industry experience and professional experience.

Policy Statement

In order to achieve sustainable and balanced development, the Company regards the increment of diversification in board level as the key element to support its strategic goals and sustainable development. All appointments of the Board are based on the principle of meritocracy and considering the benefits of diversity of the Board.

Monitoring and Reporting

The Nomination Committee is responsible for reviewing the Board Diversity Policy, expanding and reviewing measurable objectives to ensure the implementation of the Board Diversity Policy and to monitor progress towards measurable objectives. The Nomination Committee reviews the Board Diversity Policy and measurable objectives from time to time, to ensure the Board continues to be effective. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2020.

NOMINATION POLICY

The Nomination Committee has also adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedure of nominating, appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant industry experience, character and integrity and whether he/she can contribute to the diversity of the Board underpinned in the Board Diversity Policy. The procedure of appointing and re-appointing a Director is summarised as follows:

– nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;

– evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy and the Board Diversity Policy;

– performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approval;

– in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant Code Provisions and the Listing Rules;

– where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under Code Provision A.5.5;

– in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and

– convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors have acknowledged their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2020.

The Board is responsible for presenting a balanced, clear and understandable assessment of annual reports and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided necessary explanation and information to the Board to enable it to make an informed assessment of the financial information and position of the Group presented the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DEED OF NON-COMPETITION

Mr. Liu, the ultimate controlling shareholder of the Company (the "**Controlling Shareholder(s)**"), has entered in the Deed of Non-Competition dated 14 June 2019 in favour of our Company to the effect that he will not, and will procure his respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Company, further details of which are set out in the paragraph entitled "Deed of Non-Competition" in the prospectus of the Company dated 27 June 2019.

The Company has received the confirmation from Mr. Liu in respect of his compliance with the terms of the non-competition undertaking for the year ended 31 December 2020. The independent non-executive Directors had reviewed the compliance with and enforcement of the terms of the non-competition undertaking by Mr. Liu for the year ended 31 December 2020.

RISK MANAGEMENT AND INTERNAL CONTROL

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

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

Risk Management

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

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The Board, together with the Audit Committee, should collect the information from the management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings.

Internal Audit Function

During the year ended 31 December 2020, the Company has an internal control and compliance department to monitor the daily operation of the Group. The Group has also engaged an external internal control consultant to conduct independent review on specific areas of internal control system for the period from 1 January 2020 to 31 December 2020 on the Group and certain subsidiaries. The scope of review was previously determined and approved by the Audit Committee on behalf of the Board. The internal control consultant has submitted its report of findings and recommendations to the management of the Group. The management of the Group has responded and taken necessary actions and formulated plans to remedy the findings. The Audit Committee has reviewed the report prepared by the internal control consultant. In addition, the Company, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and finance department and internal audit department, and their training programmes and budget.

The Directors, through the Audit Committee, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2020. After such review, the Board considered that the Company's risk management and internal control system were adequate and effective.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the period from 1 January 2020 to 31 December 2020, no amendment was made to the constitutional documents of the Company. A copy of the latest version is available on the websites of the Stock Exchange and the Company.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Communications with Shareholders

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

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The Chairman and Directors of the Company will attend the annual general meeting to answer Shareholders' questions. The auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Company maintains a website at http://www.hevolwy.com.cn/ with information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of Directors for election, Shareholder rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange, and other information. Information on the Company's website http://www.hevolwy.com.cn/ will be updated from time to time.

Shareholders' Rights

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

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholders' meeting.

Convening of extraordinary general meetings and putting forward proposals

Shareholders may put forward proposals for consideration at the Company's general meetings according to the Articles. Any Shareholder or Shareholders with the right to vote on the Company's general meetings and a paid-up capital of no less than one-tenth of the total on the date of submitting a request shall have the right to call an extraordinary general meetings at any time with such a written request to the Board or the Company's company secretary to address any matters stated in such request. Such meetings shall be held within two months upon submission of such requests. If no such meetings are held by the Board within 21 days upon submission, the persons submitting such requests may convene a meeting according to normal procedures and all expenses reasonably incurred to the persons submitting such requests due to the Board's failure to convene such a general meeting shall be compensated by the Company.

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

Inquiries to the Board

The Company has established various and a wide range of communication channels with Shareholders. These include general meetings, annual and interim results, annual reports and interim reports, notices, announcements and circulars. In addition, the Company updates its website from time to time to keep the shareholders updated of the Company's recent development. Shareholders may at any time send their enquiries and concerns to the Board in writing, the contact details of which are contained on the Company's website.

For the avoidance of doubt, Shareholder(s) must provide his/her/their full name(s), contact details and identifications, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of Shareholder(s) may be disclosed as required by law.

An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange (www.hkexnews.hk). Shareholders may refer to the Articles for further details of the rights of shareholders.

All resolutions put forward at Shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Company and the Stock Exchange after each of Shareholders' meeting.

Environmental, Social and Governance Report

REPORTING PURPOSE

The "Environmental, Social and Governance Report" ("**this Report**" or "**ESG Report**") issued by Hevol Services Group Co. Limited and its subsidiaries ("**Hevol Services**", "**the Group**" or "**us**") is intended to disclose the Group's policies, management approaches, measures and performance in the ESG aspects for the year ended 31 December 2020 in an open and transparent manner, in response to the concerns and expectations of various stakeholders regarding the sustainable development of the Group.

REPORTING SCOPE

The reporting period of this Report is from 1 January 2020 to 31 December 2020 (the "**Reporting Period**" or "**this Year**"), which is consistent with the financial year of the Group. The social key performance policies disclosed in this Report cover the overall business scope of the Group; and the environmental key performance indicators cover the headquarters of the Group in Beijing, and 12 selected representative core property management projects. The reporting scope of this year covered a project newly added to the business of the Group, 上海君望庭 as it is a core property management project of Shanghai Tongjin, which was acquired during the Reporting Period.

BASIS OF PREPARATION

This Report is prepared in compliance with the requirements set out in the "Environmental, Social and Governance Reporting Guide" of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The contents of this report are prepared with reference to the identified concerns of stakeholders. It selects major ESG issues and collects relevant information and data, and is prepared based on four principles of materiality, quantitative, balance and consistency.

SOURCE OF INFORMATION AND RESPONSIBILITIES OF THE BOARD OF DIRECTORS

The data disclosed in this Report is derived from the Group's official documents, statistical data or publicly available data. The Board of Directors understands that it has the overall responsibility and accountability for ESG strategy and reporting, and is responsible for the truthfulness, accuracy and completeness of the contents of this Report.

LANGUAGE AND FORM OF THE REPORT

There are Chinese and English versions for this report. If there is any discrepancy, please refer to the Chinese version. An electronic version of this report is available on the Stock Exchange website (http://www.hkexnews.hk) or our website (http://www.hevolwy.com.cn). If you have any question about this report and its contents or want to give us your feedback, please send your email to us at Hehongfuwu@hevol.com.cn.

CONFIRMATION AND APPROVAL

This report was approved by the Board of Directors on 25 March 2021.

Sustainability Governance Structure

The Board of Directors (the "**Board**") of the Group is responsible for overseeing all matters related to environmental, social and governance ("**ESG**" or "**Sustainable Development**"), and is responsible for formulating policies of sustainability governance. Our management is responsible for reporting ESG-related risks and opportunities to the Board and discussing the effectiveness of the ESG system together. In order to carry out the ESG work in a comprehensive manner, the Group established a sustainability working group during the year, which comprised deputy general managers, property management department, quality management department, audit and supervision department and other departments. The working group is responsible for implementing the ESG strategic plan formulated by the Board and reporting the progress of ESG work to the Board. The Board regularly reviews the ESG performance of the Group and approves the annual ESG Report of the Group.

Monitoring roles of the Board

The Board is committed to achieving sustainability at all levels of our operations. Under the leadership of the Board, our sustainability strategies were refined during the year, which helped to complete the second ESG Report disclosed by the Group. The monitoring activities of the Board include:

- Discuss with the management of the Group the material ESG-related risks and opportunities in our operations;
- Ensure the effectiveness of the Group's risk management and internal control systems;
- Review the suitability of our sustainability strategies in addressing corporate and stakeholders' concerns;
- Review the progress and performance of ESG work regularly; and
- Approve the annual ESG Report of the Group.

Objectives of Sustainable Governance and Development

The Group adheres to the core values of "Serving people with a shared passion", and actively integrates social and environmental responsibilities with its overall policies and business plans. While promoting brand value and strengthening industry position, we continue to optimise our governance strategies and internal policies to create sustainable value for our stakeholders. The Group is committed to constantly explore more opportunities for sustainable development to fulfill environmental and social responsibilities, improve transparency, and strive to win the trust of the stakeholders.

Reporting principles

During the preparation of this Report, we summarised the Group's performance in corporate social responsibility by applying the reporting principles of "materiality", "quantitative", "balance" and "consistency". The table below illustrates how we apply these reporting principles.

Reporting principle	Descriptions	Ways to apply reporting principles
Materiality	The threshold at which ESG issues determined by the Board are sufficiently important to investors and other stakeholders that they should be reported.	We identified issues that stakeholders consider material by engaging with them and conducting assessments on materiality, and disclosed relevant policies and performance in the report to address their concerns. The Board also considered the relevance of the issues to our business. The relevant ESG issues are disclosed appropriately to the extent that they become sufficiently important to the Group or stakeholders . In the event that the issues are not disclosed as they are immaterial, the relevant situations or bases are illustrated in this Report.
Quantitative	Key performance indicators in respect of historical data need to be measurable. The Issuers should set targets (which be actual numerical figures or directional, forward-looking statements) to reduce a particular impact. In this way the effectiveness of ESG policies and management systems can be evaluated and validated. Quantitative information should be accompanied by a narrative explaining its purpose, impacts, and giving comparative data where appropriate.	We collected data and measured key performance indicators in accordance with the Environmental, Social and Governance Reporting Guide. The standards, calculation methods and sources of conversion factors used are disclosed in the section headed "Calculation Methods of Key Performance Indicators and Reference of Emission Factors".

Reporting principle	Descriptions	Ways to apply reporting principles
Balance	The ESG report should provide an unbiased picture of the issuer's performance. The report should avoid selections, omissions, or presentation formats that may inappropriately influence a decision or judgement by the report reader.	In the preparation of the Report, disclosures and explanations are made based on objective data and facts to avoid exaggeration and misrepresentation.
Consistency	The Issuers should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	The methodologies used in this Report are consistent with that of last year. If necessary adjustments are made, the rationale and adjustment methods will be specified close to the relevant performance indicators by way of note.

Engagement of stakeholders

We strive to have open communication with stakeholders, and listen carefully to their opinions. Therefore, we maintain close touch with stakeholders via various communications channels to fully understand their concerns in a mutual and interactive manner. The table below summarizes our stakeholders' engagement activities, major concerns of stakeholders, and our response channels.

Stakeholder category	Communication methods	Major concerns	Our response channels
Shareholders and investors	• Convene general meeting • Release circulars, interim reports and annual reports • Disclose news of listed companies	• Investment returns and growth • Protect the interests of shareholders and investors • Realize information transparency and efficient communication	• Convene general meetings • Provide investors detailed information on the Group's website • Timely release of circulars, interim and annual reports and notices of meetings
Property owners and customers	• One-on-one meetings • Customer communication meetings • Collect feedback from property owners and customers	• High-quality services • Customer service and experience • Privacy • Handle opinions and complaints	• Regularization and standardization of services • Set up property management offices with locational convenience • Actively respond to comments and complaints from property owners and customers • Take practical steps to protect customer privacy
Employees	• Various internal communication networks • Workshops	• Salary and benefits • Career development • Equal opportunity • Health and safety of employees	• Establish a sound performance appraisal and compensation and welfare system • Care and welfare activities for staff • Arrange training courses according to employees' professional development needs • Staff mailboxes

Stakeholder category	Communication methods	Major concerns	Our response channels
Government	• Tax declaration • Report on policy implementation	• Fulfil regulatory compliance requirement • Payment of taxes on time according to laws • Maintain good relationship with the government	• Strict compliance with national laws and regulations • Full payment of taxes on time according to laws • Maintain dialogue with provincial, municipal and district governments, and understand local practices
Sub-contractors and suppliers	• Review and evaluate performance of sub-contractors and suppliers • Communication meetings • Information sharing	• Transparent process in selecting sub-contractors and suppliers • Business integrity • Performance of contracts • Resources sharing	• Establish an open and transparent bidding and procurement policy • Regularly assess service quality of sub-contractors and suppliers • Convene meetings with qualified suppliers
Local community	• Organize/participate in community events • Promotional activities through media • Support local development	• Promote local employment development • Community culture and services • Community safety management • Environmental protection	• Organize ad hoc recreational activities in residential communities • Create career opportunities • Promote energy conservation and environmental protection

MATERIALITY ASSESSMENT

To determine the disclosure focal points of this Report, we have conducted a materiality assessment of the ESG issues with stakeholders. The process of the materiality assessment is as follows:

Step 1: identify potential ESG issues

We have identified the following 20 ESG issues by integrating the business development strategy of Hevol Services and industry trends based on the disclosure requirements of the Environmental, Social and Governance Reporting Guide. The issues are considered to have an impact on the stakeholders and the business of the Group through our operations.

ESG aspects		No.	ESG issues
A. Environment	Aspect A1: Emissions	1	Air pollutants emission
		2	Greenhouse gas emission
		3	Waste treatment and recycling
	Aspect A2: Use of resources	4	Energy consumption
		5	Water consumption
		6	Paper consumption
	Aspect A3: Environment and natural resources	7	Environmental risk management
B. Social	Aspect B1: Employment	8	Equal opportunity
		9	Employee benefits
	Aspect B2: Health and safety	10	Occupational health and safety
	Aspect B3: Development and training	11	Employee development
	Aspect B4: Labour standards	12	Prohibition of hiring child and forced labour
	Aspect B5: Supply chain management	13	Process of selecting and evaluating suppliers
		14	Environmental and social risk management of supply chain
	Aspect B6: Product responsibility	15	Service quality and safety
		16	Customer service and satisfaction
		17	Protection of intellectual property
		18	Customer data privacy and data security
	Aspect B7: Anti-corruption	19	Anti-corruption and anti-money laundering
	Aspect B8: Community investment	20	Community response and public engagement

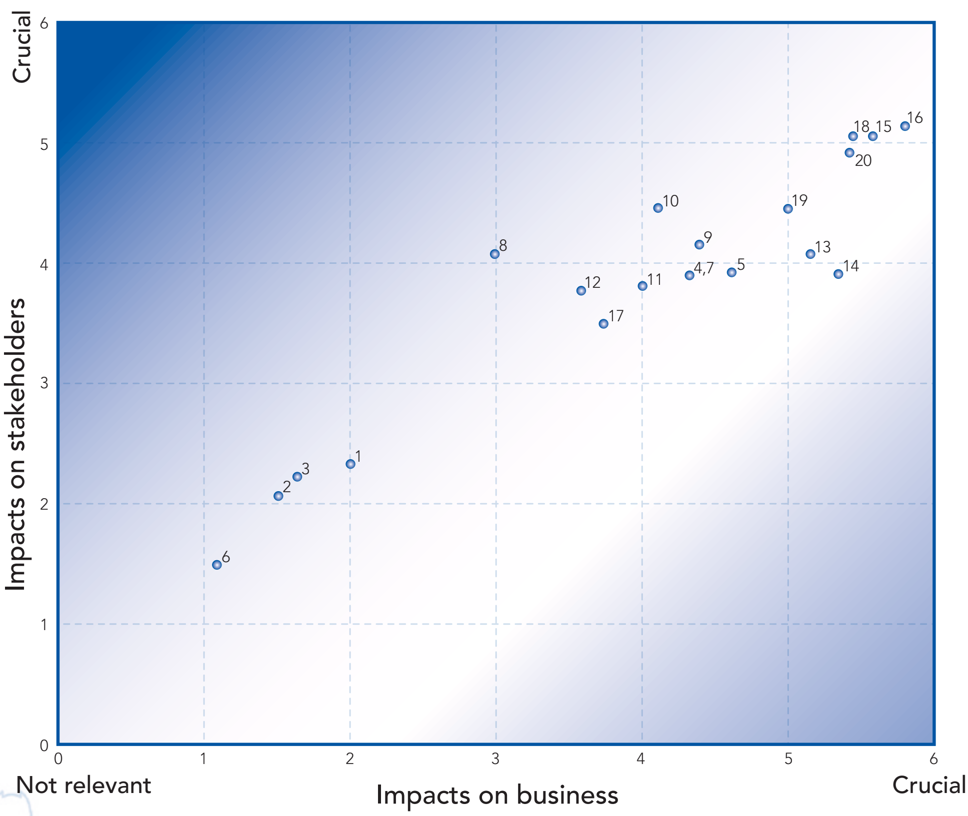
Step 2: Materiality assessment

Hevol Services continues to communicate with various stakeholder groups to determine the materiality of ESG issues identified. The management of the Group conducts internal assessment based on the opinions and feedback of stakeholders, and scores the relevance or materiality of each issue.

Step 3: Prioritization

We use the scoring results to plot the following materiality matrix to show the materiality and impacts of the 20 materiality issues on stakeholders and the business of the Group.

Materiality Matrix



No.	ESG issues	No.	ESG issues
1	Air pollutants emission	11	Employee development
2	Greenhouse gas emission	12	Prohibition of hiring child and forced labour
3	Waste treatment and recycling	13	Process of selecting and evaluating suppliers
4	Energy consumption	14	Environmental and social risk management of supply chain
5	Water consumption	15	Service quality and safety
6	Paper consumption	16	Customer service and satisfaction
7	Environmental risk management	17	Protection of intellectual property
8	Equal opportunity	18	Customer data privacy and data security
9	Employee benefits	19	Anti-corruption and anti-money laundering
10	Occupational health and safety	20	Community response and public engagement

We appreciate the active participation and feedback from our stakeholders. As a reputable market player in the property management industry in China, we understand stakeholders' concerns on important issues such as service quality and safety, customer service and satisfaction, and customer data privacy and data security. In order to meet stakeholders' expectations on the Group to fulfil environmental and social responsibility, we presented more detailed disclosures in this Report about our initiatives and performances on material topics.

ENVIRONMENTAL ASPECT

Hevol Services is committed to establishing its sustainable development concept of "conservation creates value", as an effort to actively promote the good fashion of "saving being a glory, waste being a shame". The Group regards "green office" as one of our major objectives. We strictly abide by the Environmental Protection laws of PRC, the Law of PRC on the Prevention and Control of Solid Waste Pollution, the Law on the Prevention and Control of Air Pollution of PRC, the Work Program for Control of Greenhouse Gas Emissions in the "Thirteenth Five-year Plan", and other laws and regulations. We also actively implemented a series of internal policies and measures related to energy conservation, emission reduction and garbage classification, such as the Provisions on Administration of Domestic Garbage Classification of Hevol Services Group, the Provisions on Administration of Energy Conservation and Emission Reduction of Hevol Services Group and the Pollutant Control Procedures of Hevol Services Group, striving to build a greener and healthier working environment.

A1: Emissions

Air emissions

Our air emissions mainly come from (1) the LPG, natural gas and biodiesel used in gas stoves and gas cooking stoves in staff canteens, diesel used for backup generators testing, gasoline used for lawn mowers, brush cutters, hedge trimmers and rotary tillers used in landscaping management, and (2) emissions from the use of unleaded gasoline in mobile vehicles.

KPIs		Unit	2020	2019
Air emissions[1]	Nitrogen oxide (NO_x)	kg	**6.84**	53.86
	Sulphur oxide (SO_x)	kg	**0.12**	21.40
	Particulate matters (PM)	kg	**3.13**	14.67

During the Reporting Period, the emissions of nitrogen oxides (NO_x), sulfur oxides (SO_x) and particulate matters produced by the Group were approximately 6.84 kg, 0.21 kg and 3.13 kg, respectively. The reduction in emissions this year compared to last year is mainly due to the reduction in the testing of backup generators and the use of mobile vehicles.

Greenhouse gases

Our greenhouse gas emissions mainly come from the use of purchased electricity. In addition, the fuel consumed by various equipment used in our operations and the fuel consumed by employees when traveling by plane for business trips will also generate greenhouse gases. During the Reporting Period, our total greenhouse gas emissions were approximately 10,586.93 tons of carbon dioxide equivalent. The main reason for the increase compared to last year was that one new item was included in the reporting scope this year. We encourage our employees to use video conferencing systems or teleconference systems to reduce greenhouse gases indirectly generated by business trips. The Group planted a total of 63 taller-than-5-meter trees in the project communities, successfully reducing approximately 1.45 tons of carbon dioxide generated in its operations. In addition, we have planted more than 29,000 plants such as holly, osmanthus, hibiscus, hymenocallis americana and distylium racemosum as well as more than 50,000 square meters of green area in each project.

