和泓集团
HEVOL GROUP

HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code：6093

ANNUAL REPORT
2019

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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 2019. On 12 July 2019 (the "**Listing Date**"), the Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Landing on the Hong Kong capital market has brought to the Company new opportunities for development. The Company's management has fully seized the opportunity to further strengthen the Company's brand recognition and expanded business with sustainable profitability. The Company's management will continue to enhance the application of technology and intelligent management systems in the property management industry to meet the increasingly high customer demands for service. The Company's management will continue to innovate its management mechanisms to improve the Company's operational and managerial efficiency and returns for the shareholders of the Company (the "**Shareholders**").

For the twelve months ended 31 December 2019, Hevol Services Group Co., Limited and its subsidiaries (together, the "**Group**") achieved revenue of RMB248.3 million, an increase of 10.6% over the same period in 2018, and gross profit of RMB84.1 million, an increase of 4.5% as compared to the same period in 2018. For the twelve months ended 31 December 2019, the profit after income tax decreased by 18.3% to RMB13.8 million from RMB16.9 million for the same period in 2018, primarily due to an increase of listing expenses and relevant professional fees after listing. The adjusted profit after income tax (excluding the listing expenses) was RMB31.5 million, representing an increase of RMB2.9 million, or 10.1%, as compared to RMB28.6 million in 2018. Earnings per share attributable to shareholders amounted to RMB3.97 cents and RMB5.63 cents in 2019 and 2018, respectively.

The Company is committed to build a first-class brand in the property management industry and provide high-quality services to our customers through improved operational efficiency and intelligent management procedures. Since its establishment 17 years ago, the Group has been a well-known property management participant and has maintained an improving market position in the industry. The Group was ranked 44th in the China Top 100 Property Service Enterprises by the China Index Academy in 2019. The Group had a total contracted gross floor area ("**GFA**") of over 8.2 million sq.m. and a total revenue-bearing GFA of 6.6 million sq.m. as at 31 December 2019. The management team of the Company is confident that a higher ranking can be achieved in the future and the total revenue-bearing GFA will be increased through acquisition of property management projects and property management companies, as well as through securing property management service projects by public biddings. Hevol Real Estate Group Limited and its subsidiaries (the "**Hevol Real Estate Group**") will continuously support the Group by providing a variety of quality property management projects to the Group.

Over the years, we have developed our business model which integrates the full spectrum of property management services along the industry value-chain and successfully expanded our geographical coverage in China. We have successfully replicated our business model and expanded our service coverage to the cities which are strategically critical for our development across different geographical regions in China, including northern region, southwest region, northeast region and southern region. In December 2019, the Group entered into a sale and purchase agreement to acquire 70% equity interest of Shanghai Tongjin Property Management Services Co. Ltd. (上海同進物業服務有限公司) ("**Shanghai Tongjin**") with consideration of RMB29.6 million. After the acquisition, the total number of the Group's property management projects is increased to 70 and the GFA of properties under management is increased to approximately 11.9 million sq.m. The geographical coverage in China is expanded to 16 cities and our coverage of geographical regions in China, now include the northern region, southwest region, northeast region, southern region and east region. We believe that the acquisition is a cost-effective way to grow our service offerings and property management portfolio in new geographic markets. The acquisition can create synergies with the business of the Group by combining the existing strength and experience of Shanghai Tongjin in property management in the Yangtze River Delta region of the PRC. 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.

Looking forward, the Group will continue to actively explore cooperation with high-quality property management service companies to optimise our regional roadmap. At the same time, the Group will further strengthen the standardisation and smart management services, upgrade the value-added service business, and seize opportunities for diversified business growth. The Group will develop diversified property management services and continue to improve service quality, to consolidate and further enhance the Group's competitiveness and brand recognition in the property management service industry in the PRC, create greater value for the community and greater returns for the Shareholders.

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 25 March 2020

Management Discussion and Analysis

SUMMARY OF PERFORMANCE

The total revenue of the Group for the year ended 31 December 2019 increased by 10.6% to approximately RMB248.3 million from approximately RMB224.5 million for the year ended 31 December 2018.

Gross profit of the Group for the year ended 31 December 2019 increased by 4.5% to approximately RMB84.1 million from approximately RMB80.5 million for the year ended 31 December 2018. Gross profit margin decreased to 33.9% for the year ended 31 December 2019 from 35.9% compared to 2018.

Profit after income tax for the year ended 31 December 2019 amounted to approximately RMB13.8 million compared to approximately RMB16.9 million for the year ended 31 December 2018. The adjusted profit after income tax (excluding listing expenses) for the year ended 31 December 2019 increased by 10.2% to approximately RMB31.5 million from approximately RMB28.6 million for the year ended 31 December 2018.

Earnings per share attributable to equity holders of the Company amounted to RMB3.97 cents for the year ended 31 December 2019 (2018: RMB5.63 cents).

	Year ended 31 December			
	2019	2018	**Change**	
	RMB'000	*RMB'000*	*RMB'000*	*%*
Revenue	**248,275**	224,450	23,825	10.6
Gross Profit	**84,133**	80,492	3,641	4.5
Gross Profit Margin	**33.9%**	35.9%		
Net Profit	**13,793**	16,886	(3,093)	(18.3)
Net Profit Margin *(%)*	**5.6%**	7.5%		
Adjusted Net Profit (excluding listing expenses)	**31,486**	28,580	2,906	10.2
Adjusted Net Profit Margin *(%)*	**12.7%**	12.7%		
Profit and Total Comprehensive Income Attributable to Shareholders	**13,793**	16,886	(3,093)	(18.3)
Earnings Per Share *(RMB cents per share)*	**3.97**	5.63	(1.66)	(29.5)

BUSINESS REVIEW

The Group is a reputable market player in the property management industry in China, providing (i) property management services, (ii) community value-added services and (iii) value-added services to non-property owners in the PRC for more than 17 years. According to the China Index Academy, it was ranked 44th among the "2019 Top 100 Property Management Enterprises" (2019 中國物業服務百強企業) in terms of overall strength of property management (中國物業管理綜合實力) in 2019, and it was considered as a growing China Top 100 Property Management Company from 2017 to 2019 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 2019, the Group managed 36 property management projects across 11 cities in the PRC with a total contracted gross floor area ("**GFA**") of over 8.2 million sq.m. and a total revenue-bearing GFA of 6.6 million sq.m..