1 As we have referred to other industry's emission indicators this year and considered that respirable particulate matters, carbon monoxide and hydrocarbons are not the main concerns of our stakeholders (because they are not major air-pollution categories), we began to focus on the disclosure of nitrogen oxides, sulfur oxides and particulate matters this year.

KPIs		Unit	2020	2019
Greenhouse gas emissions	Greenhouse gas emissions (Scope I)[2]	ton of carbon dioxide equivalent	**50.83**	123.25
	Greenhouse gas reduction for newly planted trees	ton of carbon dioxide equivalent	**1.45**	3.24
	Greenhouse gas emissions (Scope II)[3]	ton of carbon dioxide equivalent	**10,358.82**	8,839.27
	Greenhouse gas emissions (Scope III)[4]	ton of carbon dioxide equivalent	**178.74**	170.82
	Total greenhouse gas emissions	ton of carbon dioxide equivalent	**10,586.93**	9,130.10
	Greenhouse gas emission intensity	ton of carbon dioxide equivalent/ million sq.m.	**2,507.54**	2,343.30

Non-hazardous waste

We do not produce major hazardous waste in our daily business operations[5]. The non-hazardous waste generated by the Group mainly comes from food waste in the staff canteen and office paper. We add the disclosure of food waste in staff canteens this year, and we generated approximately 7.57 tons of food waste and 1.17 tons of waste paper during the Reporting Period. We are concerned about the reduction in forests caused by paper consumption. To this end, we have issued the requirements on paper saving in the Notice on Reaffirmation of Administrative Costs for Cost Saving, striving to promote a paperless office culture and require all employees to reduce the production of waste paper.

2 Scope I refers to direct emissions of greenhouse gas resulting from operations that are owned or controlled by the Group.

3 Scope II refers to indirect emissions of greenhouse gas resulting from the generation of purchased or acquired electricity and heating consumed within the Group.

4 Scope III refers to all other indirect greenhouse gas emissions that occur outside the Group, including caused by waste paper dumped in landfills, electricity consumed by government departments for water and sewage treatment, and employees flying out for business trips.

5 Since our business is located in the People's Republic of China, our reference basis for the definition of hazardous waste comes from the National Hazardous Waste List issued by the Ministry of Ecology and Environment.

KPIs		Unit	2020	2019
Non-hazardous waste	Total non-hazardous waste	ton	**8.74**	0.40
	Intensity of non-hazardous waste	ton/million sq.m.	**2.07**	0.10

A2: Use of Resources

Hevol Services actively fulfil its social responsibilities as a corporate citizen. It is our belief that adhering to the principle of "green operation" is effective in promoting the benefits of environmental protection, energy conservation and emission reduction. We strictly abide by the Environmental Protection laws of PRC, the Energy Conservation Law of PRC and other national laws and regulations related to environmental protection, energy conservation and emission reduction, and the Provisions on Administration of Energy Conservation and Consumption Reduction of Hevol Services Group was prepared on this basis. According to internal policies, the person in charge of a project shall propose work programs and specific indicators for energy conservation and emission reduction, and the management of the Group shall review and evaluate their implementation and effectiveness from time to time. We hope that the relevant measures will enhance the Group's overall concerns on energy conservation and emission reduction, so as to achieve the goal of saving resources and reducing operating costs of our projects.

Energy consumption

Our energy consumption mainly represents the electricity consumption of project offices and common areas for property management. In addition, fixed source equipment and official vehicles will also consume natural gas, biodiesel, liquefied petroleum gas, diesel and gasoline. We encourage employees to share vehicles when participating in collective business activities as much as possible to reduce gasoline consumption. During the Reporting Period, the total energy consumption of the Group was approximately 11,089,253 kWh, an increase as compared to last year, which was mainly due to the newly disclosed project this year.

KPIs		Unit	2020	2019
Energy consumption	Purchased electricity	'000 kWh	**10,855.01**	9,682.92
	Natural gas	'000 kWh	**17.30**	16.81
	Biodiesel	'000 kWh	**151.13**	151.13
	Liquefied petroleum gas	'000 kWh	**54.92**	70.77
	Diesel	'000 kWh	**0.65**	66.46
	Gasoline	'000 kWh	**10.20**	213.86
	Total energy consumption	'000 kWh	**11,089.25**	10,205.01
	Total energy intensity	'000 kWh/ million sq.m.	**2,626.52**	2,619.18

Water consumption

As a property management service company, our daily operations and services (greening, cleaning, offices, etc.) need to consume water resources. We mainly use tap water from the municipal pipe network, and no groundwater resources are involved. During the Reporting Period, the Group's water consumption was approximately 226,427.34 cubic meters. The increase in water consumption compared with last year was mainly due to the newly disclosed project this year and the increased efforts in cleaning public areas during the pandemic.

KPIs		Unit	2020	2019
Water consumption	Total water consumption	cubic meter	**226,427.34**	185,316.60
	Water consumption intensity	cubic meter/ million sq.m.	**53,629.93**	47,562.65

No wastage of water resources

We have implemented a series of measures to reduce wastage of water resources, including:

- reasonably adjusting the frequency of cleaning, greening operations and water consumption;
- installing special switches, connectors or locks at water outlets used for cleaning and gardening activities, to avoid unauthorized use of water by non-staff members;
- installing sub-meters to accurately calculate water consumption in public areas, conducting year-on-year and month-on-month evaluation, troubleshooting abnormal conditions, and reducing water consumption loss;
- identifying and resolving leaks for projects with high water loss rates, to reduce unnecessary wastage.

Energy-saving and emission reduction measures

Hevol Services understands that the actual benefits of energy conservation and emission reduction depend on the active participation and awareness of employees. The Group strictly abides by the requirements of national laws and regulations on pollutant emission and energy-saving management. We have also formulated a code of conservation in the Staff Handbook, to enhance employees' attention to energy conservation and emission reduction starting from the details of their daily work, in an effort to achieve the goal of energy conservation and emission reduction. Specific measures include:

- employees are encouraged to switch off lights, air conditioners and office equipment (including computers, copiers, printers, etc.) before leaving work;
- air conditioners in office areas are set according to seasons and climates: 26 degrees Celsius in summer and 22 degrees Celsius in winter;
- the use of unnecessary lighting systems (including the lights in office areas, common areas of projects and staff dormitory) is reduced when there is sufficient light;
- employees are encouraged to separate wastes for storage, and recycle paper, plastic, metal and other materials when possible to reduce the disposal rate of wastes.

We set various sustainable development goals and plans and actively supervise the implementation of environmental protection goals, in order to further strengthen the effectiveness of the Group's environmental protection policies and efforts:

Sustainable development goals		Initiatives adopted for sustainable development goals
Greenhouse gas emissions	Reduce electricity consumption in offices and public areas of the project	• Subdivide the area to control the public lighting system and reduce the usage within a reasonable range • Post energy-saving labels in the office area to strengthen employees' awareness of energy-saving • Prioritize the purchase of electronic equipment that can help save energy and reduce consumption
Waste	Strengthen waste separation and recycling measures	• Separately collect obsolete computers, monitors, ink cartridges, etc., and hand them over to relevant professional organizations for recycling • Collect office waste for centralized recycling to reduce waste disposal rate
Energy consumption	Promote employees' awareness of energy conservation	• Encourage our employees to turn off lights, air conditioners and office equipment when leaving the office • the use of unnecessary lighting systems in the office area • Post energy-saving labels in the office area to increase our employees' attention to energy-saving and consumption reduction
Water consumption	Reduce water consumption in offices and public areas of the project	• Gradually use sprinkler irrigation droppers in property management projects to reduce water consumption • Put up posters regarding reducing water consumption in the office area

In addition, in response to the state's call for environmental protection, we have introduced electric vehicle charging manufacturers and actively installed electric vehicle charging equipment in the communities. We have also gradually replaced electric cleaning and greening maintenance equipment (such as electric hedge trimmers and brush cutters) and micro-sprinkler irrigation facilities, in order to further enhance the effect of energy-saving.

A3: Environment and Natural Resources

As a property management service provider, we actively formulate policies to manage the environment of project communities in a responsible manner. To this end, we have formulated internal systems such as the Provisions on Administration of Domestic Garbage Classification of Hevol Services Group and the Pollutant Control Procedures of Hevol Services Group, in order to regulate the emissions and resource consumption generated by our daily business activities and offices and enhance the environmental protection awareness of our employees.

SOCIAL ASPECT

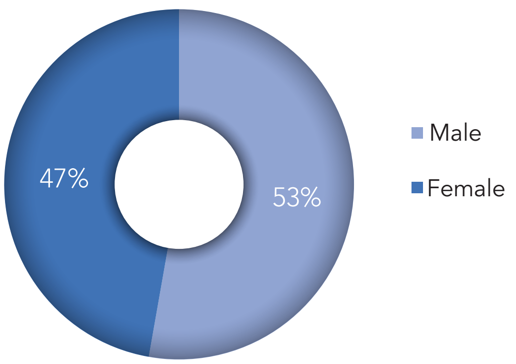
B1: Employment

Hevol Services adheres to the core value of "providing unrivalled service tailored specifically according to the customer's needs, whilst being of great aid to the public", strives to inherit the tradition of pragmatic operation, and attract talents with an open mind to strengthen its core competitiveness. We believe that staff is one of the key factors for corporate sustainable development. As such, we strictly comply with the laws and regulations related to employment such as the Labour Law of the PRC, the Labour Contract Law of the PRC, Employment Promotion Law of the PRC and Social Insurance Law of the PRC, and formulate various internal rules such as the Recruitment Management Rules of Hevol Services Group, Social Insurance and Housing Provident Fund Management Rules of Hevol Services Group, Performance Assessment Management Rules of Hevol Services Group and Attendance and Leaves Management Rules of Hevol Services Group. By improving the system for the protection of basic rights and interests of our staff, we endeavor to provide an equal, open and fair working environment to enable our staff to fully develop their potential, thereby realizing mutual growth of our staff and the Group.

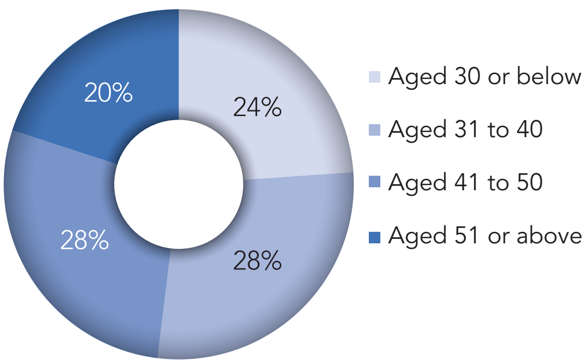
Recruitment and promotion

Our staff serve as the foundation for the delivery of our quality service, which is critical for the future business development of the Group. As such, we have formulated a strict control personnel selection process and established the Recruitment Management Rules of Hevol Services Group to ensure that we can recruit enough and suitable talents. We recruit outstanding talents for the Group through diverse recruitment channels which include online recruitment, media recruitment, recruitment agent, internal job posting and job fair. Before recruitment, we choose an appropriate recruitment channel based on the number of vacancies and the nature of the relevant position. We will also conduct background checks on the job applicants and arrange interviews by our management during the recruitment process in order to match the operation needs with suitable talents. While pursuing external outstanding talents, we will also actively promote existing outstanding employees to prepare for building a strong team. We establish the "Hevol Talents" management trainee training programme for fresh graduates to provide career development opportunities through various special training plans and two channels of promotion, in order to help them to grow rapidly into management professionals in property management. As at 31 December 2020, the total number of employees in all projects of the Group was 2,154, details of which are as follows:

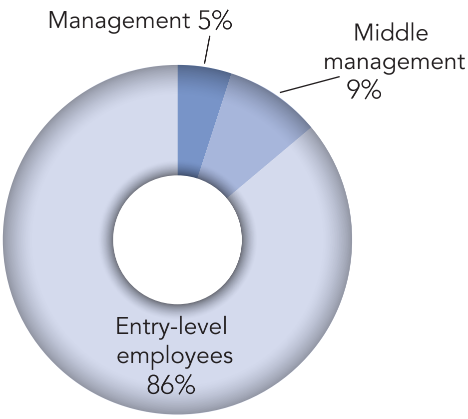
Employees by gender (%)



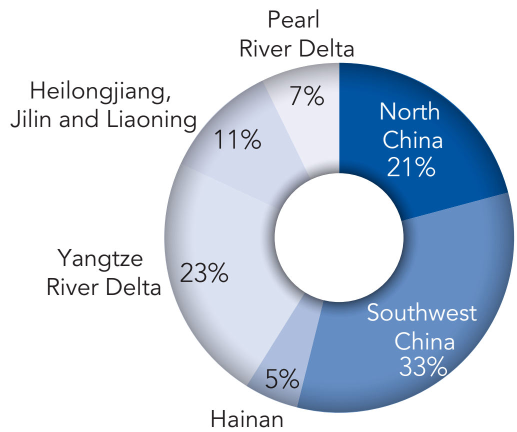
Employees by gender (%)



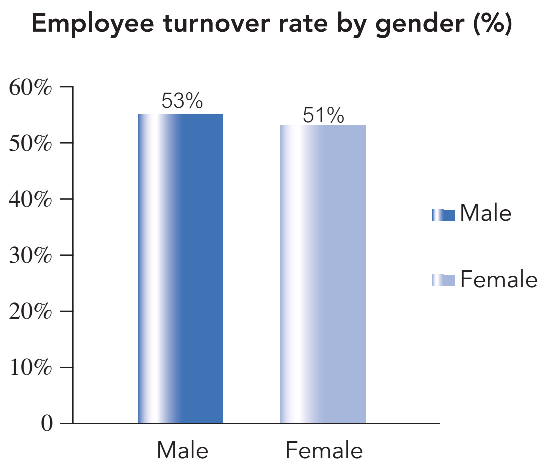
Employees by function category (%)

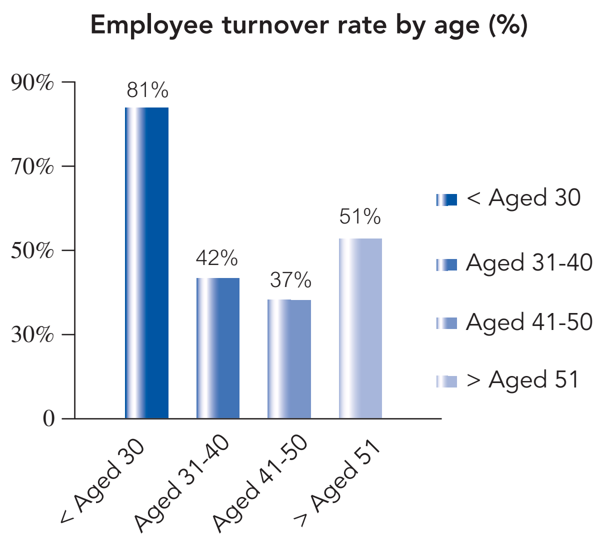


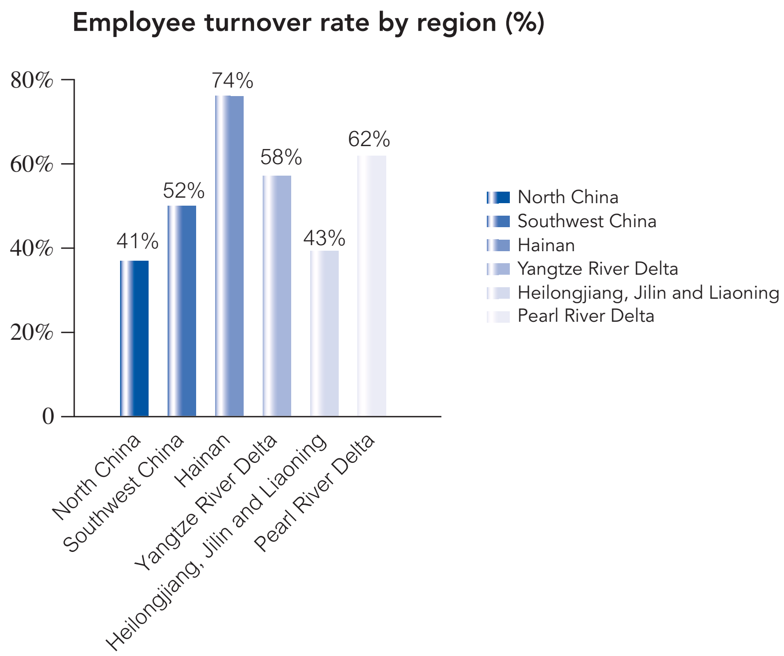
Employees by region (%)



Our fair reward and punishment mechanism is the key to our ability to retain outstanding talents. We provide bonuses and promotion opportunities to our employees based on their performance and contributions. We have formulated the Performance Assessment Management Rules of Hevol Services Group to help us attract, retain and motivate talents by establishing a sound employee performance appraisal and promotion system. In addition to the regular performance appraisal aimed to assess the performance of our employees in terms of job responsibilities, working attitudes, learning and training, we will evaluate our employees' performance in a comprehensive, fair and just manner and monitor their growth and development. For any vacant management positions, we give priority to our existing employees by means of internal promotion, and we will only recruit new talents when there is no suitable candidate within our Group, so that our employees who have been performing well can be promoted. Every year, we will also commend and give a pay rise to employees with outstanding working performance, and establish open and two-way communication channels, such as emails, seminars and face-to-face interviews, to maintain effective communication. This not only will improve the quality of our property services and working efficiency, but also allow our employees to have a clear career development prospect, thereby reducing our employee turnover rate in line with the Group's long-term goal of sustainable development.


Employee turnover rate by gender (%)
60%
50%
40%
30%
20%
10%
0
53%
51%
Male
Female
Male
Female


Employee turnover rate by age (%)
90%
70%
50%
30%
0
81%
42%
37%
51%
< Aged 30
Aged 31-40
Aged 41-50
> Aged 51
< Aged 30
Aged 31-40
Aged 41-50
> Aged 51


Employee turnover rate by region (%)
80%
60%
40%
20%
0
41%
52%
74%
58%
43%
62%
North China
Southwest China
Hainan
Yangtze River Delta
Heilongjiang, Jilin and Liaoning
Pearl River Delta
North China
Southwest China
Hainan
Yangtze River Delta
Heilongjiang, Jilin and Liaoning
Pearl River Delta

Remuneration and benefits

Our employees work hard for us, and in return, we shall do our best to provide them with good salaries and benefits. We make regular reference to the standard package of remuneration and benefits of the industry peers to ensure the competitiveness of the Group's remuneration and benefits package in the market. The Group has also formulated the Remuneration and Benefits Management Rules of Hevol Services Group, Social Insurance and Housing Provident Fund Management Rules of Hevol Services Group and Attendance and Leaves Management Rules of Hevol Services Group to regulate the remuneration structure and strictly protect the staff's legal rights and benefits such as "five insurances and one fund" and paid leaves. We also provide employees with various subsidies (including vehicle/traffic subsidy, duty meal subsidy and communication subsidy), leaves (including first marriage leave and remarriage leave, bereavement leave, family planning leave, maternity leave, nursing leave and annual leave) and health checks (including general annual checks for all employees, special checks for employees prone to occupational diseases and of special positions and gynaecological checks for female employees), and organize various exchange activities for employees and their families, in addition to other benefits.

Working hours and leaves

We understand the importance of achieving a work-life balance for our employees to their working efficiency and physical and mental health. We have set up the Attendance and Leaves Management Rules of Hevol Services Group to regulate matters on our employees' overtime work. We do not encourage overtime work, but if our employees need to work overtime due to working conditions, we must pay for overtime as required. At the same time, in addition to the holidays required by national laws and regulations, Hevol Services also provides various special paid leaves for our employees, such as first marriage and remarriage leave, bereavement leave, family planning leave, maternity leave, nursing leave and annual leave.

Equal opportunity, diversity and anti-discrimination

Hevol Services offers equal opportunities to the Group's staff and job applicants. According to the Labour Protection Management Rules of Hevol Services Group, the Group and our staff shall not treat differently with or discriminate against other staff or job applicants regarding gender, age, marital status, family background, pregnancy, disability, race, religion or any other reasons, in order to ensure that the staff and job applicants enjoy equal opportunities, freedom and human rights.

B2: Health and Safety

We consider occupational health and safety as an important aspect of enterprise risk management. In June 2013, we passed the "Quality, Environment, Occupational Health and Safety" management system certification of SGS, an international certification institute. We are also committed to complying with the Production Safety Law of the PRC, Fire Protection Law of the PRC, Regulation on Work-Related Injury Insurances of the PRC and other laws and regulations related to workplace safety. We have formulated the Labour Protection Management Rules of Hevol Services Group and Safety Protection and Control Procedures of Hevol Services Group which clarify our roles and responsibilities in respect of staff healthcare and maintaining workplace safety. We also conduct regular work-related safety hazard assessments and provide necessary labour protection equipment (including uniforms, gloves, cooling supplies and insect repellent) to the staff, thereby creating a comfortable and safe working environment for the staff.

We also attach importance to health and safety training. We provide regular training in relation to labour protection, safety and prevention of occupational diseases to all of our staff, and provide job-related safety training sections to new recruits and staff who undertake new jobs. We believe that these training can effectively enhance the safety awareness of our staff and minimize the accidents caused by human error. By formulating a standard working process, we aim at creating a safe and healthy working environment and protecting our staff from occupational hazards and labour injury.

We maintain social insurance for our staff in accordance with relevant laws to ensure that the staff are protected against work-related injury. During the Reporting Period, the Group did not record any work-related fatality, and there were seven work-related injuries, mainly sprains, bruises, falls and vehicle accidents. Most of the injured employees have recovered. The Group recorded 460 lost days due to work-related injuries and paid a total of approximately RMB66,000 for condolences.

B3: Development and Training

Hevol Services believes that an outstanding workforce is closely related to our service quality. As such, we value the development of our staff and strive to provide them with diverse learning and development opportunities. The Group formulates the Annual Training Plan and Special Training Plan based on the staff's needs, the Group's business development and the change in external policies, and provide internal training courses covering professional knowledge and skills, management ability and other topics to improve the staff's comprehensive ability, thereby facilitating the overall development of our staff.

Meanwhile, the Group adheres to the corporate management principle of "career growth, happy work and quality life", and believes that promoting inter-departmental collaboration and strengthening corporate cohesion can effectively facilitate the continuous and stable development of enterprise. As such, the Group organizes outdoor development training activities for all staff from time to time to further strengthen the exchange and communication among our staff. With a diverse and systematic staff training system, we hope to achieve the long-term goal of developing the talent reserve of the Group. The total number of employees who participated in the training this year (including those who have resigned) was 2,335, and the total training hours were approximately 34,000 hours.

Indicator		**2020**	
		Percentage	**Average number of hours (Note 1)**
Trained employees by gender	Male	100%	13.48 hours
	Female	100%	16.25 hours
Employees by function	Management	100%	71.12 hours
	Middle-management	100%	23.56 hours
	Entry-level employees	100%	11.04 hours

Note 1: The average training hours of employees is calculated by dividing the total training hours of employees in the sector during the year by the total number of employees trained in that sector during the year (including resigned employees).

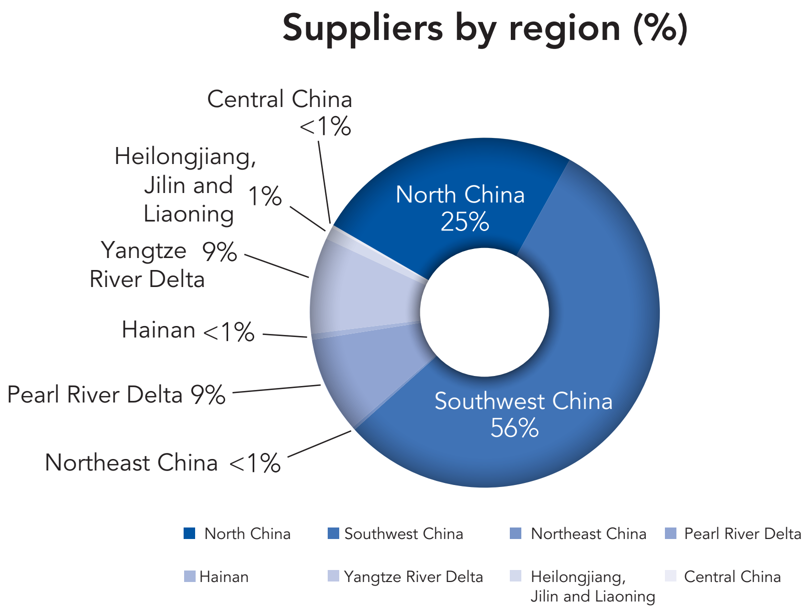
B4: Labour Standards

Hevol Services refuses to use child labor and forced labor. We endeavor to avoid recruiting staff below the age of 18 and protect the rights and interests of staff. We strictly comply with the Provisions on the Prohibition of Using Child Labour, Underage Workers Special Protection Provisions and other relevant laws and regulations regarding the prevention of child labor and forced labor, and have formulated the Labour Protection Management Rules of Hevol Services Group. We will verify the valid identity documents of job applicants during various processes including staff recruitment, employment approval and reporting for duty. For any non-compliance with labour standards, we will take rectification measures including immediately reporting to relevant labour administrative authorities to protect the legitimate rights and interests of workers according to relevant laws and regulations of the PRC. We also reject any type of forced labor. All employees must be employed by the Group on a voluntary, non-deceptive and non-coercive basis. Besides, we refuse to purchase products or services from suppliers who use child labor and forced labor, and we shall immediately terminate the cooperation with any supplier found to use child labor and forced labor. During the Reporting Period, the Group did not employ child labor or forced labor.

In addition, our Attendance and Leaves Management Rules of Hevol Services Group stipulates the compensation requirements for employees' overtime. Overtime must be reasonable and not excessive, and full overtime fees and transportation allowances must be paid to employees. We also set the position of staff relationship manager within the Group to be responsible for regulating the human resources rules and policies of the Group from the law-based perspective and ensuring the timely update of the human resources system of Hevol Services, so as to prevent any non-compliance with any labor and human resources regulations.

B5: Supply Chain Management

Perfect supply chain management is very important to maintain our service quality and brand reputation. As of 31 December 2020, we had a total of approximately 534 suppliers which mainly include general service providers (subcontracting services such as security, cleaning and construction) and suppliers for administrative operations (procurement of office supplies). We have established a series of supply chain management procedures such as Procurement Management and Control Procedures of Hevol Services Group, Qualified Supplier Management and Control Procedures of Hevol Services Group and Qualified Supplier Management Rules of Hevol Services Group to continuously monitor and evaluate suppliers, in a bid to ensure strict compliance with the Tender and Bidding Law of the PRC and other laws and regulations regarding the performance of procurement/service outsourcing contract responsibilities. The details of suppliers by region are as follows:



Qualified suppliers selection

Selecting qualified suppliers is the beginning and also an important link to supply chain management. In addition to general suppliers, our business also needs to outsource property management services such as security, cleaning, gardening, greenery, repair and maintenance services to third-party suppliers (subcontractors), and thus, the performance of subcontractors and suppliers will directly affect our customers' evaluation of and satisfaction with our service quality. As such, we have formulated the Qualified Supplier Management and Control Procedures of Hevol Services Group, Qualified Supplier Management Rules of Hevol Services Group and other internal policies to regulate the procedures for the selection of suppliers. When selecting, we will pay attention to the supplier's (and subcontractor's) operating conditions, corporate honors and reputation, qualifications and the"Quality, Environment, Occupational Health and Safety" management system certification. We will also visit other projects they are responsible for on-site inspections, and will appraise their actual ability, the organization and management of on-site work and the structure setting, the environment of the staff dormitory and rest areas, on-site quality and the evaluation of the person in charge of the project, so as to ensure that the supplier's quality meets our service and social responsibility standards. We have 74 new suppliers this year, and we conducted on-site reviews of 69 new suppliers.

Supervision and management of qualified suppliers

Suppliers that pass our strict approval will be included in the List of Qualified Suppliers and become the approved suppliers to be engaged by the Group. We continuously monitor the performance of all suppliers included in the List of Qualified Suppliers and conduct regular performance assessments on all suppliers.

Type of assessment	Assessment details of the type of assessment
Monthly assessment on performance of contracts	For monthly assessment on the performance of contracts, project personnel will monitor the on-site service performance of the supplier based on the terms of contracts. When settling the bills, the project manager will conduct an assessment on the monthly performance of the staff and the service quality of the supplier. If any service fails to meet the Group's standards, we will communicate with the supplier immediately to understand the situation and ensure the Group's service quality.
Annual assessment on comprehensive performance	Our assessment staff in the quality department will review the results of the monthly assessment on the performance of contracts. In addition, we will rate the suppliers in terms of on-site quality management, satisfaction level of property owners and customers, team management, safety responsibility and coordination, in order to decide whether to continue to engage relevant suppliers.

The Qualified Supplier Management and Control Procedures of Hevol Services Group specifies the standards for assessment and rating of suppliers. If there is any material quality, safety, security and fire accident caused by the service quality of supplier, or the performance rating of supplier continuously fails to meet the Group's standards, the Group will request the responsible personnel for rectification. If the standards are still not met, the Group will terminate the contract, and even blacklist such supplier which will not be engaged by the Group in the future for serious circumstances. We hope that the standard system for supervision of services from the suppliers will facilitate us to continuously maintain the high service quality of the Group as a whole. During this Year, we conducted on-site audits for 93 existing suppliers, representing approximately 20% of the total existing suppliers.

In addition, the Group adheres to the principle of competitive and fair procurement. We will invite at least 3 suppliers for quotations for any kinds of procurement to ensure effective competition. We also undertake to negotiate with all suppliers based on the same standards and ensure equal treatment to all suppliers during the procurement process. In addition, we have formulated the Supplier Assessment and Procurement Control and Management Rules of Hevol Services Group as our internal policy to regulate the implementation of different procurement methods. A single purchase with a total procurement amount of over RMB20,000 shall be procured through tender process. Hevol Services undertakes that, during the a tendering process, it will adhere to the principles of fair tender, adequate competition, transparency and impartiality, integrity and confidentiality and ensure compliance with the requirements of national policies including the Tender and Bidding Law of the PRC.

B6: Product Responsibility

Hevol Services has always been adhering to the service philosophy of "customer first" and upholds the value of "enhancing customers' value as our primary goal". We have passed the "Quality, Environment, Occupational Health and Safety" management system certification of SGS, an international certification institute, for our services, and strive to achieve our goal of "becoming the most respectable property service enterprise in China". We strictly comply with the Regulation on Realty Management, Law on Protection of Consumer Rights and Interests of the PRC and other national policies, and have formulated a series of quality management procedures covering the whole project lifecycle which include Regulation on Satisfaction Survey of Property Owners and Customers of Hevol Services Group, Regulation on Monthly Inspection of the Quality Management Department of Hevol Services Group and Procedures for Handling Complaints from Property Owners and Customers of Hevol Services Group. We hope that our standardized services and service criteria can ensure that our products and services meet customers' needs.

Customer services and customer satisfaction

In order to create a safe and comfortable living environment for property owners and customers, the Group has formulated the White Paper on Service Standards of Hevol Services Group to provide a series of standards including general standards for personal appearance and dress code of staff, general standards for logos and signs and professional touchpoint service standards. We have also formulated the Regulation on Monthly Inspection of the Quality Management Department of Hevol Services Group and Regulation on Quarterly Inspection of the Quality Management Department of Hevol Services Group and conduct regular inspection and assessment on our services. We hope that with the effective internal quality inspection system, we can identify and solve the problems in our services, thereby continuously enhancing the quality of our property services and improving the brand image of Hevol Services. In addition, we provide a formal communication channel to the customers by conducting Property Owners and Customers Satisfaction Survey on a regular basis. We are willing to receive feedback from property owners and customers on our services with a view to continuously improving our service quality to meet the market demand, and adhere to the management philosophy of "prioritizing service and pursuing innovative development" of Hevol Services.

Customer communication and complaint resolution

Hevol Services believes that the feedback from property owners and customers on our services are greatly beneficial to our continuous improvement. We set a page for customer feedback on the Group's official website and publish the contact number and e-mail of the Group's quality department for complaint resolution in order to facilitate property owners and customers to make enquiries and feedback. Hevol Services adheres to the principles of "timely and accurate response, honesty and integrity and professional and people-oriented approaches" to ensure that we can respond to the complaints from property owners and customers in a more effective and timely manner. To this end, we have formulated the Procedures for Handling Complaints from Property Owners and Customers of Hevol Services Group, which specifies the Group's procedures for handling complaint from property owners and customers and provides standardized response plans and standards based on types of customer complaints:

Type of customer complaints	Response plans and standards for the type of customer complaints
General complaints (including customer complaints related to construction management, environmental management, customer service and safety management)	The quality management department shall pass the valid complaint to the project leader within one hour upon receipt of such complaint. The project leader shall contact the property owner within one hour, provide a solution approved by the property owner and customer within 24 hours, and implement the solution to solve the complaint.

Type of customer complaints	Response plans and standards for the type of customer complaints
Material or collective complaints	For material or collective complaints, the quality management department shall inform the leader of the relevant city or project to follow up within 48 hours upon receipt of material or collective complaints. The project leader shall meet the party involved in-person to show respect and conduct an investigation and report to relevant management to formulate a solution.

We keep a complete written record of all types of complaints to ensure that they are traceable. In addition, we require the quality management department to conduct regular review and assessment on all valid complaints received, and compile a special report of complaint resolution for management's perusal. We believe that the review, assessment and summary of previous cases can facilitate the management to formulate effective rectification measures to minimize and prevent similar complaints, thereby enhancing the satisfaction level of property owners and customers for our services. During the Reporting Period, the Group received 95 service complaints, follow-up work has been completed for all complaints. 98.9% of customers are satisfied with our follow-up work.

Customer privacy protection

Hevol Services understands that privacy protection of personal and other information of property owners and customers is an essential part of developing a mutual and long-term relationship. As such, the Group strives to safeguard the rights and interests of all parties. In order to specify and regulate the measures for information collection, management and control of documents of property owners and customers, we have formulated the Regulation on Management of Property Owners' Documents of Hevol Services Group as our internal policy which covers the management of documents of property owners and customers. Detailed measures include but are not limited to:

- Electronic documents of property owners and customers shall be encrypted and kept by management personnel;
- Hard copy documents of property owners and customers shall be managed and kept by designated personnel;
- Access to documents shall undergo approving procedures by submitting relevant application forms, and documents shall be used only in the documentation room; and
- Person with access to documents shall not transfer, disassemble, change or deface relevant documents.

During the Reporting Period, we were not aware of any complaints in relation to privacy breach or leak of customer information.

B7: Anti-corruption

We believe that integrity is the foundation of sustainable corporate development and commercial success. As such, we adhere to the operating principles of "act of honesty, practice of integrity and mutual benefit" and take zero tolerance toward bribery, extortion, fraud, money laundering and other corruptive acts in order to protect our business interests. In addition to strict compliance with the Company Law of the PRC, Law on Anti-Money Laundering of the PRC, Anti-Unfair Competition Law of the PRC, Interim Provisions on Banning Commercial Bribery and other national laws and regulations, Hevol Services has also formulated the code of conduct for the Group's staff which clearly prohibits the staff from accepting or receiving any interests, gifts or hospitality from any existing or potential stakeholders (including suppliers, property owners and customers). During the Reporting Period, we provided a total of 12 hours of anti-corruption training courses to the directors and staff according to relevant national laws and regulations and code of conduct in order to strengthen the awareness of integrity among the staff and educate the staff to perform duty based on code of ethics.

In addition, the Group has established various unimpeded whistleblowing channels (including customer service and complaint hotline and complaint mailbox) and publishes the e-mail address for whistleblowing of misconducts on the Group's official website to welcome all internal and external stakeholders to report any suspicious misconducts. For any violation of the code of conduct or anti-corruption policy, we will handle such cases based on the principle of "investigating all reported cases" and report the violation to applicable law enforcement authorities. During the Reporting Period, the Group did not violate any laws and regulations related to anti-corruption, did not dismiss or initiate any disciplinary action against any staff due to corruptive acts, and did not terminate or refuse to renew the contract with business partners due to corruption and non-compliance.

B8: Community Investment

An enterprise shall assume the social responsibility of "caring the community and contributing to the society". With our stable and rapid development, we hope that our business can continuously promote social harmony and advancement and make contributions to fulfilling corporate social responsibility. We believe that community culture has "the effect of cohesion, guidance, constraint, motivation and dissemination". As such, Hevol Services has formulated the Regulation on Management of Community Culture Activities of Hevol Services Group to regulate, carry out and manage various community cultural activities to enrich the leisure time of community residents, improve the service quality of property companies and strengthen the community cohesion. During the year, we organized a series of events and activities to facilitate community development, which includes:

Type of activities	Description
Community culture	We insist on the service philosophy of "comprehensive Hevol Services, sincere service at zero distance". During holidays and monthly events, we provided haircut, knife sharpening, free consultations, health seminars, lantern riddles and other activities for the community, closing the distance with the community, enhancing the relationship and creating a beautiful home etc.

Type of activities	Description
Environmental Protection	Through the "Culture and Hygiene" event, we investigated and cleaned up small advertisements, random push and release and other conditions in communities and public facilities one by one. We carried out all-round sanitation and environmental improvement activities, attracted residents to participate and strengthened their awareness of environmental protection, and promoted the importance of environmental protection. Under the guidance of the Beijing government on garbage classification, we actively cooperated with the street and other competent authorities to jointly carry out garbage classification and other tasks, designated garbage sorting instructors to publicize and guide garbage sorting-related knowledge, and jointly maintained the living environment.
Caring for disadvantaged	We cooperated with the China Charity Federation. "Dedication of love with a piece of paper action" jointly launched the charity donation activity of "Exchange old clothes with love to keep out the cold", turning idle clothes into love. The proceeds of charity are all used for the treatment of poor children with congenital heart disease and the treatment of echinococcosis patients.

OVERVIEW OF KEY PERFORMANCE INDICATORS[1]

Environmental Performance

Key performance indicator		Unit	2020	2019
Air emission	Nitrogen oxide (NOx)	kg	**6.84**	53.86
	Sulphur oxide (SOx)	kg	**0.12**	21.40
	Particulate matter (PM)	kg	**3.13**	14.67
Greenhouse gas emission	Greenhouse gas emission (Scope I)[4]	tonne of carbon dioxide equivalent	**50.82**	123.25
	Reduction of greenhouse gas by planting new trees	tonne of carbon dioxide equivalent	**1.45**	3.24
	Greenhouse gas emission (Scope II)[5]	tonne of carbon dioxide equivalent	**10,358.82**	8,839.27
	Greenhouse gas emission (Scope III)[6]	tonne of carbon dioxide equivalent	**178.74**	170.82
	Total emission of greenhouse gas	tonne of carbon dioxide equivalent	**10,586.93**	9,130.10
	Emission intensity of greenhouse gas	tonne of carbon dioxide equivalent/ million sq.m.	**2,507.54**	2,343.30
Non-hazardous waste	Total non-hazardous waste	tonne	**8.74**	0.40
	Non-hazardous waste intensity	tonne/million sq.m.	**2.07**	0.10

4 Scope I refers to direct emissions of greenhouse gas resulting from operations that are owned or controlled by the Group.

5 Scope II refers to indirect emissions of greenhouse gas resulting from the generation of purchased or acquired electricity, heating and other power consumed within the Group.

6 Scope III refers to all other indirect greenhouse gas emissions that occur outside the Group, including caused by waste paper dumped in landfills, electricity consumed by government departments for water and sewage treatment, and employees flying out for business trips.