In December 2019, the Group entered into a sale and purchase agreement to acquire 70% equity interest of Shanghai Tongjin with a consideration of RMB29.6 million. After the acquisition, the total number of the Group's property management projects is increased to 70, the GFA of properties under management is increased to approximately 11.9 million sq.m. and the total revenue-bearing GFA is approximately 10.0 million sq.m. The geographical coverage in China is expanded to 16 cities. The Group's coverage of geographical regions in China now include the northern region, southwest region, northeast region, southern region and east region. The Group believes that the acquisition is a cost-effective way to grow its service offerings and property management portfolio in new geographic markets. The acquisition can create synergies with the business of the Group by combining the existing strength and experience of Shanghai Tongjin in property management in the Yangtze River Delta region of the PRC. 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.

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.

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, among others, 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 2019, the Group managed 36 property management projects with a total revenue-bearing GFA of 6.6 million sq.m., covering 11 cities in the PRC across four geographical regions in China, including northern region, southwest region, northeast region and southern region.

Geographic Coverage

The table below sets out the breakdowns of (i) revenue from property management services and (ii) revenue-bearing GFA by geographic regions which the Group has property management operation, for the year ended 31 December 2019:

	31 December 2019				31 December 2018			
	Revenue		Revenue-bearing GFA		Revenue		Revenue-bearing GFA	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Northern China[1]	71,113	42.2	3,077	46.3	64,769	41.7	2,876	45.3
Northeastern China[2]	12,550	7.5	573	8.6	12,491	8.0	477	7.5
Southwestern China[3]	60,375	35.9	2,218	33.4	56,003	36.1	2,218	35.0
Southern China[4]	24,341	14.4	776	11.7	22,064	14.2	776	12.2
Total	168,379	100.0	6,644	100.0	155,327	100.0	6,347	100.0

Notes:

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

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

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

(4) "Southern China" includes Sanya and Changsha.

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 revenue-bearing GFA by type of properties for the periods indicated:

	31 December 2019				31 December 2018			
	Revenue generated from property management services		Revenue-bearing GFA		Revenue generated from property management services		Revenue-bearing GFA	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Residential properties	152,838	90.8	6,311	95.0	141,816	91.3	6,014	94.8
Non-residential properties	15,541	9.2	333	5.0	13,511	8.7	333	5.2
Total	168,379	100.0	6,644	100.0	155,327	100.0	6,347	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 royalty, 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 development projects developed by property developers. 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.

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. Revenue increased by approximately 23.8 million or 10.6% from approximately RMB224.5 million in 2018 to approximately RMB248.3 million in 2019.

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

	Year ended 31 December					
	2019		2018		Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**168,379**	**67.8**	155,327	69.2	13,052	8.4
Community value-added services	**54,105**	**21.8**	55,252	24.6	(1,147)	(2.1)
Value-added services to non-property owners	**25,791**	**10.4**	13,871	6.2	11,920	85.9
Total	**248,275**	**100.0**	224,450	100.0	23,825	10.6

Overall revenue increased by approximately RMB23.8 million, or 10.6% from RMB224.5 million in 2018 to RMB248.3 million in 2019, such growth was primarily attributable to an increase in revenue from property management services and an increase in revenue from value-added services to non-property owners, which was in line with its business growth.

Property management services

Property management services primarily include property management fees for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities, and the revenue increased by approximately RMB13.1 million or 8.4% from approximately RMB155.3 million in 2018 to approximately RMB168.4 million in 2019. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth. Revenue-bearing GFA increased by 4.8% from 6.3 million sq.m. as at 31 December 2018 to 6.6 million sq.m. as at 31 December 2019, primarily due to an increasing number of property management projects from 34 in 2018 to 36 in 2019.

Community value-added services

Revenue from community value-added services is divided into three sections including 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. Revenue from home-living services, leasing of car parking space and leasing of common facilities amounted to approximately RMB21.8 million, RMB21.1 million and RMB12.4 million, respectively, for the year ended 31 December 2018.

For the years ended 2018 and 2019, revenue from community-related services represented approximately 24.6% and approximately 21.8% of the Group's total revenue respectively. The decrease of RMB1.1 million or 2.1% from approximately RMB55.3 million to approximately RMB54.1 million was due to: (i) a decrease in revenue from leasing of car parking space resulted from the decreasing number of leased car-parking spaces; and (ii) a decrease in revenue from leasing of common facilities resulted from strict governance on placing of advertisements in public area by local authorities.

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. Revenue from value-added services to non-property owners increased by approximately RMB11.9 million, or 85.9% from approximately RMB13.9 million in 2018 to approximately RMB25.8 million in 2019. The increase in revenue was due to Hevol Real Estate Group having more properties under development which reached the selling stages and required our sales assistance services in 2019 compared to 2018.

Cost of Sales

Cost of sales of the Group primarily comprises staff costs, sub-contracting costs, utility expenses, repairs and maintenance costs, material costs and sales taxes. Cost of sales increased by approximately RMB20.1 million or 14.0% from approximately RMB144.0 million in 2018 to approximately RMB164.1 million in 2019. Such increase 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. The increase of the Group's sub-contracting costs by approximately RMB21.2 million, or 40.5% for the year ended 31 December 2019 compared to 2018 was due to an increase in its revenue-bearing GFA under management resulting from the expansion of property management services business.

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					
	2019		2018			
	Gross profit	Gross profit margin	Gross profit	Gross profit margin	Change	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	50,299	29.9	48,388	31.2	1,911	3.9
Community value-added services	29,707	54.9	29,936	54.2	(229)	(0.8)
Value-added services to non-property owners	4,127	16.0	2,168	15.6	1,959	90.3
Total	84,133	33.9	80,492	35.9	3,641	4.5

Overall gross profit of the Group increased by approximately RMB3.6 million, or 4.5% from approximately RMB80.5 million in 2018 to approximately RMB84.1 million in 2019. 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 decreased from approximately 35.9% in 2018 to approximately 33.9% in 2019. Such decrease was attributable to an increase in sub-contracting costs resulted from completion of new construction phases of the Group's existing property management projects as well as the increase in the number of property management projects.

Property management services

Gross profit for the Group's property management services increased by approximately RMB1.9 million, or 3.9% from approximately RMB48.4 million in 2018 to approximately RMB50.3 million in 2019. The increase of gross profit is primarily attributable to (i) an increase in revenue-bearing GFA 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 slightly decreased from approximately 31.2% in 2018 to 29.9% in 2019 mainly due to an increase in sub-contracting costs incurred due to completion of new construction phases of the Group's existing property management projects and the increase in the number of property management projects.

Community value-added services

Gross profit for the Group's community value-added services decreased slightly by RMB0.2 million, or 0.8% from approximately RMB29.9 million in 2018 to approximately RMB29.7 million in 2019 due to an increase of repairs and maintenance costs related to an increase in the number of property management projects. Gross profit margin remained stable at 54.9% for the year ended 31 December 2019.

Value-added services to non-property owners

Gross profit of value-added services to non-property owners increased by approximately RMB2.0 million, or 90.3% from approximately RMB2.2 million in 2018 to approximately RMB4.1 million in 2019. Such changes were in line with 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. Gross profit margin remained relatively stable for the year ended 31 December 2019, primarily because the fee rates charged to property developers, the sub-contracting costs and staff costs remained relatively stable during the year.

Other Income

The increase of other income by RMB7.7 million, or 481.3% from approximately RMB1.6 million in 2018 compared to approximately RMB9.3 million in 2019 was primarily attributable to an increase of exchange gain of approximately RMB1.3 million, reversal of ECL allowance on trade and other receivables of approximately RMB4.5 million and an increase in receipt of unconditional government subsidy of approximately RMB1.3 million.

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 RMB12.4 million, or 31.0% from approximately RMB40.0 million in 2018 to approximately RMB52.4 million in 2019, primarily due to: (i) an increase in staff costs resulted from the increase in the business scale of the Group; and (ii) an increase in professional fees in relation to annual audit, legal and financial consultancy after listing, and (iii) the acquisition of Shanghai Tongjin and its subsidiaries.

Income Tax Expenses

Income tax expenses of the Group decreased by approximately RMB4.1 million, or 30.4% from approximately RMB13.5 million in 2018 to approximately RMB9.4 million in 2019, primarily due to a decrease in applicable tax rate of certain of its subsidiaries and a decrease in origination and reversal of temporary differences.

Profit and Total Comprehensive Income for the Year

Profit and total comprehensive income for the year of the Group decreased by approximately RMB3.1 million, or 18.3% from approximately RMB16.9 million in 2018 to approximately RMB13.8 million in 2019, primarily due to the increase in (i) listing-related expenses of approximately RMB6.0 million; (ii) staff costs of approximately RMB1.8 million, and (iii) professional fees of approximately RMB4.9 million in administrative expenses.

Investment Properties

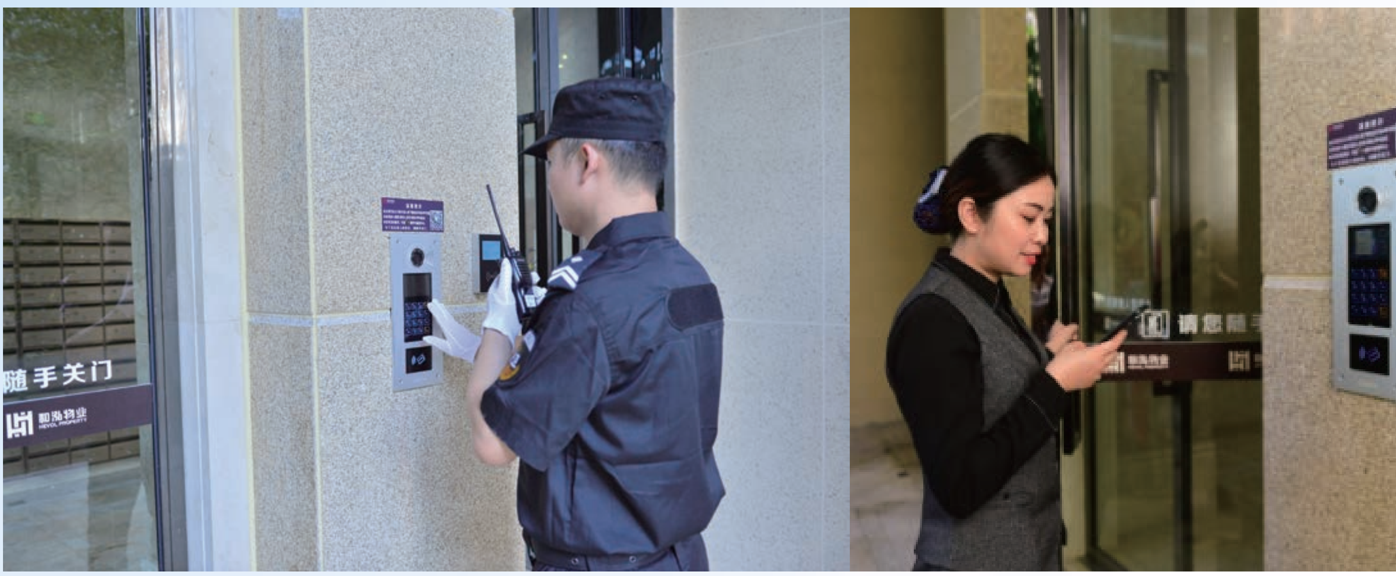
As at 31 December 2019, investment properties, which consist of certain carparking spaces and shop premises, decreased from RMB32.0 million in 2018 to RMB30.9 million in 2019 mainly due to depreciation.

Deposit Paid for Acquisition of Subsidiaries

Deposit paid for acquisition of subsidiaries of approximately RMB24.9 million as at 31 December 2019 represented the deposit paid for acquisition of Shanghai Tongjin. Details are stated in note 23(b) to the consolidated financial statements for the year ended 31 December 2019.