Key performance indicator		Unit	2020	2019
Energy consumption	Purchased electricity	'000 Kwh	**10,855.01**	9,682.92
	Natural gas	'000 Kwh	**17.30**	16.81
	Biodiesel	'000 Kwh	**151.13**	151.13
	LPG	'000 Kwh	**54.92**	70.77
	Diesel	'000 Kwh	**0.65**	66.46
	Gasoline	'000 Kwh	**10.20**	213.86
	Total energy consumption	'000 Kwh	**11,089.25**	10,205.01
	Total energy consumption intensity	'000 Kwh/million sq.m.	**2,626.52**	2,619.18
Water consumption	Total Water consumption	cubic meter	**226,427.34**	185,316.60
	Water consumption intensity	cubic meter/million sq.m.	**53,629.93**	47,562.65

APPLICABLE LAWS AND REGULATIONS

Laws and regulations:
Law on Anti-Money Laundering of the PRC
Anti-Unfair Competition Law of the PRC
Company Law of the PRC
Labour Law of the PRC
Labour Contract Law of the PRC
Law of the PRC on the Prevention and Control of Occupational Diseases
Production Safety Law of the PRC
Environmental Protection laws of PRC
Law on the Prevention and Control of Air Pollution of PRC

Internal policies:
Anti-corruption Policy
Whistle-blowing Policy
Quality Manual
Management Measures for Incoming Inspection
Operation Instruction for In-process Inspection
Standards for Delivery Inspection
Procurement Control Procedures
Human Resource Management System
Employee Rules
Safe Operation Specification
Management Regulations on Environmental Protection

References to the method of calculation and emission factors of environmental key performance indicators

- Unless otherwise specified, the methods and emission factors used in calculation of environmental key performance indicators set out in the ESG report are determined with reference to "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.
- The total area of 12 projects under management during the year and the headquarters office of the Group in Beijing is used as the base unit for the consumption intensity of emissions and resources.
- Greenhouse gas emission coefficients refer to the "Pollution Coefficient and Use Instructions for Domestic Sources" issued by the South China Institute of Environmental Sciences of the Ministry of Environmental Protection, "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Enterprises in Other Industries" issued by the General Office of the National Development and Reform Commission and EMEP/EEA Air Pollutant Emission Inventory Guidebook published by European Environment Agency.
- The greenhouse gas emission coefficient per unit of electricity consumption for the treatment of freshwater refers to the annual report of Hong Kong Water Supplies Department 2017/18.
- The greenhouse gas emission coefficient per unit of electricity consumption for sewage treatment refers to the Hong Kong Drainage Services Department's Sustainability Report 2019/20.
- The energy consumption conversion coefficient refers to the "Technical Note on Conversion of Fuel Data to MWh" issued by CDP.

INDEX OF ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
A. Environmental		
Aspect A1: Emissions		
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.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Air emissions
KPI A1.2	Greenhouse gas emissions in total and, where appropriate, intensity.	Greenhouse gases
KPI A1.3	Total hazardous waste produced and, where appropriate, intensity.	Our daily operations do not produce any material hazardous waste.
KPI A1.4	Total non-hazardous waste produced and, where appropriate, intensity.	Non-hazardous waste
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Energy saving and emission reduction measures
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Non-hazardous waste

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type in total and intensity.	Energy consumption
KPI A2.2	Water consumption in total and intensity.	Water resources consumption
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Energy saving and emission reduction measures
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	The water resources consumption of the Group mainly comes from the municipal pipe network, not involving any issues in sourcing water. Preventing wastage of water resources
KPI A2.5	Total packaging material used for finished products and, if applicable, with reference to per unit produced.	Our daily operations do not involve the use of packaging materials.
Aspect A3: The Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	The Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	The business of the Group does not involve aspects with significant impacts on the environment and natural resources.

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
B. Social		
Aspect B1: Employment		
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.	Employment
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
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 providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Health and Safety

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Labour Standards
KPI B3.1	The percentage of employees trained by gender and employee category.	Labour Standards
KPI B3.2	The average training hours completed per employee by gender and employee category.	Labour Standards
Aspect B4: Labour Standards		
General Disclosure	Information on: relating to preventing child and forced labour. (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Labour Standards
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Selection of qualified suppliers Supervision and management of qualified suppliers

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B6: Product Responsibility		
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 health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable. The business of the Group does not involve sales of products.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Customer communication and complaint resolution
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	The business of the Group does not involve intellectual property rights.
KPI B6.4	Description of quality assurance process and recall procedures.	Customer services and customer satisfaction The business of the Group does not involve sales of products.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Customer privacy protection

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement
Aspect B7: Anti-corruption		
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 bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	Anti-corruption
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Anti-corruption
Aspect B8: Community Investment		
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.	Community Investment
KPI B8.1	Focus areas of contribution.	Community Investment
KPI B8.2	Resources contributed to the focus area.	Community Investment

Report of the Directors

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

GLOBAL OFFERING

The Company carried out the global offering on 12 July 2019, comprising of 100,000,000 Shares at HK$1.28 per Share. For details of the relevant use of proceeds, please see the section headed "Proceeds from the Listing" in this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the PRC.

The activities and particulars of the Company's subsidiaries are set out in note 29 to the consolidated financial statements. An analysis of the Group's revenue for the year by principal activities is set out in note 4 to the consolidated financial statements.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years is set out on pages 234 to 236 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROCEEDS FROM THE LISTING

The Company was successfully listed on the main board of the Stock Exchange on 12 July 2019 and issued 100,000,000 new shares. The net proceeds from the listing amounted to approximately HK$75.8 million (equivalent to approximately RMB66.6 million) after deducting share issuance costs, listing expenses and underwriting commissions. As at 31 December 2020, RMB42.9 million or 64.4%, of the proceeds raised by the Company from the listing have been utilised. In 2021, the Company will use the proceeds raised from the listing in accordance with its development strategies, market conditions and intended use of such proceeds. Detailed information is set out under "Proceeds from the Listing" in the section headed "Management Discussion and Analysis" in this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer, Hevol Real Estate Group Limited ("**Hevol Real Estate**") accounted for 16.9% of the Group's total revenue. The Group's five largest customers accounted for 18.7% of the Group's total revenue. In the year under review, the Group's largest supplier accounted for 3.9% of the Group's total purchase. The Group's five largest suppliers accounted for 15.9% of the Group's total purchase.

Except for the above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Wednesday, 23 June 2021 to Monday, 28 June 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Monday, 28 June 2021 (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716. 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 pm on Tuesday, 22 June 2021.

RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of profit or loss and other comprehensive income on page 128 in this annual report.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2020.

OUR DIVIDEND POLICY

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

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

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

Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Any final dividend for a fiscal year will be subject to our Shareholders' approval.

SHARE CAPITAL

Details of movements during the year in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 131 to 132 in this annual report.

As at 31 December 2020, the distributable reserves of the Group amounted to approximately RMB223.4 million (2019: RMB137.9 million).

BORROWINGS

During the year ended 31 December 2020, the Group had not made any borrowings or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

PROPERTY, PLANT AND EQUIPMENT

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

RETIREMENT BENEFIT SCHEME

The Group is required to participate in the Mandatory Provident Fund in Hong Kong for any employee in Hong Kong and the employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of retirement benefit scheme of the Group are set out in note 7 to the consolidated financial statements.

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2020, the Group donated HKD nil (2019: HKD1.0 million) as charitable contributions.

DIRECTORS

The Board currently consists of the following eight Directors:

Executive Directors

Mr. Wang Wenhao *(Chief Executive Officer)*

Ms. Hu Hongfang *(Chief Financial Officer)*

Non-executive Directors

Mr. Liu Jiang ("**Mr. Liu**") *(Chairman)*

Mr. Zhou Wei

Independent Non-executive Directors

Mr. Qian Hongji

Mr. Fan Chi Chiu

Dr. Chen Lei

Dr. Li Yongrui

In accordance with article 83(3) of the Articles, all Directors shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM. Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 23 April 2021.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 31 to 36 in the section headed "Biography of Directors and Senior Management" to this annual report. The Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent from the date of their appointment to 31 December 2020 and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

Other than the Directors' service contract and letters of appointment, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2020.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased Directors' and officers' liability insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the Directors' emoluments and emoluments of the highest paid individuals in the Group by band are set out in note 11 to the consolidated financial statements in this annual report.

For the year ended 31 December 2020, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2020.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2020, by our Group to or on behalf of any of the Directors.

HUMAN RESOURCES

The Group had approximately 2,154 employees as at 31 December 2020, as compared to 996 employees as at 31 December 2019. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLING SHARES AND DEBENTURES

As at 31 December 2020, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance ("**SFO**")), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Long positions in the issued shares

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Liu (1)	Interest in a controlled corporation	286,439,934	59.67%

Notes:

1. The entire issued share capital of Brilliant Brother Group Limited ("**Brilliant Brother**") is held by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Brilliant Brother under the SFO.

Long position in associated corporation

Name of Director	Nature of interest	Associated corporation	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Liu (1)	Brilliant Brother	Beneficial owner	1	100.0%

Notes:

1. Brilliant Brother, a company whose entire issued share capital is held by Mr. Liu, is the ultimate holding company of the Company and thus an associated corporation of the Company under the SFO.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executive of the Company held or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which were taken or deemed to have taken under such provisions of SFO), or which were required, pursuant to Section 352 of SFO, to be entered into the register maintained by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, according to the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Interests and long positions in the Shares

Shareholder Name	Capacity	Number of shares held or interested	Approximate percentage of shareholding
Mr. Liu [(1)]	Interest of controlled corporation	286,439,934	59.67%
Brilliant Brother	Beneficial owner	286,439,934	59.67%
Mrs. Liu Hong (劉宏) [(2)]	Interest of spouse	286,439,934	59.67%

Notes:

(1) The entire issued share capital of Brilliant Brother is held by Mr. Liu. Therefore, Mr. Liu is deemed to be interested in the shares held by Brilliant Brother in the Company under the SFO.

(2) By virtue of the SFO, Mrs. Liu Hong (劉宏) is deemed to be interested in the Shares held by her spouse, Mr. Liu, whose interests are disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company".

Save as disclosed above, as of at 31 December 2020, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision of 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year under review was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the section headed "Material Related Party Transactions", in note 27 to the consolidated financial statements in this annual report, no other transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2020.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the year under review, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Material Related Party Transactions", in note 27 to the consolidated financial statements in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2020 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the year ended 31 December 2020 or subsisted at the end of the year.

CONNECTED TRANSACTIONS

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

Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

Provision of Consumer Goods and Services

The Group has been providing consumer goods and services such as accommodation and catering services, to Hevol Real Estate, a company owned by Hevol Investment as to 80% and Shanghai Hengjiu Investment Limited (上海恒久投資有限公司), as to 20% and a connected person of the Group, and its subsidiaries from time to time. As the entire equity interest of Hevol Real Estate is ultimately owned by Mr. Liu, the ultimate Controlling Shareholder, Hevol Real Estate and its subsidiaries are associates of Mr. Liu and connected persons of the Group. It is expected that the provision of such consumer goods and services by the Group to Hevol Real Estate and its subsidiaries will continue and constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules. For such purpose, the Group entered into a framework agreement with Hevol Real Estate on 17 February 2019 for the term from 17 February 2019 to 31 December 2021.

The provision of such consumer goods and services by the Group to Hevol Real Estate and its subsidiaries has been and will be made on comparable terms as those the Group offered to independent third party consumers in the open market and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.97 of the Listing Rules.

Transitional Trademark Licencing Agreement

The trademark used by the Group in the PRC was owned by Hevol Investment. On 30 November 2018, Beijing Hongsheng, our indirect wholly-owned subsidiary, entered into the an agreement with Hevol Investment under which Hevol Investment agreed to transfer the trademark to Beijing Hongsheng at nil consideration (the "**Trademark Transfer Agreement**").

Pursuant to the Trademark Transfer Agreement, pending the completion of the registration of Beijing Hongsheng as the new registered owner of the trademark in the PRC, Hevol Investment granted the Group an exclusive licence for the use of the trademark on a royalty-free basis (the "**Transitional Trademark Licencing Arrangement**"). Such exclusive licence shall be valid until the completion of the registration of Beijing Hongsheng as the registered owner of the trademark in the PRC.

As the entire equity interest of Hevol Investment is ultimately owned by Mr. Liu, our ultimate Controlling Shareholder, Hevol Investment is an associate of Mr. Liu and a connected person of the Company. The transaction under the Transitional Trademark Licencing Arrangement will constitute a continuing connected transaction of our Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the licence trademarks was granted to the Group on a royalty-free basis under the Trademark Transfer Agreement, such transaction will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Lease Agreements in Relation to Jiaoda Jiayuan (交大嘉園)

Beijing Hevol a wholly-owned subsidiary of the Group and Hevol Real Estate entered into certain operation and management agreements in relation to (i) a clubhouse located at Jiaoda Jiayuan, one of the residential properties developed by Hevol Real Estate Group and managed by the Group, and (ii) the heating facilities in a boiler house, which serves as the heat generator of the collective heating system of Jiaoda Jiayuan, during the period from 15 November each year to 15 March of the following year. Under such agreements, Hevol Real Estate granted Beijing Hevol the right to occupy, operate and manage the clubhouse and the heating facilities and Beijing Hevol has the right to enjoy all the income generated from such properties, including the heating fees received from the residents, the subsidies received from the government for the heating facilities in accordance with the local regulations and policies, as well as the services fees received from the residents for enjoying the facilities in the clubhouse. In return, Beijing Hevol shall pay annual fees to Hevol Real Estate.

The operation and management agreements for the clubhouse and the heating facilities expired on 30 November 2018 and 30 June 2018, respectively. On 29 January 2019, Beijing Hevol and Hevol Real Estate entered into two lease agreements, one for the clubhouse (the "**Clubhouse Lease Agreement**") and one for the heating facilities (the "**Heating Facilities Lease Agreement**"), under which Hevol Real Estate leased the clubhouse and the heating facilities to Beijing Hevol for an annual rent of RMB294,000 and RMB432,000, respectively.

The rights and obligations of both parties are similar to that under the operation and management agreements described above. The Clubhouse Lease Agreement shall be effective from 1 December 2018 to 30 November 2021, while the Heating Facilities Lease Agreement shall be effective from 1 July 2018 to 30 June 2021.

As Hevol Real Estate is an associate of Mr. Liu and a connected person of our Group, the transactions under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules upon Listing.

As the nature of the underlying transactions under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement are similar and the contracting parties are the same, our Directors considered it appropriate to aggregate the amounts under these agreements when calculating the maximum annual rent payable under such agreements. Our Directors estimate that the maximum aggregated annual fee payable by us under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement for each of the three years ending 31 December 2021 will not exceed RMB726,000. In arriving at the above aggregated annual cap, our Directors have considered (i) the fair rent letters issued by an independent valuer in relation to the clubhouse and the heating facilities, respectively, and (ii) the terms and conditions of such agreements and the historical transaction amounts in prior years.

As each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual cap in relation to the Clubhouse Lease Agreement and Heating Facilities Lease Agreement is less than 5% and the total consideration is less than HK$3,000,000, the transactions under such agreements will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Property Interest

The Group entitled to the property interests, including the right to enjoy, occupy, use and receive income as well as capital gain (or loss) deriving from the Investment Properties under the arrangements entered into between Beijing Hevol and Beijing Fufa Real Estate Development Co., Ltd. (北京福發房地產開發有限公司) ("**Fufa Property**"), Beijing Donghe Weiye Real Estate Development Limited (北京東和偉業房地產開發有限公司), ("**Donghe Weiye**") and Hevol Real Estate, respectively. Fufa Property and Donghe Weiye are wholly-owned subsidiaries of Hevol Real Estate and therefore are associates of Mr. Liu and connected persons of our Group. Accordingly, the transactions with Hevol Real Estate, Donghe Weiye and Fufa Property under such arrangement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the Group has fully paid the consideration to own the beneficial interest of the Investment Properties and are entitled to such property interests without subsequent recurring fees, these transactions will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase Agreement in Relation to Property Management Software

Beijing Community Radius Information Technology Limited (北京社區半徑信息技術有限公司) ("**Community Radius Limited**") entered into a sale and purchase agreement with Beijing Hevol on 22 May 2017 and a supplemental agreement on 29 January 2019 (together, the "**Property Management Software Agreements**"). Under the Property Management Software Agreements, Community Radius Limited has granted a licence to Beijing Hevol for the use of the "Community Radius" (社區半徑) application (both Software-as-a-Service version and mobile application version) for a consideration of RMB59,400. Such consideration has already been paid by Beijing Hevol. The Property Management Software Agreements will be effective until 20 May 2022.

Community Radius Limited is owned by Mr. Liu as to 51%, our ultimate Controlling Shareholder, and therefor is an associate of Mr. Liu and a connected person of our Group. Accordingly, the transactions under the Property Management Software Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the one-off consideration has been paid by Beijing Hevol for the right to enjoy the products, functions and services under the Property Management Software Agreements and the continuing enjoyment will not incur any subsequent recurring fees, such transactions will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Continuing Connected Transactions Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

Master Services Agreement and the Supplemental Master Services Agreement

The Group entered into certain preliminary property management service agreements with subsidiaries of Hevol Real Estate Group for properties developed by them. Pursuant to such agreements, the Group provided property management services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services ("**Hevol Property Management Services**"). The Group also provided certain value-added services to non-property owners to Hevol Real Estate Group, mainly including sales assistance services such as display unit management services, market planning services and visitor reception services ("**Hevol Developer-related Services**"). In addition, the Group provided ancillary property management services, mainly including (i) consultancy and planning services, (ii) preliminary stage property management start-up services; (iii) property management services of properties held by Hevol Real Estate Group; (iv) inspection services; (v) repair services; (vi) cleaning services and (vii) formaldehyde removal services ("**Ancillary Property Management Services**").

On 27 June 2019, the Group entered into a master service agreement (the "**Master Service Agreement**") with Hevol Real Estate in relation to the Group's continuing provision of Hevol Property Management Services and Hevol Developer-related Services to Hevol Real Estate Group. On 29 April 2020, the Group and Hevol Real Estate entered into the supplemental master services agreement (the "**Supplemental Master Services Agreement**") for a term from 29 April 2020 to 31 December 2021 to revise the Master Services Agreement, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group in addition to the Hevol Property Management Services and Hevol Developer-related Services. Relevant subsidiaries of both parties will enter into separate service agreements which will set out the specific terms and conditions according to the principles provided in the Master Service Agreement.

The Group's Directors estimate that the maximum annual fees payable by the Hevol Real Estate Group in relation to Hevol Property Management Services to be provided by our Group under the Master Services Agreement for the three years ending 31 December 2021 will not exceed RMB8.7 million, RMB13.3 million and RMB15.0 million, respectively; while the maximum annual fee in relation to the Hevol Developer-related Services for the same three years will not exceed RMB26.0 million, RMB26.5 million and RMB22.4 million, respectively. Thus, the total service fees payable to our Group under the Master Service Agreement will not exceed RMB34.7 million, RMB39.8 million and RMB37.4 million for each of the three years ending 31 December 2021, respectively. In addition, the maximum annual fee in relation to the Ancillary Property Management Services under the Supplemental Master Services Agreement for the two years ending 31 December 2021 will not exceed RMB53.6 million and RMB80.7 million.

In arriving at the above revised annual caps are estimated by the Directors with reference to (i) the basis of pricing policy for Ancillary Property Management Services in each cities, (ii) the estimated revenue to be recognised in relation to the Ancillary Property Management Services to be provided by us pursuant to the Supplemental Master Services Agreement, (iii) the original estimated revenue to be recognised in relation to the Master Services Agreement to be provided by us pursuant to existing contracts and the expected time and volume of delivery for our existing property management projects; and (iv) the estimated GFA of the properties to be delivered by Hevol Real Estate Group. The remaining portion represents approximately 30% buffer for the Ancillary Property Management Services to be provided by the Group for any unforeseeable circumstances.

Each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of our Group. Accordingly, the transactions under the Master Service Agreement will constitute continuing connected transaction for our Company under Chapter 14A of the Listing Rules.

Since the applicable ratios under the Listing Rules in respect of the annual caps in relation to Master Service Agreement are expected to be more than 5%, the transactions under the Hevol Property Management Services Agreement constitute continuing connected transactions of our Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company adjusts the scope and amount of continuing connected transactions and the annual caps exempted from disclosure (where necessary) in accordance with its internal control procedures. During the year ended 31 December 2020, the Company has followed the pricing policies and guidelines for each of the continuing connected transactions disclosed in this annual report when determining the price and terms of such transactions conducted. The Directors are of the view that the Company's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have reviewed the continuing connected transactions carried out during the year and confirm the transactions thereunder had been entered into:

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

(ii) on normal commercial terms or better; and

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

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules:

(i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

(ii) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions.

(iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2020 has been provided by the Company to the Hong Kong Stock Exchange.

RELATED PARTY TRANSACTIONS

Details of the related party transactions of the Group for the year ended 31 December 2020 are set out in note 27 to the consolidated financial statements in this annual report.