Trade and Other Receivables

Trade receivables are mainly related to property management services as well as value-added services. Trade receivables of the Group decreased from approximately RMB66.2 million as at 31 December 2018 to approximately RMB29.4 million as at 31 December 2019, primarily due to a decrease in trade receivables in respect of property management fees, as result of the Group's effort to facilitate the fee collection process.



Other receivables mainly consist of deposits and payment on behalf of property owners. Other receivables of the Group decreased from approximately RMB18.9 million as at 31 December 2018 to approximately RMB9.4 million as at 31 December 2019, primarily due to repayment of amounts due from related parties of RMB7.6 million and recognition of deferred IPO costs of 2018 of approximately RMB3.5 million.

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. The decrease of contract liabilities of the Group from approximately RMB73.1 million as at 31 December 2018 to approximately RMB58.3 million as at 31 December 2019, was mainly due to the reduction of advance payment for property management services yet to be provided.

Trade and Other Payables

Trade payables mainly represent the obligations to pay suppliers for procurements in the ordinary course of business. Trade payables of the Group increased from approximately RMB7.7 million as at 31 December 2018 to approximately RMB10.5 million as at 31 December 2019, primarily attributable to an increase in purchase of subcontracting services, materials and utilities for the Group's business expansion.

Other payables mainly consist of accrued staff costs, deposits received and amounts collected on behalf of property owners. The decrease of other payables of the Group from approximately RMB80.2 million as at 31 December 2018 to approximately RMB63.4 million as at 31 December 2019 was primarily due to (i) net repayment of amounts due to related parties of approximately RMB4.0 million; (ii) decrease in staff costs and welfares accruals of approximately RMB3.4 million resulted from payment of bonus before year end, and (iii) decrease of amounts collected on behalf of property owners of approximately RMB7.6 million resulted from payment of utilities for property owners before year end.

Liquidity, Capital Structure and Financial Resources

As at 31 December 2019, the Group's bank balances and cash increased by approximately RMB65.4 million from approximately RMB134.4 million as at 31 December 2018 to approximately RMB199.8 million, primarily due to (i) collection of trade receivables through the improved process to collect outstanding property management fees from property owners, and (ii) proceeds from the listing. The Group's financial position remained stable. As at 31 December 2019, the Group's net current assets increased from approximately RMB44.0 million as at 31 December 2018 to approximately RMB103.3 million as at 31 December 2019. The Group's current ratio was approximately 1.76 times (31 December 2018: approximately 1.25 times). As at 31 December 2019, the Group did not have any borrowings.

Proceeds from the Listing

The Company was listed on the Main Board of the Stock Exchange on 12 July 2019 and issued 100,000,000 new shares. After deducting underwriting fees and relevant expenses, net proceeds from the listing amounted to approximately HK$75.8 million (equivalent to approximately RMB66.6 million). As at 31 December 2019, HK$1.5 million, or 2.0% of the net proceeds from the listing have been utilised. As at the date of this report, the Directors of the Company anticipate that such proceeds will be applied in the manner consistent with that in the Group's prospectus.

1. Approximately 51.8% will be used to acquire other property management companies that service residential properties in the PRC;

2. Approximately 7.7% will be used to obtain new market opportunities by bidding for new property management projects;

3. Approximately 23.1% will be used to invest in advanced technologies and smart communities for the Group's existing property management projects as well as expected new projects to be managed;

4. Approximately 14.4% will be used for the expansion of the Group's value added services business segment and the enhancement of the Group's comprehensive service level; and

5. Approximately 3.0% will be used for working capital and general corporate purpose.

Asset Charges

As at 31 December 2019, none of the assets of the Group were pledged (31 December 2018: Nil).

Material Acquisitions and Disposals of Assets

Except for the acquisition of 70% equity interest of Shanghai Tongjin with a consideration of RMB29.6 million, the Group did not have any material acquisitions or disposals of assets as at 31 December 2019.

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

During the year 2019, 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 report.

Gearing Ratio

The Group did not have any interest-bearing borrowings as at 31 December 2019 (31 December 2018: Nil).

Contingent Liabilities

As at 31 December 2019, the Group did not have any contingent liabilities (31 December 2018: Nil).

Foreign Exchange Risk

The Group conducts substantially all of its business in the PRC and in Renminbi. Bank and cash balances denominated in Hong Kong dollars were equivalent to approximately RMB25.9 million as at 31 December 2019 and thus was subject to foreign exchange risk. 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

As at 31 December 2019, the Group had approximately 996 employees (31 December 2018: approximately 1,013 employees). Employee's remuneration is determined based on the employee's performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustment in order to be in line with the remuneration levels in the industry. In addition to basic salaries, employees may be granted with discretionary bonus and cash awards based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve the production techniques of existing employees.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Wenhao (王文浩), aged 41, 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 52, 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. (重慶一祺山實業有限公司). 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 52, 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 46, 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 45, 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 34, 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 11 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 Shinelong Automotive Lightweight Application Limited (stock code: 1930), since June 2019.

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 47, 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 10 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) Beijing Dabeinong Technology Group Co., Ltd. (北京大北農科技集團有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002385), since December 2013; (b) 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; (c) 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; (d) HuaDian Heavy Industries Co., Ltd. (華電重工股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601226), since June 2017; and (e) 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. In February 2020, Dr. Chen resigned from the position of independent non-executive directors of Beijing Dabeinong Technology Group Co., Ltd. (北京大北農科技集團有限公司) and HuaDian Heavy Industries Co., Ltd. (華電重工股份有限公司).

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 50, 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. Sun Yang (孫暘), aged 42, was appointed as our deputy general manager on 13 February 2019. Mr. Sun is responsible for the daily operations of our Group.

Prior to joining our Group, from October 2007 to August 2013, Mr. Sun served as manager of the front lobby division of Beijing National Hotel (北京民族飯店). From August 2013 to August 2017, Mr. Sun was the general manager of Beijing Xingtiandi Hotel Management Company (北京星天地酒店管理公司) and Xingtiandi Hotel (星天地酒店). In September 2017, Mr. Sun joined Beijing Hevol and has been the deputy general manager since then.

Mr. Sun obtained his bachelor's degree in international hospitality and tourism management from University of Northumbria in the United Kingdom in June 2005.

Mr. Gao Yongxing (高永星), aged 42, 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 37, 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 Jimei International 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 Food Idea Holdings Limited (新煮意控股有限公司), 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.

Since the listing of the Company on the Main Board of the Stock Exchange on 12 July 2019 (the "**Listing Date**"), 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 period from the Listing Date to 31 December 2019 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 period from the Listing Date to 31 December 2019, 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 2019, the Board comprised eight Directors, consisting of two executive Directors, two non-executive Directors and four independent non-executive Directors.

During the period from the Listing Date to 31 December 2019, 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 period from the Listing Date to 31 December 2019, 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 2019, 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, enabling the Directors to discharge their duties properly. The company secretary maintains proper records of training attended by the Directors.

During the period from the Listing Date to 31 December 2019, 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 period from the Listing Date to the date of this annual report, 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 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.

From the Listing Date to 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

Since the Listing Date and up to the date of this annual report, the Board held four Board meetings and no general meeting was held. Information regarding the attendance of Board meetings by individual Directors is as follows:

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

Other than regular meetings, the Chairman also meets 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 2019, 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 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. Terms of reference of the Audit Committee are currently available on the websites of the Stock Exchange and the Company.

During the year 2019, the Audit Committee has reviewed the audit planning memorandums, the interim results as at 30 June 2019, 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 three meetings since the Listing Date and up to the date of this annual report 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 2019, 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	1,216
Non-audit services	1,384
Total	2,600

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. Terms of reference of the Remuneration Committee are currently available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held two meetings since the Listing Date and up to the date of this annual report 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 2019 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 Jiang, 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. Terms of reference of the Nomination Committee are currently available on the websites of the Stock Exchange and the Company.

The Nomination Committee held two meetings since the Listing Date and up to the date of this annual report 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.

Measureable 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 2019.

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 2019.

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 2019. 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 2019.

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 2019, 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 2019 to 31 December 2019 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 2019. 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 the Listing Date to 31 December 2019, 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 performance in the ESG aspects for the year ended 31 December 2019 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 2019 to 31 December 2019 (the "**Reporting Period**" or "**this Year**"), which is consistent with the financial year of the Group. This Report illustrates the management policies, performance and measures of Hevol Services in the ESG aspects. Specifically, the social key performance indicators disclosed in this Report cover the overall business scope of the Group[1]; and the environmental key performance indicators cover the headquarters office of the Group in Beijing, as well as 11 core property management projects and their office areas selected from property management services in the regions of Northern[2], Northeastern[3], Southwestern[4], and Southern China[5].

REPORTING STANDARDS

This Report is prepared with reference to 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**"). During the preparation of this Report, we summarised the Group's performance in corporate social responsibility based on the reporting principles of "materiality", "quantification", "balance" and "consistency". Please refer to the table below for our understanding of and response to these reporting principles. The following table presents the Group's understanding of and response to these reporting principles.

1 The overall business scope of the Group includes property management services, community-related services and property developer-related services.
2 Northern China includes Beijing, Tianjin and Tangshan.
3 Northeastern China includes Dandong, Harbin and Shenyang.
4 Southwestern China includes Chongqing, Guiyang and Chengdu.
5 Southern China includes Sanya and Changsha.

Reporting principles	Implications	Our Response
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 have identified important issues and disclosed relevant actions and performance by engaging with stakeholders and conducting assessment on materiality. The provisions of "comply or explain" identified as immaterial and thus not disclosed are provided in this Report for the Group to base on in making decisions.
Quantification	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.	This Report has explained the purpose and impact of the key performance indicators, and disclosed the standards, calculation methods, and sources of conversion factors used.
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.	This Report has discussed our accomplishments and the challenges in respect of sustainable development.
Consistency	The Issuers should use consistent methodologies to allow for meaningful comparisons of ESG data over time.	This Report is the first ESG report of the Group. The relevant disclosure methodology is well drawn up and defined and will be consistent in following years.

DATA SOURCES

The data disclosed in this Report is derived from the Group's official documents, statistical data or publicly available data. The Board of Directors is responsible for the truthfulness, accuracy and completeness of the contents of this Report.

CONCEPT AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

Objective 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 trust from the stakeholders.

Strategy of sustainable governance

The Board of Directors (the "**Board**") of the Group supports the Group's commitment to fulfilling environmental and social responsibilities. The Board is responsible for formulating environmental, social and governance ("**ESG**") strategies, and 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.

Engagement 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 first ESG Report disclosed by the Group. The Board understands its overall responsibility for overseeing the Group's ESG strategies, including:

- 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.

COMMUNICATION WITH STAKEHOLDERS

Achieving service excellence in all our stakeholder relationships is the keystone of our strategy for long-term business success. The Group strives to have open and on-going communication with our stakeholders. We attach great importance to the opinions of various stakeholder groups, and listen to their concerns in a mutual and interactive manner by developing diversified and flexible communication channels such as formal and informal meetings, workshops, public events and so on.

The table below summarizes how we communicate with our stakeholders, their concerns and our action plans.

Stakeholder groups	Communication methods/ channels	Major requirements/concerns	Our action plans
Shareholders and investors	• Convene general meetings • 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 groups	Communication methods/ channels	Major requirements/concerns	Our action plans
Government	• Tax declaration • Report on policy implementation	• Fulfil regulatory compliance requirements • 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.