Save as disclosed above, during the year under review, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

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

For the year ended 2020, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

EMOLUMENT POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 11 to the consolidated financial statements, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

As a property service provider in China, the Group is required to comply with various national and local laws and regulations on environmental protection, including laws and regulations of air pollution, sound pollution, waste and sewage. The Group has complied with the laws and regulations which are significant to the operation of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the Directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills is enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2020.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in this annual report, as at 31 December 2020, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed several material equity acquisitions (details are set out in note 26 to the consolidated financial statements). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices. In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the reporting period.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 37 to 54 of this annual report.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the year ended 31 December 2020 are set out in the Environmental, Social and Governance Report on pages 55 to 96 of this annual report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 33 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2020, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the year under review. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

AUDITOR

The consolidated financial statements for the year ended 31 December 2020 were audited by Grant Thornton Hong Kong Limited. A resolution to re-appoint Grant Thornton Hong Kong Limited as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

WANG WENHAO
Chief Executive Officer and Executive Director

Hong Kong, 25 March 2021

Independent Auditor's Report

Grant Thornton
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To the shareholders of Hevol Services Group Co. Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hevol Services Group Co. Limited (the "**Company**") and its subsidiaries (together, the "**Group**") set out on pages 128 to 233, which comprise the consolidated statement of financial position as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing ("**ISAs**"). 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 International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("**IESBA Code**"), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS (Continued)

Purchase price allocation for business combinations

Refer to significant accounting policies in note 2.3 and, critical accounting estimates and judgements in note 3 and the disclosure of acquisitions of subsidiaries in note 26 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The Group completed the acquisitions of five subsidiaries, the Company recorded goodwill and intangible assets of RMB59,626,000 and RMB20,916,000 respectively during the year. The Group, with assistance of the independent valuation expert, performed purchase price allocation for business combinations by using valuation techniques under income approach. The fair values of the customers relationship included in intangible assets are based on valuation techniques built, in part, on major assumptions about the future performance of the business. We identified this area as a key audit matter because of (a) the significance of the acquisitions, (b) critical accounting estimates and judgements involved in the identification and valuation of intangible assets acquired, and valuation of the assets and liabilities that are recognised. When determining the fair value of assets and liabilities recognised in the acquisitions, key assumptions including revenue growth rates, terminal growth rates, discount rates, profit margins, retention rates and expected useful lives were used. Any significant changes in these key assumptions may give rise to material changes in the fair value of the acquired assets and liabilities including intangible assets, which directly impact the goodwill recognised.	Our procedures in relation to the acquisition accounting included: – inspecting the relevant agreements relating to the acquisitions and reviewing the acquisition accounting treatments adopted by the management; – assessing the competence, capabilities, objectivities and independence of the independent valuation expert, and undertaking interviews with him to understand and assess his work and valuation techniques; and – obtaining the forecast model, checking its mathematical accuracy and evaluating and assessing the reasonableness of the key assumptions applied in the model, such as revenue growth rates, terminal growth rates, profit margin, discount rates, retention rates and expected useful lives of the customers relationships based on our knowledge of the industry, relevant historical data of the acquired companies and external market data.

KEY AUDIT MATTERS (Continued)

Expected credit loss ("ECL") allowance on trade and other receivables

Refer to significant accounting policies in note 2.10, critical accounting estimates and judgements in note 3, the disclosure of trade and other receivables in note 17 and credit risk policy in note 31.2 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group had trade and other receivables amounting to RMB165,797,000 fall within the scope of ECL model. The Group determines the ECL allowance on trade and other receivables based on the Group's past history, existing market conditions and forward-looking information. We identified the ECL allowance of trade and other receivables as a key audit matter due to considerable amounts of judgement and estimation being applied in the assessment of credit risk under the ECL model. These judgements and assumptions including but not limited to the debtors' payment history and creditworthiness, historical default rates, and forward-looking macroeconomic factors.	Our procedures in relation to the ECL allowance on trade and other receivables included: – reviewing the payment history of the debtors; – assessing, on a sample basis, the management's forecast of future repayments and understanding of the debtor's financial condition; – assessing the management's judgement on significant increase in credit risk for other receivables measured at amortised cost; – reviewing the ageing analysis of the trade receivables and evaluating the parameters used in estimating the ECL rate; and – checking the mathematical accuracy of the provision in accordance with the ECL rate applied by the Group.

KEY AUDIT MATTERS (Continued)

Impairment of goodwill

Refer to significant accounting policies in notes 2.8 and 2.20, critical accounting estimates and judgements in note 3 and the disclosure of goodwill in note 15 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2020, the Group had goodwill arising from business combinations amounting to RMB59,626,000. Goodwill is tested for impairment annually. Management has tested such goodwill for impairment as at 31 December 2020 with reference to valuation performed by the independent professional valuer, and concluded that no impairment loss was recognised. This conclusion is based on value in use calculations based on five-year financial budgets approved by management with key assumptions of revenue growth rates, terminal growth rates, discount rates and profit margins that required significant management judgement. We identified this area to be a key audit matter due to the significance of the goodwill balance and the significant judgement made by management in estimating the recoverable amount of the cash-generating unit to which goodwill is allocated.	Our procedures in relation to management's impairment assessment of goodwill included: – evaluating the competency, capabilities and objectivities of the independent professional valuer; – assessing the valuation methodology and the appropriateness of the key assumptions used to estimate the value in use; – challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and – reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

KEY AUDIT MATTERS (Continued)

Impairment of customers relationships (included in intangible assets)

Refer to significant accounting policies in notes 2.7 and 2.20, critical accounting estimates and judgements in note 3 and the disclosure of intangible assets in note 13 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
The carrying amounts of customers relationships (included in intangible assets) amounted to RMB19,637,000 as at 31 December 2020. Management reviews the carrying amounts of customers relationships annually or more frequently when impairment indicators are present. Where there are indicators, management is required to assess the recoverable amount of the customers relationships with reference to valuation performed by the independent professional valuer based on value in use calculations using future cash flow projections. The valuation of customers relationships requires the application of significant judgement in the use of subjective assumptions. The valuation is sensitive to underlying assumptions applied by the valuer, such as discount rates and retention rates used are based on the assets' past performance and management's expectation of market development and the future cash flow projections were prepared based on five-year financial budgets approved by management.	Our procedures in relation to management's impairment assessment of the Group's customers relationships included the following: – evaluating the competency, capabilities and objectivities of the independent professional valuer; – assessing the valuation methodology and the appropriateness of the key assumptions used to estimate the value in use; – challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and – reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs 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 ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

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

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

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

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

- 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.

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

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.

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

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

25 March 2021

Han Pui Yu
Practising Certificate No.: P07101

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	415,870	248,275
Cost of sales		(266,965)	(164,142)
Gross profit		148,905	84,133
Other income	5	9,529	4,743
(Expected credit loss ("**ECL**") allowance)/Reversal of ECL allowance on trade and other receivables		(6,162)	4,534
Administrative expenses		(77,265)	(52,353)
Listing-related expenses		–	(17,693)
Finance costs	6(a)	(187)	(150)
Profit before income tax	6(b)	74,820	23,214
Income tax expense	8	(14,843)	(9,421)
Profit for the year		59,977	13,793
Other comprehensive expense for the year			
Items that may be reclassified subsequently to profit or loss:			
– Exchange differences on translation of financial statements of overseas operations		(5,573)	–
Total comprehensive income for the year		54,404	13,793
Profit for the year attributable to:			
Equity shareholders of the Company		56,357	13,793
Non-controlling interests		3,620	–
		59,977	13,793
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		50,784	13,793
Non-controlling interests		3,620	–
		54,404	13,793
Earnings per share attributable to equity shareholders of the Company (expressed in RMB cents)			
Basic and diluted	10	12.76	3.97

The notes on pages 135 to 233 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Non-current assets			
Property, plant and equipment	12	13,886	6,806
Intangible assets	13	24,869	2,657
Investment properties	14	29,817	30,902
Goodwill	15	59,626	–
Deposits paid for acquisition of subsidiaries	17	7,800	24,875
Deferred tax assets	21	6,573	2,726
		142,571	67,966
Current assets			
Inventories	16	178	106
Trade and other receivables	17	167,544	38,755
Financial assets at fair value through profit or loss	18	11,446	–
Bank balances and cash		291,507	199,829
		470,675	238,690
Current liabilities			
Contract liabilities	4(a)	80,444	58,297
Trade and other payables	19	178,070	73,935
Lease liabilities	20	1,970	1,918
Income tax liabilities		13,004	1,262
		273,488	135,412
Net current assets		197,187	103,278
Total assets less current liabilities		339,758	171,244
Non-current liabilities			
Lease liabilities	20	642	2,188
Deferred tax liabilities	21	11,917	4,600
		12,559	6,788
Net assets		327,199	164,456

Consolidated Statement of Financial Position

As at 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
EQUITY			
Share capital	*22*	**34**	28
Reserves	*23*	**307,136**	164,428
Equity attributable to equity shareholders of the Company		**307,170**	164,456
Non-controlling interests		**20,029**	–
Total equity		**327,199**	164,456

Wang Wenhao
Director

Hu Hongfang
Director

The notes on pages 135 to 233 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000* *(note 22)*	Share premium* *RMB'000* *(note 23(a))*	Capital reserve* *RMB'000* *(note 23(c))*	Statutory reserve* *RMB'000* *(note 23(b))*	Exchange reserve* *RMB'000* *(note 23(d))*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000* *(note 29)*	Total equity *RMB'000*
Balance at 1 January 2019	–**	–	34,226	9,019	–	36,861	80,106	–	80,106
Profit and total comprehensive income for the year	–	–	–	–	–	13,793	13,793	–	13,793
Transactions with owners									
– Dividend paid	–	–	–	–	–	(25,400)	(25,400)	–	(25,400)
– Capitalisation issue *(note 22(i))*	21	(21)	–	–	–	–	–	–	–
– Issuance of new shares in connection with the listing of the Company's shares *(note 22(ii))*	7	112,452	–	–	–	–	112,459	–	112,459
– Share issuance expenses *(note 22(ii))*	–	(16,502)	–	–	–	–	(16,502)	–	(16,502)
– Appropriation to statutory reserve	–	–	–	640	–	(640)	–	–	–
Total transactions with owners	28	95,929	–	640	–	(26,040)	70,557	–	70,557
Balance at 31 December 2019	28	95,929	34,226	9,659	–	24,614	164,456	–	164,456

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000* *(note 22)*	Share premium* *RMB'000* *(note 23(a))*	Capital reserve* *RMB'000* *(note 23(c))*	Statutory reserve* *RMB'000* *(note 23(b))*	Exchange reserve* *RMB'000* *(note 23(d))*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000* *(note 29)*	Total equity *RMB'000*
Balance at 1 January 2020	28	95,929	34,226	9,659	–	24,614	164,456	–	164,456
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	56,357	56,357	3,620	59,977
Other comprehensive expense for the year									
– Exchange differences on translation of financial statements of overseas operations	–	–	–	–	(5,573)	–	(5,573)	–	(5,573)
	–	–	–	–	(5,573)	56,357	50,784	3,620	54,404
Transactions with owners									
– Issue of shares upon placing of shares *(note 22(iii))*	6	93,324	–	–	–	–	93,330	–	93,330
– Issuance expenses of placing of new shares *(note 22(iii))*	–	(1,400)	–	–	–	–	(1,400)	–	(1,400)
– Acquisitions of subsidiaries	–	–	–	1,637	–	(1,637)	–	16,409	16,409
– Appropriation to statutory reserve	–	–	–	3,099	–	(3,099)	–	–	–
Total transactions with owners	6	91,924	–	4,736	–	(4,736)	91,930	16,409	108,339
Balance at 31 December 2020	**34**	**187,853**	**34,226**	**14,395**	**(5,573)**	**76,235**	**307,170**	**20,029**	**327,199**

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

** The balance represents amount less than RMB1,000.

The notes on pages 135 to 233 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Profit before income tax		74,820	23,214
Adjustments for:			
Amortisation of intangible assets	6(b)	2,397	257
Depreciation of property, plant and equipment	6(b)	3,689	2,055
Depreciation of investment properties	6(b)	1,085	1,086
Interest expenses	6(a)	187	150
Bank interest income	5	(954)	(654)
ECL allowance on trade and other receivables	6(b)	6,162	–
Recovery of bad debts	5	(4,416)	–
Reversal of ECL allowance on trade and other receivables		–	(4,534)
Loss on disposal of property, plant and equipment	6(b)	35	28
Operating profit before working capital changes		83,005	21,602
Increase in inventories		(72)	(38)
(Increase)/Decrease in deposits, trade and other receivables		(88,249)	43,204
Increase/(Decrease) in contract liabilities		8,320	(14,819)
Increase/(Decrease) in trade and other payables		24,201	(9,977)
Cash generated from operations		27,205	39,972
Interest received		954	654
Income tax paid		(11,140)	(20,561)
Net cash from operating activities		17,019	20,065
Cash flows from investing activities			
Purchase of property, plant and equipment		(2,469)	(751)
Proceeds from disposal of property, plant and equipment		5	–
Purchase of intangible assets		(3,693)	(1,990)
Acquisitions of subsidiaries, net of cash acquired	26(v)	4,145	–
(Increase)/Decrease in amounts due from related parties		(524)	7,647
Deposits paid for acquisitions of subsidiaries	25(b)	(7,800)	(24,875)
Net cash used in investing activities		(10,336)	(19,969)

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Cash flows from financing activities			
Repayment of amounts due to related parties	30(b)	(1,308)	(5,346)
Advance from related parties	30(b)	2,283	1,308
Payment of lease liabilities	30(b)	(2,337)	(1,203)
Dividend paid		–	(25,400)
Proceed from issuance of new shares in connection with the listing of the Company's shares		–	112,459
Proceed from issuance of shares upon placement of shares	22(iii)	93,330	–
Payment of share issuance expenses	22(iii)	(1,400)	(16,502)
Net cash from financing activities		90,568	65,316
Net increase in cash and cash equivalents		97,251	65,412
Cash and cash equivalents at the beginning of the year		199,829	134,417
Effect of foreign exchange rate changes		(5,573)	–
Cash and cash equivalents at the end of the year, represented by bank balances and cash		291,507	199,829

The notes on pages 135 to 233 are an integral part of these consolidated financial statements.

1. GENERAL INFORMATION

Hevol Services Group Co. Limited (the "**Company**") was incorporated in the Cayman Islands on 28 May 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**").

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors, the immediate and ultimate holding company of the Company is Brilliant Brother Group Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The controlling shareholder of the Group is Mr. Liu Jiang ("**Mr. Liu**" or the "**Controlling Shareholder**").

The consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated.

The consolidated financial statements for the year ended 31 December 2020 were approved for issue by the board of directors on 25 March 2021.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with applicable International Financial Reporting Standards ("**IFRSs**") which includes all applicable individual IFRS, International Accounting Standards ("**IAS**"), amendments and interpretations issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss ("**FVTPL**") (see note 2.9) which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 below.

Change in functional currency of the Company

In prior years, the directors regarded RMB as the functional currency of the Company. As a result of the substantial increase in the amount of Hong Kong Dollars ("**HK$**") denominated transactions in the capital market such as the placing which was completed in 2020, the directors have determined to change the functional currency of the Company from RMB to HK$ from 1 January 2020 accordingly.

The change in functional currency of the Company was applied prospectively from the date of change in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates".

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Amended IFRSs adopted by the Group and changes in accounting policies

In the current year, the Group has applied for the first time the following amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2020:

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

Other than as noted below, the adoption of the amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to IFRS 3 "Definition of a Business"

The amendments narrowed and clarified the definition of a business, with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:

– clarify that a business is considered as an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. Guidance and illustrative examples are provided to help entities assess whether a substantive process has been acquired;

– narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 Amended IFRSs adopted by the Group and changes in accounting policies (Continued)

Amendments to IFRS 3 "Definition of a business" (Continued)

The amendments (Continued):

- add an optional concentration test that permits simplified assessment of whether an acquired set of activities and assets is not a business; and
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs.

The application of these amendments has had no material impact on the Group's consolidated financial statements.

Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments clarify the definition of material and state that "information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity". Materiality depends on nature or magnitude of information or both.

The amendments also:

- introduce the concept of obscuring information when considering materiality and provide some examples of circumstances that may result in material information being obscured;
- clarify that materiality assessment will need to take into account how primary users could reasonably be expected to be influenced in making economic decisions by replacing the threshold "could influence" with "could reasonably be expected to influence" in the definition of material; and
- clarify that materiality assessment will need to take into account of information provided to primary users of general purpose financial statements (i.e. existing and potential investors, lenders and other creditors that rely on general purpose financial statements for much of the financial information they need).

The application of these amendments has had no material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Issued but not effective IFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended IFRSs have been published but are not yet effective, and have not been adopted early by the Group.

IFRS 17	Insurance Contract and related amendments[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[5]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[1]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendments to IFRS 16	Covid-19-Related Rent Concessions[6]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020[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 Effective date not yet determined
5 Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022
6 Effective for annual periods beginning on or after 1 June 2020

The directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. Information on new and amended IFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended IFRSs are not expected to have a material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Issued but not effective IFRSs (Continued)

*Amendments to IFRS 16 "Covid-19-Related Rent Concessions" ("**Amendments to IFRS 16**")*

Amendments to IFRS 16 only apply to lessee accounting and have no effect on lessor accounting. The amendments provide a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 ("**COVID-19-Related Rent Concessions**") are lease modification and, instead, account for those rent concessions as if they were not lease modifications.

The practical expedient is only applicable to COVID-19-Related Rent Concessions and only if all of the following conditions are met:

– 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;

– any reduction in lease payments affects only payments originally due on or before 30 June 2021 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

– there is no substantive change to other terms and conditions of the lease.

A lessee that chooses to apply this practical expedient would be required to apply it consistently to all lease contracts with similar characteristics and in similar circumstances. Additional disclosures are required if this practical expedient are used.

Amendments to IFRS 16 is effective for annual reporting period beginning on or after 1 June 2020. A lessee shall apply the amendments retrospectively, recognising the cumulative effect of initial applying the amendment as an adjustment to the opening balance of retained profits (or other component of equity, as appropriate) at the beginning of the annual period in which the lessee first applies the amendments. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Issued but not effective IFRSs (Continued)

*Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" ("**Amendments to IAS 1**")*

The amendments provide further guidance to clarify how to classify debt and other liabilities as current or non-current which are summarised as follows:

– It clarifies that a liability is non-current if an entity have a right (instead of unconditional right as stated before the amendments) to defer settlement of the liability for at least twelve months from reporting date. This right has to be existed at the reporting date, regardless of whether the lender tests for compliance at that date or at a later date;

– Any expectations about events after the reporting period do not impact the assessment made at the reporting date as to the classification of the liability; and

– "Settlements" are newly defined as a transfer to the counterparty that results in the extinguishment of the liability. The transfer could be of cash, other economic resources (e.g. goods or services), or entity's own equity instruments. Thus, if the counterparty conversion option is classified as liability under IAS 32 "Financial Instruments: Presentation" ("**IAS 32**"), the transfer of equity instruments by exercising the conversion option constitute settlement of liability for the purpose of current or non-current classification of liabilities. One exception to the definition is that if the counterparty conversion option is classified as equity in accordance with IAS 32, the transfer of equity instruments by exercising the conversion option does not constitute settlement of liability and would be disregarded when determining whether the liabilities are current or non-current.

Amendments to IAS 1 is effective for annual reporting period beginning on or after 1 January 2023 and apply retrospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

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

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

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

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

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

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

2.4 Foreign currency translation

Items included in the consolidated financial statements of each of the group entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The functional currency of the Company is changed to HK$ prospectively from 1 January 2020. The consolidated financial statements are presented in RMB as the functional currency of the Group's major operating subsidiaries is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation (Continued)

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates and are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2.5 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses (note 2.20). The cost (other than cost of right-of-use assets as described in note 2.14) comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Furniture and fixtures and office equipment	20%
Motor vehicles	20%-33.3%

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment (Continued)

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

2.6 Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Subsequent to initial recognition, investment properties measured at cost less accumulated depreciation and accumulated impairment losses (note 2.20), if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the term of 20-43 years using a straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

2.7 Intangible assets (other than goodwill)

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific intangible assets. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 2.20).

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	5 years
Customers relationships	6 to 10 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Intangible assets (other than goodwill) (Continued)

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

Intangible assets are tested for impairment as described below in note 2.20.

2.8 Goodwill

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

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units ("**CGUs**") and is tested annually for impairment (see note 2.20).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

Financial assets are classified into the following categories:

– amortised cost; or

– FVTPL.

The classification is determined by both:

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

– the contractual cash flow characteristics of the financial asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Classification and initial measurement of financial assets (Continued)

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance costs" or "Other income", except for expected credit losses ("**ECL**") of financial assets which is presented as a separate item in profit or loss.