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

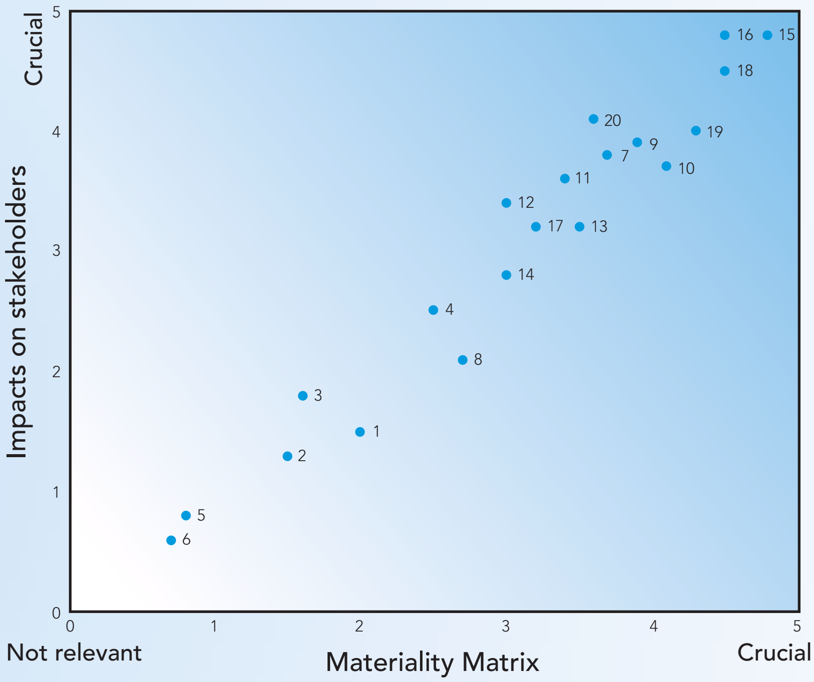
Step 2: Materiality assessment

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 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. In order to achieve this goal, the Group strictly abides 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 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

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 waste.

Air emissions

The fuel consumption of fixed source equipment (including gas stoves and gas hobs in staff canteens, emergency generators, weeders, brush cutters, hedge trimmers and rotary tillers used for landscaping management) and official vehicles are our main source of air emissions. During the Reporting Period, the emissions of nitrogen oxides, sulfur oxides, respirable particulate matter, particulate matter, carbon monoxide and hydrocarbons generated by the Group were approximately 53.86kg, 21.40kg, 15.34kg, 14.67kg, 1,925.79kg and 537.99kg, respectively.

Greenhouse gases

Our greenhouse gas emissions (Scope I[1]) was mainly from the fuel consumption of fixed source and official vehicles, greenhouse gas emissions (Scope II[2]) was mainly from outsourced power and the use of gas; greenhouse gas emissions (Scope III[3]) was mainly from the electricity used for processing fresh water and sewage by government departments, waste paper discarded in landfills, fuel consumption resulted from business air travel by employees. During the Reporting Period, total greenhouse gas emissions of the Group were approximately 9,130.10 tons of carbon dioxide, of which approximately 97% was from the use of outsourced power. In order to reduce the impact of greenhouse gas emissions on the environment, the Group planted a total of 141 trees in the community planting project, and successfully reduced approximately 3.24 tons of carbon dioxide generated from its operations.

Hazardous and non-hazardous waste

Our daily operations do not produce any hazardous waste as defined in the "1989 The Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and their Disposal[4]". The non-hazardous waste generated by the Group is mainly from office paper, with a total of approximately 0.4 tons of waste paper generated. Paper is essential in our daily operation. We strictly comply with the paper-saving provisions stipulated in the Notice on Reaffirmation of Administrative Costs for Cost Saving, and work hard to promote paperless office culture to reduce the generation of waste paper.

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

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

3 Scope III refers to all other indirect greenhouse gas emissions that occur outside the Group, including both upstream and downstream emissions.

4 This convention defines the classification as "hazardous waste", of which include medical and chemical wastes, and wastes from the manufacture and use of inks, dyes, pigment and paints. For details, please visit https://www.epd.gov.hk/epd/tc_chi/international_conventions/hazardous_wastes/hazardous_wastes_main.html

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 property.

Energy use

Our major direct energy consumption mainly comes from natural gas, biodiesel, liquefied petroleum gas, diesel and gasoline used by fixed source equipment and official vehicles; and indirect energy consumption mainly comes from the electricity consumption of project offices and common areas for property management, as well as, gas consumption of staff canteens. In order to reduce the impact of carbon footprint, we encourage employees to use vehicles together in group activities to reduce gasoline consumption. Meanwhile, we encourage employees to use video conference systems or telephone conference systems to reduce the frequency of travel. During the Reporting Period, the total energy consumption of the Group was approximately 10,205,010 kWh.

Water consumption

The Group mainly uses tap water from the municipal pipe network. As a property management services enterprise, the Group consumes a large amount of water for daily water usage, office water usage and greening activities water usage. Therefore, we have implemented a series of measures to reduce water consumption, 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 rate, to reduce water loss cost.

During the Reporting Period, the water consumption of the Group was approximately 185,316.60 cubic meters.

A3: Environment and natural resources

As the threat posed by climate change to society continues to grow, we are fully aware of the potential impact of our business on the environment. To this end, we have formulated the Provisions on Administration of Domestic Garbage Classification, the Pollutant Control Procedures of Hevol Services Group and other internal systems. As a service provider of property management, we actively promote various policies to regulate the disposal of pollutants and waste in offices and project communities, and dedicate to raise the environmental awareness of employees in daily operating activities to achieve the goal of protecting the environment and the community.

We set various goals and plans for sustainable development, and vigorously supervise the implementation of our environmental objectives, in the hope of further strengthening the effectiveness of the environment policy and work of the Group:

Sustainable Development Goals		Initiatives implemented
Greenhouse gas emissions	• Reduce electricity consumption in offices and common areas of the projects	• Adopted zoning control for public lighting system and reduce consumption within reasonable range • Posted electricity-saving labels in office areas to strengthen employees' awareness of saving electricity • Prioritized tools which facilitate energy saving and emission reduction in purchasing electronic equipment
Wastes	• Improve measures of waste separation and recycling	• disused computers, monitors, waste ink cartridges and other garbage are sorted for collection, and are handled by professional institutions for recycling • Office wastes are collected for centralized recycling to reduce the disposal rate of waste
Energy use	• Raise employees' awareness of energy conservation	• encouraged employees to switch off lights, air conditioners and office equipment before leaving work • reduced the use of unnecessary lighting systems in office areas • posted electricity-saving labels in office areas to strengthen employees' concerns for energy conservation and emission reduction
Water consumption	• Reduce water consumption in offices and common areas of the projects	• drip and spray irrigation is adopted for property management projects to reduce water consumption • water saving posters are in place in office areas

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 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 delivery of quality service of the Group. We believe the successful recruitment of suitable talents is critical for the future business development of the Group. Hevol Services adheres to the applicable requirements related to candidate selection in the Recruitment Management Rules of Hevol Services Group. 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 appropriate recruitment channel based on number of vacancy and nature of the relevant position. We will also conduct background check on the job applicants and arrange interview by our management during the recruitment process in order to match the operation needs with suitable talents. In addition to recruiting outstanding talents, Hevol Services also recognizes the importance of developing reserve forces. 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 the fresh graduates to grow rapidly into professional managers and young and competent leaders of the Group.

In order to motivate our employees, we provide them with bonuses and promotion opportunities based on their personal performance and contribution. By establishing a comprehensive staff performance assessment and promotion system, we aim to help attract, retain and motivate talents. To this end, Hevol Services has formulated the Performance Assessment Management Rules of Hevol Services Group. In addition to regular operational performance assessment, we also conduct regular assessment on job duty, work attitude, study and training and other practical performance of our staff in order to consider the promotion opportunity of staff from macro perspective in a fair and impartial manner.

We believe that performance assessment on various aspects of staff is beneficial to their personal growth and development, thereby improving the quality of our property services and work efficiency and achieving the Group's long-term goal of sustainable development.

Remuneration and benefits

In order to maintain its competitive advantages, Hevol Services makes reference to the standard package of remuneration and benefits of the industry peers to ensure the competitiveness of the Group's renumeration and benefits package in the market. In addition, the Group has 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 the staff's legal rights and benefits such as "five insurances and one fund" and paid leaves.

Meanwhile, Hevol Services also carry out diverse cultural construction activities from time to time, and has formulated the Labour Protection Management Rules of Hevol Services Group to regulate the labour protection and ensure the health of staff, thereby helping the staff to integrate into the corporate culture:

- Regular health check-ups are arranged for staff susceptible to occupational disease and at special positions, and all staff of the Group are entitled to heath check-up once a year at the Group's expense;

- Female staff are entitled to gynecological examination every year at the Group's expense;

- Different kinds of exchange activities are held for staff and their family to strengthen the development of a "high quality and professional" team; and

- Various allowances are provided to the staff which include transportation allowance, meal allowance for shift duty and communication allowance.

Working hours and leaves

Hevol Services promotes high work efficiency and strives to maintain a work-life balance for the staff. If the staff are required to work overtime due to work arrangement, Hevol Services will provide overtime compensation for situations as approved in the Attendance and Leaves Management Rules of Hevol Services Group. Meanwhile, Hevol Services also complies with the relevant laws and regulations of the PRC and provides various special paid leaves to the staff which include statutory holidays and leaves, marriage and remarriage leaves, compassionate leaves, family planning leaves, maternity leaves, paternity leaves and annual leaves.

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.

During the reporting period, the Board of Directors of Hevol Services comprised 8 members, of which approximately 87% were male members and approximately 13% were female members. We have a total of 996 staff, of which approximately 51% are male staff and 49% are female staff. No cases of discrimination were recorded during the reporting period.

B2: Health and Safety

Hevol Services considers occupational health and safety as an important aspect in 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 work safety. We have formulated the Labour Protection Management Rules of Hevol Services Group and Safety Protection and Control Procedures of Hevol Services Group which specify our roles and responsibilities in respect of staff healthcare and maintaining workplace safety. We conduct regular work-related safety hazard assessment 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 with practical measures.

In addition, the Labour Protection Management Rules of Hevol Services Group also covers health and safety trainings for the Group's staff. According to such rules, we provide regular trainings and education in relation to labour protection, safety and prevention of occupational diseases to our staff, and provide job related safety trainings to new recruits and staff who undertake new jobs. We believe that these trainings can effectively enhance the safety awareness of our staff and minimize the accidents caused by human error. By formulating standard rules and regulations, we aim at creating a healthy working environment for the staff and protecting them from occupational hazards and labour injury, thereby providing high quality services to our property owners and customers in a healthy and safe environment.

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 recorded 171 lost days due to work-related injuries.

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.

Hevol Services provides equal training and development opportunities to all staff. During the reporting period, 100% of the Group's staff received an average of 32 hours of relevant trainings.

B4: Labour Standards

Hevol Services endeavors 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, formulate the Labour Protection Management Rules of Hevol Services Group, and 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 to protect the legitimate rights and interests of workers according to relevant laws and regulations of the PRC. For example, if child labour is hired due to negligence or other reasons, we will provide immediate and necessary support for the best interest of the child. For employment of any staff under the age of 18, we will file to relevant labour administrative authorities for registration. In addition, we strictly prohibit forced labour, and all staff of the Group are hired on a voluntary basis without deception and coercion. During the reporting period, the Group did not have any child labour or forced labour.

We have also formulated the Attendance and Leaves Management Rules of Hevol Services Group to provide protection for overtime works and offer over time compensation and transportation allowance to the staff for overtime works approved by the relevant rules. We also set the position of staff relationship manager within the Group to be responsible for improving the human resources rules and policies of the Group and ensuring the update of human resources system of Hevol Serivces to avoid relevant labour risks.

B5: Supply Chain Management

Hevol Services firmly believes that comprehensive supply chain management is important for maintaining our brand reputation and business sustainability. In addition to strict compliance with the Tender and Bidding Law of the PRC and other national policies, we have also formulated a series of internal policies 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, which fully cover tender and bidding of suppliers, performance of contract obligations of procurement and service subcontracting, continuous supplier assessment and other supply chain management procedures. As of 31 December 2019, the Group's have a total of approximately 300 suppliers which mainly include general service providers (subcontracting services such as security, cleaning and construction) and suppliers for administrative operations (procurement of office supplies).