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's bank balances and cash and trade and other receivables fall into this category of financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell" are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Financial liabilities

Classification and measurement of financial liabilities

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

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

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Finance costs" or "Other income" in the consolidated statement of profit or loss and other comprehensive income.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

IFRS 9 "Financial Instruments" ("**IFRS 9**")'s new impairment requirements use more forward-looking information to recognise ECL – the "ECL model". The Group's trade and other receivables and bank balances and cash fall within the scope of the ECL model.

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

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

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

Trade receivables

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

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status. The management would also make individual assessment on the recoverability of trade receivables from related parties.

Other financial assets measured at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

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

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

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

– significant financial difficulty of the debtor;

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

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

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

– the disappearance of an active market for that financial asset because of financial difficulties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognised in profit or loss of the period in which the reversal occurs.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 31.2.

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("**FIFO**") method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.9).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases

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

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

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

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

– the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

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

Measurement and recognition of leases as a lessee

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

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

Measurement and recognition of leases as a lessee (Continued)

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments.

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

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Share capital

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

2.17 Revenue recognition

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

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

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

Property management services

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

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

Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Community value-added services are normally billable immediately upon the services are rendered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 Revenue recognition (Continued)

Value-added services to non-property owners

Value-added services to non-property owners include mainly i) on-site sales assistance services, which primarily included cleaning and security services to property developers, which are billed and settled based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided and ii) property delivery related and other consulting services with property developers which are billed on a monthly basis and revenue is recognised when the services are provided.

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

2.18 Interest income

Interest income is recognised on a time proportion basis using the effective interest method.

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets), intangible assets, investment properties, goodwill arising on acquisitions of subsidiaries, deposits paid for acquisition of subsidiaries and investment in subsidiaries in the statement of financial position of the Company are subject to impairment testing. Goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Impairment of non-financial assets (Continued)

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

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

2.21 Employee benefits

Retirement benefit

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

Contributions are recognised as an expense in profit or loss as employees rendered services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Employee benefits (Continued)

Termination benefits

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

2.22 Accounting for income tax

Income tax comprises current tax and deferred tax.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Accounting for income tax (Continued)

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

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

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

The determination of the average tax rates requires an estimation of (i) when the existing temporary differences will reverse and (ii) the amount of future taxable profit in those years. The estimate of future taxable profit includes:

– income or loss excluding reversals of temporary differences; and

– reversals of existing temporary differences.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Accounting for income tax (Continued)

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

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

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

(i) the same taxable entity; or

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

2.23 Segment reporting

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

2.24 Dividend distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Related parties

For the purpose of these consolidated financial statements, 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 if that person:

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

(ii) has significant influence over the Group; or

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

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

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

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

(iii) the entity and the Group are joint ventures of the same third party.

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.25 Related parties (Continued)

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

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

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

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimation uncertainties

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

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainties (Continued)

Estimation of fair value of customers relationships and recognition of goodwill arising from business combinations

Significant judgements and estimates were involved in the fair value assessment of customers relationships and recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly including the average annual and long-term growth rates of revenue, profit margin, discount rates, retention rates and expected useful lives of the property management contracts and customers relationships). Changes in assumptions relating to these factors could result in material adjustments to the carrying amounts of customers relationships and goodwill. See notes 13 and 15 respectively for more details.

Estimation of ECL allowance on trade and other receivables

The Group makes ECL allowances on trade and other receivables based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at each reporting date.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and provision for impairment in the periods in which such estimate has been changed.

As at 31 December 2020, the carrying amount of trade and other receivables within the scope of the ECL model was amounted to RMB165,797,000 (2019: RMB37,347,000). Details of the ECL allowance on trade and other receivables are set out in note 31.2.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainties (Continued)

Goodwill impairment assessment

For the purposes of annual goodwill impairment assessment, management considered each of the acquired property management companies as a separate CGU and goodwill has been allocated to each of the acquired property management companies. Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value in use calculations. Significant judgements and estimates were involved in the goodwill impairment assessment. These significant judgements and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include average annual and long-term growth rates of revenue, profit margin and discount rates. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. See note 15 for more details.

As at 31 December 2020, the carrying amount of goodwill was RMB59,626,000 (2019: RMBNil). No impairment loss was recognised during the years ended 31 December 2020 and 2019.

Impairment of property, plant and equipment, intangible assets (other than goodwill) and investment properties

Property, plant and equipment, intangible assets (other than goodwill) and investment properties are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. When such a decline has occurred, the carrying amount is reduced to recoverable amount. The recoverable amounts of the assets have been determined based on the higher of fair value less cost of disposal and value in use calculations. These calculations require the use of judgement and estimates. Changes in assumptions and estimates could materially affect the recoverable amount used in the impairment test.

As at 31 December 2020, the carrying values of property, plant and equipment, intangible assets and investment properties of the Group were approximately RMB13,886,000 (2019: RMB6,806,000), RMB24,869,000 (2019: RMB2,657,000) and RMB29,817,000 (2019: RMB30,902,000) respectively. No impairment loss was recognised during the years ended 31 December 2020 and 2019.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainties (Continued)

Current and deferred income taxes

As detailed in note 8, the Group is subject to enterprise income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. The details of the deferred tax assets are set out in note 21.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed retained profits of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred tax liabilities of approximately RMB104,832,000 (2019: RMB41,862,000) would be provided as at 31 December 2020 (note 21).

Determination of the lease term in lease contracts

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and all the corresponding right-of-use assets included in property, plant and equipment. During the years ended 31 December 2020 and 2019, all extension options in leases of office premises, heating facility and staff quarters have not been included in the calculation of lease liabilities.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the CODM, being the executive directors of the Group. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Revenue from external customers and recognised over time		
Property management services	259,314	168,379
Community value-added services	74,916	51,968
Value-added services to non-property owners	79,480	25,791
	413,710	246,138
Leasing income (not within the scope of IFRS 15)		
Community value-added services	2,160	2,137
	415,870	248,275

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2020 and 2019, substantially all of the non-current assets (other than deferred tax assets and financial instruments) of the Group and the location of the operation to which intangible assets and goodwill allocated were located in the PRC.

Information about major customers

For the year ended 31 December 2020, revenue from companies controlled by the Controlling Shareholder contributed 16.9% (2019: 15.3%) of the Group's revenue. Other than companies controlled by the Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

a) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2020	2019
	RMB'000	*RMB'000*
Contract liabilities	**80,444**	58,297

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Increase in contract liabilities as a result from the growth of the Group's business and more advance payments were made by the property owners.

4. REVENUE AND SEGMENT INFORMATION (Continued)

b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised related to carried-forward contract liabilities.

	2020 *RMB'000*	2019 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	52,532	66,653
Community value-added services	3,408	4,313
	55,940	70,966

c) Unsatisfied performance obligations

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time and there is no unsatisfied performance obligation at the reporting date.

5. OTHER INCOME

	2020 RMB'000	2019 RMB'000
Bank interest income	954	654
Exchange gain	–	1,348
Recovery of bad debts	4,416	–
Government subsidy income *(note)*	3,412	2,493
Sundry income	747	248
	9,529	4,743

Note:

During the years ended 31 December 2020 and 2019, government subsidy income mainly relate to cash subsidies granted by the PRC government in respect of value-added tax relief and operating activities which are either unconditional or with conditions that having been satisfied.

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

		2020 *RMB'000*	2019 *RMB'000*
(a)	**Finance costs**		
	Interest expenses on lease liabilities	**187**	150
(b)	**Other items**		
	Auditor's remuneration	**1,616**	1,216
	Amortisation of intangible assets *(note 13)*	**2,397**	257
	Depreciation of property, plant and equipment		
	– Owned assets	**1,513**	941
	– Right-of-use assets	**2,176**	1,114
	Depreciation of investment properties *(note 14)*	**1,085**	1,086
	Legal and professional fees	**9,167**	5,962
	Loss on disposal of property, plant and equipment	**35**	28
	Lease charges:		
	– Short-term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16 on 1 January 2019	**612**	146

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 RMB'000	2019 RMB'000
Salaries, bonus and allowances	101,818	61,975
Retirement benefit scheme contributions *(note)*	4,920	11,349
Severance payments	357	865
Other employee benefits	9,359	6,235
	116,454	80,424

Note:

During the year ended 31 December 2020, the decrease in retirement benefit scheme contributions was primarily due to the exemption of social insurance contributions as a result of regulatory supportive policies issued by the PRC local governments in response to the outbreak of COVID-19.

8. INCOME TAX EXPENSE

	Note	2020 RMB'000	2019 RMB'000
Current tax – PRC enterprise income tax			
Current year		16,015	7,381
Deferred tax	*21*		
Origination and reversal of temporary differences		(826)	1,135
Effect on deferred tax balances resulting from changes in tax rates		(346)	905
		(1,172)	2,040
Total income tax expense		14,843	9,421

8. INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charge in the consolidated statement of profit or loss and comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2020 *RMB'000*	2019 *RMB'000*
Profit before income tax	**74,820**	23,214
Tax on profit before income tax, calculated at the statutory rates applicable to the tax jurisdiction concerned	**14,870**	8,064
Tax effect on non-deductible expenses	**279**	279
Tax effect on non-taxable income	**–**	(92)
Tax effect of tax losses not recognised	**462**	690
Utilisation of tax losses previously not recognised	**(422)**	(425)
Effect on deferred tax balances resulting from changes in tax rates	**(346)**	905
Income tax expense	**14,843**	9,421

Notes:

(A) CAYMAN ISLANDS INCOME TAX

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly, is exempted from Cayman Islands income tax.

(B) BVI INCOME TAX

Pursuant to the relevant rules and regulations of BVI, the Group is not subject to any income tax in BVI for the years ended 31 December 2020 and 2019.

(C) HONG KONG PROFITS TAX

The provision for Hong Kong profits tax for the year ended 31 December 2020 is calculated at 16.5% of the estimated assessable profits for the year. For the year ended 31 December 2020, a subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%.

No Hong Kong profits tax has been provided for the year ended 31 December 2019 as the Group did not derive any assessable profit arising in Hong Kong during the year ended 31 December 2019.

8. INCOME TAX EXPENSE (Continued)

Notes (Continued):

(D) PRC ENTERPRISE INCOME TAX

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the years ended 31 December 2020 and 2019, based on the existing legislation, interpretations and practices in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Program was 15% for the years ended 31 December 2020 and 2019.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2020 and 2019. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises are entitled to a tax concession for 75% and 50% of its taxable income for the annual taxable income of less than RMB1,000,000 and the portion that exceeds RMB1,000,000 but does not exceed RMB3,000,000 (inclusive) for the years ended 31 December 2020 and 2019, respectively.

(E) PRC WITHHOLDING INCOME TAX

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: RMBNil).

In 2019, a special dividend of RMB25,400,000 had been declared, approved and paid to its then shareholders.

10. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Capitalisation Issue (as defined and detailed in note 22(i)) as if the Capitalisation Issue had been completed on 1 January 2019.

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2020	2019
Profit attributable to equity shareholders of the Company *(RMB'000)*	**56,357**	13,793
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**441,749**	347,397
Basic earnings per share *(expressed in RMB cents)*	**12.76**	3.97

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2020 and 2019 equals to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	Notes	Fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
2020					
Executive directors:					
Mr. Wang Wenhao *(Chief Executive Officer)*	*(i)*	–	592	34	626
Ms. Hu Hongfang		–	484	–	484
Non-executive directors:					
Mr. Liu *(Chairman)*		–	–	–	–
Mr. Zhou Wei		–	–	–	–
Independent non-executive directors:					
Mr. Qian Hongji		160	–	–	160
Dr. Li Yongrui		160	–	–	160
Mr. Fan Chi Chiu		160	–	–	160
Dr. Chen Lei		160	–	–	160
		640	1,076	34	1,750

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

Name of director	Notes	Fees *RMB'000*	Basic salaries and allowances *RMB'000*	Retirement benefit scheme contributions *RMB'000*	Total *RMB'000*
2019					
Executive directors:					
Mr. Wang Wenhao *(Chief Executive Officer)*	*(i), (ii)*	–	330	101	431
Ms. Hu Hongfang		–	358	–	358
Non-executive directors:					
Mr. Liu *(Chairman)*		–	–	–	–
Mr. Zhou Wei	*(ii)*	–	249	33	282
Independent non-executive directors:					
Mr. Qian Hongji	*(iii)*	87	–	–	87
Dr. Li Yongrui	*(iii)*	87	–	–	87
Mr. Fan Chi Chiu	*(iii)*	87	–	–	87
Dr. Chen Lei	*(iii)*	87	–	–	87
		348	937	134	1,419

Notes:

(i) Mr. Wang Wenhao is also the chief executive officer of the Group.

(ii) Appointed on 13 February 2019.

(iii) Appointed on 14 June 2019.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group for the years ended 31 December 2020 and 2019.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2020 and 2019.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 2 (2019: 2) directors whose emoluments are reflected in the analysis presented in note 11(a). The emoluments paid to the remaining 3 (2019: 3) individuals during the year are as follows:

	2020	2019
	RMB'000	*RMB'000*
Basic salaries and allowances	**1,539**	890
Retirement benefit scheme contributions	**78**	246
	1,617	1,136

The emoluments fell within the following bands:

	2020	2019
	Number of individuals	
Emolument bands		
HK$Nil – HK$1,000,000	**3**	3

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2020 and 2019.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures and office equipment RMB'000	Motor vehicles RMB'000	Office premises RMB'000	Heating facility RMB'000	Staff quarters RMB'000	Total RMB'000
At 1 January 2019	–	1,808	1,171	896	–	–	3,875
Year ended 31 December 2019							
Opening net book amount	–	1,808	1,171	896	–	–	3,875
Additions	–	724	27	3,256	1,007	–	5,014
Disposal	–	(28)	–	–	–	–	(28)
Depreciation	–	(720)	(221)	(711)	(403)	–	(2,055)
Closing net book amount	–	1,784	977	3,441	604	–	6,806
At 31 December 2019							
Cost	–	5,639	4,603	4,152	1,007	–	15,401
Accumulated depreciation	–	(3,855)	(3,626)	(711)	(403)	–	(8,595)
Net book amount	–	1,784	977	3,441	604	–	6,806
Year ended 31 December 2020							
Opening net book amount	–	1,784	977	3,441	604	–	6,806
Acquisitions of subsidiaries *(note 26)*	6,900	794	200	–	–	212	8,106
Additions	–	2,178	291	234	–	–	2,703
Disposal	–	(40)	–	–	–	–	(40)
Depreciation	(358)	(922)	(433)	(1,560)	(403)	(13)	(3,689)
Closing net book amount	6,542	3,794	1,035	2,115	201	199	13,886
At 31 December 2020							
Cost	6,900	8,091	5,086	4,386	1,007	212	25,682
Accumulated depreciation	(358)	(4,297)	(4,051)	(2,271)	(806)	(13)	(11,796)
Net book amount	6,542	3,794	1,035	2,115	201	199	13,886

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charges recognised is analysed as follows:

	2020 RMB'000	2019 RMB'000
Cost of sales	1,020	995
Administrative expenses	2,669	1,060
	3,689	2,055

As at 31 December 2020, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation	
	As at 31 December 2020 RMB'000	As at 31 December 2019 RMB'000	for the year ended 31 December 2020 RMB'000	for the year ended 31 December 2019 RMB'000
Motor vehicles	–	–	200	–
Office premises	2,115	3,441	1,560	711
Heating facility	201	604	403	403
Staff quarters	199	–	13	–
	2,515	4,045	2,176	1,114

During the year ended 31 December 2020, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB234,000 (note 30(a)) (2019: RMB4,263,000). The details in relation to these leases are set out in note 20.

13. INTANGIBLE ASSETS

	Customers relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2019			
Cost	–	1,403	1,403
Accumulated amortisation	–	(479)	(479)
Net book amount	–	924	924
Year ended 31 December 2019			
Opening net book amount	–	924	924
Additions	–	1,990	1,990
Amortisation	–	(257)	(257)
Closing net book amount	–	2,657	2,657
At 31 December 2019 and 1 January 2020			
Cost	–	3,391	3,391
Accumulated amortisation	–	(734)	(734)
Net book amount	–	2,657	2,657

13. INTANGIBLE ASSETS (Continued)

	Customers relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2020			
Opening net book amount	–	2,657	2,657
Acquisitions of subsidiaries *(note 26)*	20,875	41	20,916
Additions	–	3,693	3,693
Amortisation	(1,238)	(1,159)	(2,397)
Closing net book amount	19,637	5,232	24,869
At 31 December 2020			
Cost	20,875	7,125	28,000
Accumulated amortisation	(1,238)	(1,893)	(3,131)
Net book amount	19,637	5,232	24,869

Amortisation charges recognised is analysed as follows:

	2020 *RMB'000*	2019 *RMB'000*
Cost of sales	20	–
Administrative expenses	2,377	257
	2,397	257

14. INVESTMENT PROPERTIES

	2020 *RMB'000*	2019 *RMB'000*
Opening net book amount	30,902	31,988
Depreciation	(1,085)	(1,086)
Closing net book amount	29,817	30,902

All of the Group's investment properties were purchased from the then shareholder of the Group, Hevol Real Estate Group Limited (和泓置地集團有限公司,"**Hevol Real Estate**") and its subsidiaries, which are under control by the Controlling Shareholder. The investment properties are held to earn rentals or for capital appreciation.

As at 31 December 2020, the carrying amount of the Group's investment properties attributable to the properties without the relevant title certificates was approximately RMB29,817,000 (2019: RMB30,902,000). The Group has obtained effective control to these investment properties through contractual arrangements with the sellers of the investment properties who hold the title certificates (the "**Contractual Arrangement**"). Pursuant to the Contractual Arrangement, the Group was entitled to occupy, use, dispose and lease these properties notwithstanding the absence of title certificates. As advised by the Company's PRC legal advisor, the Group had significant risks and rewards of these properties under the Contractual Arrangement. As such, the control, significant risks and rewards of these properties were vested with the Group and the Group had recognised these properties as investment properties.

14. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are depreciated on a straight-line basis over the term of right of use.

As at 31 December 2020, the fair value of the Group's investment properties was approximately RMB122,600,000 (2019: RMB126,900,000). Valuations of the Group's investment properties as at 31 December 2020 and 2019 were carried out by an independent professional qualified valuer, Savills Valuation and Professional Services Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. The fair value of investment properties is a level 3 fair value measurement and is determined using market comparison approach by reference to recent market price for similar properties. The fair values of the properties without relevant title certificates were estimated as if the Group had valid title certificates. There were no changes to the valuation methodologies during the years ended 31 December 2020 and 2019. Increase/(Decrease) in market unit rate would result in an increase/(decrease) in the fair value of the investment properties.

The following amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2020 ***RMB'000***	2019 *RMB'000*
Leasing income (not within the scope of IFRS 15) included in revenue from value-added services	**2,160**	2,137

Apart from depreciation charges of the investment properties, the Group has no material direct operating expenses arising from investment properties that generate leasing income.

15. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	2020 *RMB'000*	2019 *RMB'000*
As at 1 January	–	–
Acquisitions of subsidiaries *(note 26)*	59,626	–
As at 31 December	**59,626**	–

During the year ended 31 December 2020, the Group completed the acquisitions of five subsidiaries (see note 26). Total identifiable net assets of these companies as at their respective acquisition dates amounted to approximately RMB42,624,000. The excess of the consideration transferred and the amount of the non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill of RMB59,626,000 has been allocated to the CGUs of the respective subsidiaries acquired during the year for impairment testing. Management performed an impairment assessment on the goodwill at the reporting date. The recoverable amounts of these subsidiaries are determined based on value in use calculations based on five-year financial budgets. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Revenue growth rate during the forecast period	3% to 15%
Gross profit margin during the forecast period	25% to 46%
Terminal growth rate	3%
Pre-tax discount rate	17.0% to 19.4%

15. GOODWILL (Continued)

Based on management's assessment on the recoverable amounts of the subsidiaries acquired during the year, no impairment provision was considered necessary as at 31 December 2020.

16. INVENTORIES

	2020 *RMB'000*	2019 *RMB'000*
Materials to be used in value-added services	**13**	13
Consumable parts	**165**	93
Closing net book amount	**178**	106

17. TRADE AND OTHER RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables	*(a)*		
– Third parties		71,159	36,111
– Related parties	*27(b)*	50,147	4,104
		121,306	40,215
Less: ECL allowance of trade receivables		(17,009)	(10,847)
		104,297	29,368
Other receivables	*(b)*		
Deposits, prepayment and other receivables		18,213	28,045
Other deposits		33,495	473
Payment on behalf of property owners		18,362	5,550
Advances to employees		453	194
Amounts due from related parties	*27(b)*	524	–
		71,047	34,262
Less:			
Deposits paid for acquisitions of subsidiaries included in non-current assets	*25(b)*	(7,800)	(24,875)
		63,247	9,387
		167,544	38,755

17. TRADE AND OTHER RECEIVABLES (Continued)

a) Trade receivables

Trade receivables mainly arise from property management services and value-added services.

Property management services income are received in accordance with the term of the relevant property service agreements. Service income is due for payment upon rendering of services.

The ageing analysis of trade receivables based on invoice date, net of ECL allowance, is as follows:

	2020 *RMB'000*	2019 *RMB'000*
0 – 90 days	66,652	11,772
91 – 180 days	10,232	4,121
181 – 365 days	14,276	5,262
1 to 2 years	7,445	3,727
Over 2 years	5,692	4,486
	104,297	29,368

The movement in the ECL allowance of trade receivables is as follows:

	2020 *RMB'000*	2019 *RMB'000*
Balance at the beginning of the year	10,847	13,636
ECL allowance recognised/(reversed)	6,162	(2,789)
Balance at the end of the year	17,009	10,847

17. TRADE AND OTHER RECEIVABLES (Continued)

a) Trade receivables (Continued)

The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors. Details of the credit risk and provision of ECL allowance are set out in note 31.2.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

b) Other receivables

Payment on behalf of property owners

The balance mainly represents the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Other deposits

Other deposits mainly represent deposits paid to property developers or owners' committee at the inception of entering into property management services contracts.

ECL allowance of other receivables measured at amortised cost

Impairment on other receivables from third parties (excluding prepayments and advance to employees) are assessed collectively and individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment on amounts due from related parties was limited to 12-month ECL since the related parties have a strong capacity to meet its contractual cash flow in the near term.

17. TRADE AND OTHER RECEIVABLES (Continued)

b) Other receivables (Continued)

ECL allowance of other receivables measured at amortised cost (Continued)

The movement of gross balance of other receivables measured at amortised cost is as follows:

	Stage 1
	RMB'000
Balance at 1 January 2019	14,180
New loans/amounts originated	476,228
Loans/amounts recovered or repaid during the year	(482,429)
Balance at 31 December 2019 and 1 January 2020	**7,979**
Acquisitions of subsidiaries	**14,373**
New loans/amounts originated	**460,012**
Loans/amounts recovered or repaid during the year	**(420,864)**
Balance at 31 December 2020	**61,500**

17. TRADE AND OTHER RECEIVABLES (Continued)

b) Other receivables (Continued)

ECL allowance of other receivables measured at amortised cost (Continued)

The movement in the ECL allowance of other receivables measured at amortised cost is as follows:

	Stage 1
	RMB'000
Balance at 1 January 2019	1,745
ECL allowance reversed	(1,745)
Balance at 31 December 2019, 1 January 2020 and 31 December 2020	–

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Note	**2020**	2019
		RMB'000	*RMB'000*
Wealth management products	*(a)*	**11,446**	–

Note:

a) The Group invested in various wealth management products. These products have no fixed term and have an expected return rate ranging from 2.12% to 5.12% per annum. The fair values of these investments were determined based on the expected return rate as stipulated in relevant contracts with the counterparties. The significant unobservable input for the fair value measurement is the expected annual return rate. The higher the expected annual return rate, the higher the fair value. The fair value of the Group's investments in wealth management products have been measured as described in note 31.6.

19. TRADE AND OTHER PAYABLES

	Notes	**2020** **RMB'000**	2019 *RMB'000*
Trade payables			
– Third parties	*(a)*	**35,855**	10,513
Other payables			
Accrued charges and other payables		**16,483**	10,140
Renovation deposits collected from property owners		**22,306**	9,067
Amounts collected on behalf of property owners		**55,982**	20,997
Other tax liabilities		**9,480**	3,763
Staff costs and welfare accruals		**35,681**	18,147
Amounts due to related parties	*27(b)*	**2,283**	1,308
		142,215	63,422
		178,070	73,935

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	2020 **RMB'000**	2019 *RMB'000*
0 to 30 days	**27,319**	9,000
31 to 180 days	**7,346**	952
181 to 365 days	**532**	6
Over 1 year	**658**	555
	35,855	10,513

20. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2020 RMB'000	2019 RMB'000
Total lease payments:		
Due within one year	**2,061**	2,094
Due over one year but less than two years	**659**	1,854
Due over two years but less than five years	**–**	411
	2,720	4,359
Future finance charges on lease liabilities	**(108)**	(253)
Present value of lease liabilities	**2,612**	4,106
Present value of the lease payments:		
Due within one year	**1,970**	1,918
Due over one year but less than two years	**642**	1,782
Due over two years but less than five years	**–**	406
	2,612	4,106
Less: Portion due within one year included under current liabilities	**(1,970)**	(1,918)
Portion due after one year included under non-current liabilities	**642**	2,188

As at 31 December 2020, lease liabilities amounting to RMB2,612,000 (2019: RMB4,106,000) carried weighted-average effective interest rate of 5.64% per annum (2019: 5.60% per annum) and are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2020, the total cash outflows for the leases (including short-term leases) are RMB2,949,000 (2019: RMB1,349,000).

20. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2020 and 2019, the Group has entered into leases for office premises, heating facility and staff quarters.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office premises	Office premises in "Property, plant and equipment"	5 (2019: 3)	1 to 2 years (2019: 2 to 3 years)	• Contains an option to renew the lease after the end of the contract by giving a one-month notice to landlord before the end of the contract
Heating facility	Heating facility in "Property, plant and equipment"	1 (2019: 1)	0.5 years (2019: 1.5 years)	• Contains an option to renew the lease after the end of the contract by giving a three-months notice to lessor before the end of the contract
Staff quarters	Staff quarters in "Property, plant and equipment"	2 (2019: Nil)	1 to 3.5 years (2019: Nil)	• Contains an option to renew the lease after the end of the contract by giving a one-month notice to lessor before the end of the contract

The Group considered that no extention option or termination option would be exercised at the lease commencement date.

21. DEFERRED TAXATION

The amounts recognised in the consolidated statement of financial position are as follows:

	2020 **RMB'000**	2019 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	**6,573**	2,726
Deferred tax liabilities recognised in the consolidated statement of financial position	**(11,917)**	(4,600)
Net deferred tax liabilities	**(5,344)**	(1,874)

The movement of net deferred tax assets/(liabilities) are as follows:

	2020 **RMB'000**	2019 RMB'000
At the beginning of the year	**(1,874)**	166
Acquisitions of subsidiaries *(note 26)*	**(4,642)**	–
Recognised in profit or loss *(note 8)*	**826**	(1,135)
Attributable to change in tax rates *(note 8)*	**346**	(905)
At the end of the year	**(5,344)**	(1,874)

21. DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax assets

	Provision and accruals *RMB'000*	ECL allowance on receivables *RMB'000*	Total *RMB'000*
At 1 January 2019	1,775	2,991	4,766
Recognised in profit or loss	(294)	(841)	(1,135)
Attributable to change in tax rates *(note 8)*	(394)	(511)	(905)
At 31 December 2019 and 1 January 2020	1,087	1,639	2,726
Acquisitions of subsidiaries *(note 26)*	260	2,733	2,993
Recognised in profit or loss	630	(122)	508
Attributable to change in tax rates *(note 8)*	244	102	346
At 31 December 2020	**2,221**	**4,352**	**6,573**

Deferred tax liabilities

	Fair value of financial assets at FVTPL *RMB'000*	Fair value adjustments on business combination *RMB'000*	Withholding tax on undistributed earnings *RMB'000*	Total *RMB'000*
At 1 January 2019, 31 December 2019 and 1 January 2020	–	–	(4,600)	(4,600)
Acquisitions of subsidiaries *(note 26)*	(1,879)	(5,756)	–	(7,635)
Recognised in profit or loss	–	318	–	318
At 31 December 2020	**(1,879)**	**(5,438)**	**(4,600)**	**(11,917)**

21. DEFERRED TAXATION (Continued)

As at 31 December 2020, accumulated profits of the Group's subsidiaries established in the PRC amounted to RMB150,832,000 (2019: RMB87,862,000) which would be subject to withholding taxes according to the relevant laws and regulations in the PRC. In the opinion of the directors, the Group controls the dividend policy of these subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

The directors expect to declare and distribute the accumulated profits amounting to RMB46,000,000 in the foreseeable future and accordingly, deferred tax liabilities of RMB4,600,000 was recognised. As at 31 December 2020, the aggregate amount of temporary differences associated undistributed retained earnings for which deferred tax liabilities have not been recognised amounting to approximately RMB104,832,000 (2019: RMB41,862,000).

As at 31 December 2020, the Group had unused tax losses of approximately RMB22,091,000 (2019: RMB14,865,000) to carry forward against future taxable income of certain subsidiaries. No deferred tax asset had been recognised in respect of these losses due to the unpredictability of future profit streams.

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

	2020	2019
	RMB'000	*RMB'000*
2020	**–**	2,822
2021	**2,666**	2,666
2022	**3,691**	3,736
2023	**5,592**	2,881
2024	**7,466**	2,760
2025	**2,676**	–
	22,091	14,865

22. SHARE CAPITAL

	Number of shares	Nominal value of shares *United States dollar ("**US$**")*
Authorised:		
Ordinary shares of US$0.00001 each:		
Ordinary shares at 31 December 2019, 1 January 2020 and 31 December 2020	5,000,000,000	50,000

	Notes	Number of shares	Nominal value of shares *US$*	Equivalent nominal value of shares *RMB'000*
Issued and fully paid:				
Ordinary shares of the Company:				
As at 1 January 2019		104,734	1	–*
Capitalisation issue	*(i)*	299,895,266	2,999	21
Issuance of new shares in connection with the listing of the Company's shares	*(ii)*	100,000,000	1,000	7
As at 31 December 2019 and 1 January 2020		400,000,000	4,000	28
Issue of shares upon placing of shares	*(iii)*	80,000,000	800	6
At 31 December 2020		**480,000,000**	**4,800**	**34**

* The balance represents amount less than RMB1,000.

22. SHARE CAPITAL (Continued)

Notes:

(i) Pursuant to a shareholders resolution dated 14 June 2019, and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed share offering described in the prospectus dated 27 June 2019, the Company capitalised an amount of approximately US$2,999 (equivalents to RMB21,000), standing to the credit of its share premium account and to appropriate such amount as capital to pay up to 299,895,266 shares in full at par (the "**Capitalisation Issue**"). The Capitalisation Issue was completed on 12 July 2019. These shares rank pari passu with the existing shares in all respects.

(ii) On 12 July 2019, upon the listing of its shares on The Stock Exchange of Hong Kong Limited (the "**Listing**"), the Company issued 100,000,000 new ordinary shares at an issue price of HK$1.28 each, and raised gross proceeds of approximately HK$128,000,000 (equivalents to RMB112,459,000), of which approximately RMB7,000 was credited to share capital account and the balance of RMB112,452,000 was credited to the share premium account of the Company. These shares rank pari passu with the existing shares in all respects.

Share issuance expenses mainly include share underwriting commission, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting to RMB16,502,000 was treated as a deduction against the share premium account arising from the issuance.

(iii) On 15 June 2020, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$1.28 per share. On 24 June 2020, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$1.28 per share resulting in raising proceeds, before expenses, of HK$102,400,000 (equivalents to RMB93,330,000), of which RMB6,000 was credited to the share capital account and RMB93,324,000 was credited to the share premium account. The related transaction costs amounted to RMB1,400,000 have been recorded in the share premium account.

23. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

b) Statutory reserve

In accordance with the relevant laws and regulations for the Group's subsidiaries incorporated in the PRC, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

c) Capital reserve

The capital reserve of the Group represents the capital contribution from the shareholders.

d) Exchange reserve

The exchange reserve comprises all foreign exchanges differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4.

23. RESERVES (Continued)

e) The amounts of the Company's reserves and the movements are presented as follows:

	Share premium *RMB'000*	Merger reserve *RMB'000* *(note)*	Exchange reserve *RMB'000*	Accumulated losses *RMB'000*	Total reserves *RMB'000*
At 1 January 2019	–	101,178	–	(11,694)	89,484
Loss for the year	–	–	–	(22,138)	(22,138)
Dividend paid *(note 9)*	–	–	–	(25,400)	(25,400)
Capitalisation issue *(note 22(i))*	(21)	–	–	–	(21)
Issuance of new shares in connection with the listing of the Company's shares *(note 22(ii))*	112,452	–	–	–	112,452
Share issuance expenses *(note 22(ii))*	(16,502)	–	–	–	(16,502)
At 31 December 2019 and 1 January 2020	95,929	101,178	–	(59,232)	137,875
Loss for the year	–	–	–	(6,424)	(6,424)
Other comprehensive expense for the year – Exchange differences on translation of financial statements	–	–	(8,986)	–	(8,986)
	–	–	(8,986)	(6,424)	(15,410)
Issuance of shares upon placement of shares *(note 22(iii))*	93,324	–	–	–	93,324
Issuance expenses of placing of new shares *(note 22(iii))*	(1,400)	–	–	–	(1,400)
At 31 December 2020	**187,853**	**101,178**	**(8,986)**	**(65,656)**	**214,389**

Note: Merger reserve represents the difference between the fair values of the subsidiaries being acquired and the nominal value of the Company's shares capital issued in exchange.

As at 31 December 2020, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB223,375,000 (2019: RMB137,875,000).

24. SHARE OPTION SCHEME

On 14 June 2019 (the "**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants to work towards enhancing the value of the Company and the shareholders as a whole.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue.

No option of the Company was granted to the Company's employees and other eligible participants since the Adoption Date and up to the date of these consolidated financial statements.

25. COMMITMENTS

a) Lease commitments

As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2020 ***RMB'000***	2019 *RMB'000*
Within one year	**686**	686
After one year but within two years	**686**	686
After two years but within three years	**686**	686
After three years but within four years	**686**	686
After four years but within five years	**685**	685
After five years	**343**	1,029
	3,772	4,458

25. COMMITMENTS (Continued)

a) Lease commitments (Continued)

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2020	2019
	RMB'000	*RMB'000*
Within one year	**270**	60

b) Capital commitments

Capital commitments outstanding at 31 December 2020 not provided for were as follows:

	2020	2019
	RMB'000	*RMB'000*
Acquisitions of subsidiaries *(note)*	**50,700**	4,715

Note:

On 3 November 2020, Guizhou Furuiying Information Consultancy Limited ("**Guizhou WFOE**"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Huang Jiahong (黃加紅) ("**Seller A**"), Mr. Yang Xuepeng (楊學鵬) ("**Seller B**") and Mr. Song Yunhan (宋運漢) ("**Seller C**" and together with Seller A and Seller B, the "**Sellers**"), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd. ("**Zhongshan Zhongzheng**") (中山市中正物業管理有限公司), from the Sellers for an aggregate cash consideration of RMB15,400,000. As at 31 December 2020, the Group had paid a deposit of RMB7,700,000 to the Sellers, and accordingly, the Group had capital commitment of RMB7,700,000 for acquisition of Zhongshan Zhongzheng.

25. COMMITMENTS (Continued)

b) Capital commitments (Continued)

On 19 November 2020, Beijing Hevol Property Services Company Limited ("**Beijing Hevol Property Services**"), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Yu Hongliang (俞紅亮) (the "**Seller D**"), an independent third party, pursuant to which Beijing Hevol Property Services agreed to acquire 100% equity interests of Beijing Hongteng Real Estate Investment Consulting Co., Ltd. ("**Beijing Hongteng**") (北京紅藤房地產投資顧問有限公司), from the Seller D for an aggregate cash consideration of RMB200,000. As at 31 December 2020, the Group had paid a deposit of RMB100,000 to the Seller D, and accordingly, the Group had capital commitment of RMB100,000 for the acquisition of Beijing Hongteng.

On 28 December 2020, Guizhou WFOE, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Deng Lihua (鄧利華) (the "**First Seller**"), and Mr. Rao Yunke (饒運科) (the "**Second Seller**", and together with the First Seller, the "**Sichuan Sellers**"), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 60% equity interests of Sichuan Wansheng Property Service Co., Ltd. ("**Sichuan Wansheng**") (四川萬晟物業服務有限公司), from the Sichuan Sellers for an aggregate cash consideration of RMB42,900,000.

As at 31 December 2019, the Group had capital commitment of RMB4,715,000 in respect of acquisition of Shanghai Tongjin Property Management Services Co. Ltd ("**Shanghai Tongjin**") (上海同進物業服務有限公司). The acquisition of Shanghai Tongjin was completed on 22 January 2020 and the details were set out in note 26.

26. BUSINESS COMBINATIONS THROUGH ACQUISITIONS OF SUBSIDIARIES

During the year ended 31 December 2020, the Group acquired five subsidiaries from independent third parties. The Group considered the acquisitions are business combinations.

(i) Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration *RMB'000*
Shanghai Tongjin	Provision of property management services and related value-added services	22 January 2020	70%	29,591
Shanghai Tongjia Property Management Services Co. Ltd (上海同嘉物業服務有限公司) ("**Shanghai Tongjia**")	Provision of property management services and related value-added services	3 June 2020	60%	3,750
Dongguan Baoying Property Management Company Limited (東莞市寶盈物業管理有限公司) ("**Dongguan Baoying**")	Provision of property management services and related value-added services	27 October 2020	60%	15,000
Guizhou Xingji Property Services Company Limited (貴州星際物業服務有限公司) ("**Guizhou Xingji**")	Provision of property management services and related value-added services	5 November 2020	51%	25,500
Hohhot Huigu Property Services Company Limited (呼和浩特市慧谷物業服務有限公司) ("**Hohhot Huigu**")	Provision of property management services and related value-added services	24 December 2020	65%	12,000

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese names of those companies as no English names have been registered or available.

The above subsidiaries were acquired to expand the Group's property management service portfolio and provide synergies to its existing property management business.

26. BUSINESS COMBINATIONS THROUGH ACQUISITIONS OF SUBSIDIARIES (Continued)

(ii) Fair value of assets acquired and liabilities recognised at the respective date of the acquisitions

	Shanghai Tongjin *RMB'000*	Shanghai Tongjia *RMB'000*	Dongguan Baoying *RMB'000*	Guizhou Xingji *RMB'000*	Hohhot Huigu *RMB'000*	Total *RMB'000*
Property, plant and equipment *(note 12)*	7,607	5	368	64	62	8,106
Intangible assets *(note 13)*	6,855	–	2,296	9,520	2,245	20,916
Deferred tax assets *(note 21)*	2,155	–	195	558	85	2,993
Deposits	977	–	–	–	–	977
Trade and other receivables	22,963	720	4,690	10,141	2,271	40,785
Financial assets at fair value through profit or loss	–	–	5,990	–	5,456	11,446
Bank balances and cash	34,794	5,785	4,419	7,629	6,484	59,111
Contract liabilities	(5,294)	–	(127)	(4,287)	(4,119)	(13,827)
Trade and other payables	(48,883)	(423)	(7,339)	(10,630)	(5,684)	(72,959)
Lease liabilities	(200)	–	(222)	–	–	(422)
Income tax liabilities	(5,911)	(24)	(513)	(296)	(123)	(6,867)
Deferred tax liabilities *(note 21)*	(2,240)	–	(2,072)	(2,380)	(943)	(7,635)
Total identifiable net assets acquired	12,823	6,063	7,685	10,319	5,734	42,624

26. BUSINESS COMBINATIONS THROUGH ACQUISITIONS OF SUBSIDIARIES (Continued)

(iii) Non-controlling interests

The non-controlling interests in Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu of 30%, 40%, 40%, 49% and 35% recognised at the respective acquisition dates, respectively, were measured by reference to the respective proportionate share of the recognised amounts of net assets of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu amounted to RMB3,847,000, RMB2,425,000, RMB3,074,000, RMB5,056,000 and RMB2,007,000, respectively.

(iv) Goodwill arising on acquisitions

	Shanghai Tongjin *RMB'000*	Shanghai Tongjia *RMB'000*	Dongguan Baoying *RMB'000*	Guizhou Xingji *RMB'000*	Hohhot Huigu *RMB'000*	Total *RMB'000*
Cash considerations	29,591	3,750	15,000	25,500	12,000	85,841
Fair value of identifiable net assets acquired	(12,823)	(6,063)	(7,685)	(10,319)	(5,734)	(42,624)
Non-controlling interests	3,847	2,425	3,074	5,056	2,007	16,409
Goodwill arising on acquisition	20,615	112	10,389	20,237	8,273	59,626

Goodwill arose in the acquisitions of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu as the costs of the business combinations included a control premium. In addition, the considerations paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

26. BUSINESS COMBINATIONS THROUGH ACQUISITIONS OF SUBSIDIARIES (Continued)

(iv) Goodwill arising on acquisitions (Continued)

The aggregate of acquisition-related costs incurred by the Group for the acquisitions amounting to RMB906,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

(v) Net cash inflow on acquisitions of subsidiaries

	RMB'000
Total cash considerations paid *(note)*	79,841
Cash deposit paid as at 31 December 2019	(24,875)
Bank balances and cash acquired	(59,111)
	(4,145)

Note:

Part of the consideration payable for the acquisition of Hohhot Huigu amounting to RMB6,000,000 was included in other payables as at 31 December 2020. The amount was settled in January 2021.

(vi) Impact on acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2020 is profit of RMB11,832,000 attributable to the additional business generated by Shanghai Tongjin, loss of RMB931,000 attributable to Shanghai Tongjia, profit of RMB145,000 attributable to Dongguan Baoying, profit of RMB787,000 attributable to Guizhou Xingji and RMBNil attributable to Hohhot Huigu. Revenue for the year ended 31 December 2020 includes RMB87,154,000 in respect of Shanghai Tongjin, RMB2,148,000 in respect of Shanghai Tongjia, RMB4,589,000 in respect of Dongguan Baoying, RMB9,104,000 in respect of Guizhou Xingji and RMBNil in respect of Hohhot Huigu.

If the acquisitions had occurred on 1 January 2020, the Group's revenue and profit for the year ended 31 December 2020 would have been RMB518,796,000 and RMB72,140,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

27. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.25. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties:

(a) The transactions with related parties of the Group carried out in the ordinary course of business were as follows:

	2020 *RMB'000*	2019 *RMB'000*
Companies controlled by Mr. Liu		
Revenue arising from provision of property management and value-added services*	70,311	38,036
Lease expenses*	–	722
Purchase of intangible assets*	1,750	1,593

* These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

27. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) Balances with related parties

	2020 RMB'000	2019 RMB'000
Amounts due from related parties		
Trade receivables		
– companies controlled by Mr. Liu	50,147	4,104
Other receivables		
– companies controlled by Mr. Liu *(note)*	524	–
	50,671	4,104
Amounts due to related parties		
Other payables		
– companies controlled by Mr. Liu *(note)*	2,283	1,308

Note: The amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and are denominated in RMB.

(c) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2020 RMB'000	2019 RMB'000
Directors' fees	640	348
Salaries, bonus and allowances	2,615	1,857
Retirement benefit scheme contributions	112	345
	3,367	2,550

28. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2020 RMB'000	2019 RMB'000
Non-current assets		
Investment in subsidiaries *(note)*	101,178	101,178
Current assets		
Amount due from subsidiaries	88,810	38,465
Bank balances and cash	36,057	24,819
	124,867	63,284
Current liabilities		
Other payables	11,622	26,559
Net current assets	113,245	36,725
Net assets	214,423	137,903
EQUITY		
Share capital	34	28
Reserves *(note 23(e))*	214,389	137,875
Total equity	214,423	137,903

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

Note: Details of the principal subsidiaries are stated in note 29.

Wang Wenhao
Director

Hu Hongfang
Director

29. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2020 and 2019 are as follows:

Name of subsidiary	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities
Directly held by the Company				
Hevol Group Limited[3]	Hong Kong/ 7 June 2018	US$1	100% (2019: 100%)	Agency business and Investment holding
Rime Venture Limited[3]	BVI/ 28 March 2018	US$1	100% (2019: 100%)	Investment holding
Indirectly held by the Company				
Rime Venture (HK) Limited[3]	Hong Kong/ 23 May 2018	US$1	100% (2019: 100%)	Investment holding
Guizhou WFOE[1]	PRC/ 13 September 2018	RMB81,575,600 (2019: RMB41,575,600)	100% (2019: 100%)	Management consultation and Investment holding
Guizhou Hevol Abundance Property Management Limited[2]	PRC/ 19 July 2018	RMB5,000,000	100% (2019: 100%)	Investment holding
Beijing Hongsheng Investment Limited ("**Beijing Hongsheng**")[2] 北京泓升投資有限責任公司[2]	PRC/ 13 January 2006	RMB30,000,000	100% (2019: 100%)	Management consultation and Investment holding
Beijing Hevol Property Services[2]	PRC/ 9 April 2002	RMB12,000,000	100% (2019: 100%)	Property management services
Tianjin Hevol Property Management Services Company Limited[2] 天津和泓物業管理服務有限公司[2]	PRC/ 30 April 2008	RMB1,000,000	100% (2019: 100%)	Property management services
Chongqing Hevol Property Services Company Limited[2] 重慶和泓物業服務有限公司[2]	PRC/ 22 June 2007	RMB3,000,000	100% (2019: 100%)	Property management services
Tangshan Hevol Property Services Company Limited[2] 唐山和泓物業服務有限公司[2]	PRC/ 11 January 2011	RMB500,000	100% (2019: 100%)	Property management services
Shenyang Hevol Property Services Company Limited[2] 瀋陽和泓物業服務有限公司[2]	PRC/ 16 August 2010	RMB1,000,000	100% (2019: 100%)	Property management services

29. PARTICULARS OF SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2020 and 2019 are as follows (Continued):

Name of subsidiary	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities
Indirectly held by the Company				
Hunan Hehua Property Services Company Limited[2] 湖南和華物業服務有限公司[2]	PRC/ 26 November 2012	RMB2,000,000	100% (2019: 100%)	Property management services
Guiyang Hevol Property Services Company Limited[2] 貴陽和泓物業服務有限公司[2]	PRC/ 9 November 2006	RMB500,000	100% (2019: 100%)	Property management services
Hainan Hevol Hotel Property Services Company Limited[2] 海南和泓酒店物業服務有限公司[2]	PRC/ 18 January 2012	RMB5,000,000	100% (2019: 100%)	Property management services
Beijing Hongyun Education Consulting Services Company Limited[2] 北京泓韻教育諮詢服務有限公司[2]	PRC/ 22 August 2019	RMB10,000	100% (2019: 100%)	Consulting services
Shanghai Tongjin [2,5] 上海同進物業服務有限公司[2,5]	PRC/ 29 May 2003	RMB50,000,000	70% (2019: Nil)	Property management services
Jiangsu Tongjin Property Management Services [2,5] 江蘇同進物業服務有限公司[2,5]	PRC/ 9 January 2009	RMB5,000,000	70% (2019: Nil)	Property management services
Shanghai Wanrun Property Management Co., Ltd.[2,5] 上海萬潤物業管理有限公司[2,5]	PRC/ 5 April 2005	RMB500,000	70% (2019: Nil)	Property management services
Gongqingcheng Jiaying Investment Management Company Limited[2,4] 共青城嘉盈投資管理有限公司[2,4]	PRC/ 9 March 2020	RMB10,000,000	100% (2019: Nil)	Inactive
Shanghai Tongjia [2,6] 上海同嘉物業服務有限公司[2,6]	PRC/ 31 October 2018	RMB25,000,000	60% (2019: Nil)	Property management services
Dongguan Baoying [2,7] 東莞市寶盈物業管理有限公司[2,7]	PRC/ 2 May 2013	RMB3,000,000	60% (2019: Nil)	Property management services
Guizhou Xingji [2,8] 貴州星際物業服務有限公司[2,8]	PRC/ 11 September 2009	RMB2,000,000	51% (2019: Nil)	Property management services

29. PARTICULARS OF SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2020 and 2019 are as follows (Continued):

Name of subsidiary	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities
Indirectly held by the Company				
Anshun Hevol Property Services Company Limited [2, 4] 安順和泓物業服務有限公司[2, 4]	PRC/ 31 August 2020	RMB1,000,000	100% (2019: Nil)	Property management services
Chongqing Hongyun Education Information Consulting Company Limited [2, 4] 重慶泓韻教育資訊諮詢有限公司[2, 4]	PRC/ 10 October 2020	RMB1,000,000	100% (2019: Nil)	Consulting services
Hohhot Huigu [2, 9] 呼和浩特市慧谷物業服務有限公司[2, 9]	PRC/ 26 October 2012	RMB500,000	65% (2019: Nil)	Property management services

1 Registered as a wholly foreign-owned enterprise under the PRC law

2 Registered as a limited liability company under the PRC law

3 Incorporated as a limited liability company under local jurisdiction

4 Incorporated during the year ended 31 December 2020

5 Acquired on 22 January 2020

6 Acquired on 3 June 2020

7 Acquired on 27 October 2020

8 Acquired on 5 November 2020

9 Acquired on 24 December 2020

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

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

29. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows:

Shanghai Tongjin and its subsidiaries:

	2020 *RMB'000*
NCI percentage	30%
Current assets	72,436
Non-current assets	16,716
Current liabilities	(62,527)
Non-current liabilities	(1,971)
Net assets	24,654
Carrying amount of NCI	7,396
Revenue	87,154
Profit and total comprehensive income for the period	11,832
Profit and total comprehensive income attributable to NCI	3,549
Cash flows from operating activities	20,451
Cash flows used in investing activities	(872)
Cash flows used in financing activities	(206)
Net cash inflow for the period	19,373

29. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows (Continued):

Dongguan Baoying:

	2020
	RMB'000
NCI percentage	**40%**
Current assets	**15,751**
Non-current assets	**3,107**
Current liabilities	**(8,728)**
Non-current liabilities	**(2,298)**
Net assets	**7,832**
Carrying amount of NCI	**3,133**
Revenue	**4,589**
Profit and total comprehensive income for the period	**145**
Profit and total comprehensive income attributable to NCI	**59**
Cash flows from operating activities	**350**
Cash flows used in investing activities	**(33)**
Cash flows used in financing activities	**(35)**
Net cash inflow for the period	**282**

29. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows (Continued):

Guizhou Xingji:

	2020 *RMB'000*
NCI percentage	49%
Current assets	27,425
Non-current assets	9,981
Current liabilities	(23,962)
Non-current liabilities	(2,340)
Net assets	11,104
Carrying amount of NCI	5,441
Revenue	9,104
Profit and total comprehensive income for the period	787
Profit and total comprehensive income attributable to NCI	385
Cash flows from operating activities	4,741
Cash flows used in investing activities	(10)
Cash flows from financing activities	–
Net cash inflow for the period	4,731

30. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Major non-cash transactions

During the year ended 31 December 2020, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB234,000 (2019: RMB4,263,000) (note 12) was recognised at the lease commencement date.

b) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2020 and 2019.

	Lease liabilities *RMB'000*	Amounts due to related parties *RMB'000*	Total *RMB'000*
At 1 January 2019	896	5,346	6,242
Cash flows			
– Proceeds	–	1,308	1,308
– Repayments	–	(5,346)	(5,346)
– Payment of capital element of leases	(1,053)	–	(1,053)
– Payment of interest element of leases	(150)	–	(150)
Non-cash transactions			
– Entering into new leases	4,263	–	4,263
– Interest expenses on lease liabilities	150	–	150
At 31 December 2019 and 1 January 2020	4,106	1,308	5,414
– Proceeds	–	2,283	2,283
– Repayments	–	(1,308)	(1,308)
– Payment of capital element of leases	(2,150)	–	(2,150)
– Payment of interest element of leases	(187)	–	(187)
Non-cash transactions			
– Acquisitions of subsidiaries *(note 26)*	422	–	422
– Entering into new leases	234	–	234
– Interest expenses on lease liabilities	187	–	187
At 31 December 2020	**2,612**	**2,283**	**4,895**

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

31.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2020 *RMB'000*	2019 *RMB'000*
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	165,797	37,347
– Bank balances and cash	291,507	199,829
Financial assets at FVTPL		
–Wealth management products	11,446	–
	468,750	237,176
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	168,590	70,172
Lease liabilities	2,612	4,106
	171,202	74,278

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial assets would fail to discharge its obligation under the terms of the financial assets and cause a financial loss to the Group. The Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at each reporting date as disclosed in note 31.1.

(i) Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.10, the Group assesses ECL under IFRS 9 on trade receivables based on provision matrix, the ECL rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The management would also make individual assessment on the recoverability of trade receivables from related parties. The historical rates are adjusted to reflect current and forward-looking macroeconomic factors (including the change in economic environment arising from COVID-19) affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within credit terms and failure to engage with the Group on alternative payment arrangement amongst other are considered as indicators of no reasonable expectation of recovery.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.2 Credit risk (Continued)

(i) Trade receivables (Continued)

The ECL allowance of trade receivables was determined as follows. The ECL below also incorporated forward-looking information and reflected the change in credit quality:

	Third parties				Related parties	Total
	0 – 90 days	91 – 180 days	181 – 365 days	Over 1 year		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2020						
Weighted average expected credit loss rate	**10.1%**	**18.5%**	**24.7%**	**37.4%**	**0.5%**	
Gross carrying amount	**18,630**	**12,568**	**18,985**	**20,976**	**50,147**	**121,306**
ECL allowance provision	**1,874**	**2,336**	**4,709**	**7,839**	**251**	**17,009**
At 31 December 2019						
Weighted average expected credit loss rate	13.9%	23.9%	25.0%	44.3%	0.5%	
Gross carrying amount	8,926	5,418	7,020	14,747	4,104	40,215
ECL allowance provision	1,238	1,297	1,758	6,534	20	10,847

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.2 Credit risk (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, amounts due from related parties and bank balances and cash. The Group has large number of counterparties for its other receivables other than those from related parties. There was no concentration of credit risk. In order to minimise the credit risk of other receivables and amounts due from related parties, the management would make periodic collective and individual assessment on the recoverability of other receivables and amounts due from related parties based on historical settlement records and past experience as well as collateral and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the management is of opinion that there is no significant increase in credit risk on these financial assets since initial recognition as the risk of default is low after considering the factors as set out in note 2.10 and, thus, ECL recognised is based on 12-month ECL and the impact of ECL is insignificant to the consolidated financial statements.

Bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of their recognised financial liabilities as summarised in note 31.1, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2020 and 2019. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

The contractual maturity analyses below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand	Over 1 year but within 2 years	Over 2 years but within 5 years	Total contractual undiscounted amount	Carrying amount
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 31 December 2020					
Trade and other payables	168,590	–	–	168,590	168,590
Lease liabilities	2,061	659	–	2,720	2,612
	170,651	659	–	171,310	171,202
As at 31 December 2019					
Trade and other payables	70,172	–	–	70,172	70,172
Lease liabilities	2,094	1,854	411	4,359	4,106
	72,266	1,854	411	74,531	74,278

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.4 Interest rate risk

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk for its bank deposits and lease liabilities, respectively. No sensitivity analysis is presented since the directors consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits will not be significant in the near future.

31.5 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2020, the Group's bank balance of RMB242,907,000 (2019: RMB172,743,000) denominated in RMB placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.6 Fair value measurements

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets and liabilities.

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs

- Level 3: significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Level 3 *RMB'000*
As at 31 December 2020	
Assets	
Financial asset at FVTPL – wealth management products	11,446

There was no transfer into or out of level 3 during the year ended 31 December 2020.

The fair values of these investments were determined based on the expected return rate as stipulated in relevant contracts with the counterparties.

31. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

31.6 Fair value measurements (Continued)

(i) The following table presents the changes in level 3 financial assets for the year ended 31 December 2020:

	2020
	RMB'000
At 1 January	–
Acquisitions of subsidiaries *(note 26)*	11,446
At 31 December	11,446

The fair values of the Group's financial assets and liabilities other than financial assets at FVTPL are not materially different from their carrying amounts because of the immediate or short maturity of these financial instruments.

32. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of the Company consider cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

33. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in these consolidated financial statements, the following significant events took place subsequent to 31 December 2020:

a) Completion of acquisitions of Zhongshan Zhongzheng, Beijing Hongteng, Sichuan Wansheng and Jiangsu Shenhua Times Property Group Co., Ltd. ("Jiangsu Shenhua") (together, the "Acquired Subsidiaries")

On 4 January 2021, the acquisition of Zhongshan Zhongzheng (as detailed in note 25(b)) was completed and accordingly, Zhongshan Zhongzheng became a non-wholly owned subsidiary of the Company.

On 4 January 2021, the acquisition of Beijing Hongteng (as detailed in note 25(b)) was completed and accordingly, Beijing Hongteng became a wholly owned subsidiary of the Company.

On 25 January 2021, the acquisition of Sichuan Wansheng (as detailed in note 25(b)) was completed and accordingly, Sichuan Wansheng became a non-wholly owned subsidiary of the Company.

On 5 February 2021, Beijing Hongsheng, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Huzhou Shenhua Enterprise Management Consulting Partnership (Limited Partnership) (湖州深華企業管理諮詢合夥企業 (有限合夥)) (the "**Seller E**"), independent third party, pursuant to which Beijing Hongsheng agreed to acquire 51% equity interests of Jiangsu Shenhua (江蘇深華時代物業集團有限公司), from the Seller E for an aggregate cash consideration of RMB40,800,000. On 16 March 2021, the acquisition of Jiangsu Shenhua was completed and accordingly, Jiangsu Shenhua became a non-wholly owned subsidiary of the Company.

33. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE (Continued)

a) Completion of acquisitions of Zhongshan Zhongzheng, Beijing Hongteng, Sichuan Wansheng and Jiangsu Shenhua Times Property Group Co., Ltd. ("Jiangsu Shenhua") (together, the "Acquired Subsidiaries") (Continued)

Up to the date of the approval of these consolidated financial statements, the directors of the Company are still in the process of finalising the accounting for these transactions and expect to complete the allocation of the purchase consideration to the assets acquired and liabilities assumed by the end of first half of year 2021.

b) Issue of shares upon placing

On 14 January 2021, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$2.00 per share. On 5 February 2021, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$2.00 per share resulting in raising gross proceeds of HK$160,000,000 (equivalents to RMB133,405,000).

34. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's consolidated financial statements to enhance comparability with the current year's consolidated financial statements. As a result, certain line items have been revised in the consolidated statement of profit or loss and other comprehensive income.

Five-Year Financial Summary

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	169,027	196,027	224,450	248,275	**415,870**
Cost of sales	(118,550)	(129,906)	(143,958)	(164,142)	**(266,965)**
Gross profit	50,477	66,121	80,492	84,133	**148,905**
Other income	5,403	1,827	1,573	4,743	**9,529**
Reversal of expected credit loss ("**ECL**") allowance/ (ECL allowance) on trade and other receivables	–	–	–	4,534	**(6,162)**
Administrative expenses	(29,927)	(37,251)	(39,966)	(52,353)	**(77,265)**
Listing-related expenses	–	–	(11,694)	(17,693)	**–**
Finance costs	–	–	–	(150)	**(187)**
Profit before income tax	25,953	30,697	30,405	23,214	**74,820**
Income tax expense	(7,219)	(8,827)	(13,519)	(9,421)	**(14,843)**
Profit for the year	18,734	21,870	16,886	13,793	**59,977**
Other comprehensive expense for the year					
Items that may be reclassified subsequently to profit or loss:					
– Exchange differences on translation of financial statements of overseas operations	–	–	–	–	**(5,573)**
Total comprehensive income for the year	18,734	21,870	16,886	13,793	**54,404**

	Year ended 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Profit for the year attributable to:					
Equity shareholders of the Company	18,734	21,870	16,886	13,793	**56,357**
Non-controlling interests	–	–	–	–	**3,620**
	18,734	21,870	16,886	13,793	**59,977**
Total comprehensive income for the year attributable to:					
Equity shareholders of the Company	18,734	21,870	16,886	13,793	**50,784**
Non-controlling interests	-	-	-	-	**3,620**
	18,734	21,870	16,886	13,793	**54,404**
Earnings per share attributable to owners of the Company (expressed in RMB cents)					
Basic and diluted	6.24	7.29	5.63	3.97	**12.76**

Five-Year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2016	2017	2018	2019	**2020**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Assets					
Non-current assets	49,428	38,988	40,657	67,966	**142,571**
Current assets	150,695	194,385	219,557	238,690	**470,675**
Total assets	200,123	233,373	260,214	306,656	**613,246**
Equity and Liabilities					
Total equity	62,724	84,594	80,106	164,456	**327,199**
Non-current liabilities	–	–	4,600	6,788	**12,559**
Current liabilities	137,399	148,779	175,508	135,412	**273,488**
Total Liabilities	137,399	148,779	180,108	142,200	**286,047**
Total equity and liabilities	200,123	233,373	260,214	306,656	**613,246**