Selection and management of qualified suppliers

We recognized that selection of qualified suppliers is the start of supply chain management, and also an important aspect for effective overall control. In particular, we engage general service providers to provide certain property management services (including security, cleaning, gardening, greenery, repair and maintenance services) to property owners and customers. As such, the performance of such providers will have direct impact on our service quality and customer satisfaction. In view of this, the Group has 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 selection of suppliers. When selecting suppliers, we will conduct thorough qualification review. During review, in addition to the capability and market position of the suppliers, we will also consider the quality of their previous works, business integrity, operation qualification and safety performance in order to ensure that they meet our standards of services and responsibilities.

Supervision and management of qualified suppliers

We maintain a list for management of qualified suppliers, and suppliers that meet our criteria will be included in the List of Qualified Suppliers and become the approved suppliers to be engaged by the Group. In addition, we take active approach to continuously monitor the performance of all suppliers included in the List of Qualified Suppliers and conduct regular performance assessment on all suppliers.

Type of assessment	Assessment details
Monthly assessment on performance of contracts	Project personnel will monitor the on-site service performance of the supplier based on the terms of contract. When settling the bills, the project manager will conduct assessment on the monthly performance of the staff and service quality of the supplier. If any service fail 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 quality department will review the results of monthly assessment on 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 service quality of supplier, or the performance rating of supplier continuously fails to meet the Group's standards, the Group will terminate the contract unconditionally and blacklist such supplier which will not be engaged by the Group in the future. 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.

Selection of suppliers

The Group adheres to the principle of competitive and fair procurement. We will invite at least 3 suppliers with same quality for quotation 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 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. Single item with total procurement amount of over RMB20,000 shall be procured through tender process. Hevol Services undertakes that, during the tender 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 feedbacks 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 feedbacks from property owners and customers on our services are greatly beneficial to our continuous improvement. We set a page for customer feedbacks 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 feedbacks. 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 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
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 project leader within one hour upon receipt of such complaint. The project leader shall contact the property owner within one hour, provide solution approved by the property owner and customer within 24 hours, and implement the solution to solve the complaint.
Material or collective complaints	The quality management department shall inform the leader of 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 investigation and report to relevant management to formulate solution.

We keep 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 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 86 complaints related to services.

Customer privacy protection

Hevol Services understands that privacy protection of personal and other information of property owners and customers is an essential part for developing 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 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 contract with business partners due to corruption and non-compliance.

B8: Community Investment

We believe an enterprise shall assume the social responsibility of "caring the community and contributing to the society". With the stable and rapid development of Hevol Services, we hope that our business can continuously promote social harmony and advancement and make contribution 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 culture 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 include:

Type of activities	Description
Fitness development	Organized friendly basketball match to strengthen the exchange and communication among different entities
Community culture	Decorated the community for Lunar New Year and Lantern Festival to create a festive atmosphere
	Held a Mid-Autumn Festival gala to foster the relationship with property owners
	Organized Children's Day activities to provide a platform for the children to show their talents
	Organized youth invitational football match
	Organized children's calligraphy and painting activity
Environmental Protection	Organized tree planting activity to improve the surrounding environment
Caring for disadvantaged	Provided free haircut, blood pressure and blood sugar measurement, knife sharpening and bicycle repair services, safety tips and other convenience and consultation services to the property owners in the community.

OVERVIEW OF KEY PERFORMANCE INDICATORS[1]

Environmental Performance

No. of KPIs	Key performance indicator	Unit	2019
A1.1 Emission[2]	Nitrogen oxide (NO_x)	kg	53.86
	Sulphur oxide (SO_x)	kg	21.40
	Respirable particulate matter (PM_{10})	kg	15.34
	Particulate matter ($PM_{2.5}$)	kg	14.67
	Carbon monoxide (CO)	kg	1,925.79
	Hydrocarbon (HC)	kg	537.99
A1.2 Greenhouse gas[3]	**Scope 1: Direct emission of greenhouse gas**		
	Stationary source – Gas stoves in staff canteen	tonne of carbon dioxide equivalent	44.10
	Stationary source – Backup generator	tonne of carbon dioxide equivalent	16.99
	Stationary source – Gas cooker in staff canteen	tonne of carbon dioxide equivalent	3.08
	Stationary source – Lawn mower, brush cutter, hedge trimmer and rotary tiller used for gardening and greenery management	tonne of carbon dioxide equivalent	2.77
	Mobile source – Company vehicles	tonne of carbon dioxide equivalent	56.31
	Reduction of greenhouse gas by planting new trees	tonne of carbon dioxide equivalent	3.24
	Total direct emission of carbon dioxide equivalent	tonne of carbon dioxide equivalent	120.01
	Total direct emission intensity of carbon dioxide equivalent[4]	tonne of carbon dioxide equivalent	30.80

No. of KPIs	Key performance indicator	Unit	2019
	Scope 2: Indirect emission of greenhouse gas		
	Purchased electricity[5]	tonne of carbon dioxide equivalent	8,838.84
	Purchased town gas	tonne of carbon dioxide equivalent	0.43
	Total indirect emission of carbon dioxide equivalent	tonne of carbon dioxide equivalent	8,839.27
	Total indirect emission intensity of carbon dioxide equivalent[6]	tonne of carbon dioxide equivalent/ million sq.m.	2,268.65
	Scope 3: Indirect emission of greenhouse gas from other sources		
	Waste paper disposed to landfill	tonne of carbon dioxide equivalent	2.06
	Electricity consumed by governmental entities for treatment of drinking water and wastewater[7]	tonne of carbon dioxide equivalent	130.95
	Business travel by airplane	tonne of carbon dioxide equivalent	37.81
	Total indirect emission of carbon dioxide equivalent from other sources	tonne of carbon dioxide equivalent/ million sq.m.	170.82
	Total indirect emission intensity of carbon dioxide equivalent from other sources[8]	tonne of carbon dioxide equivalent/ million sq.m.	43.84

No. of KPIs	Key performance indicator	Unit	2019
	Total emission of greenhouse gas		
	Total emission of greenhouse gas	tonne of carbon dioxide equivalent	9,130.10
	Total emission intensity of greenhouse gas[9]	tonne of carbon dioxide equivalent/ million sq.m.	2,343.30
A1.4 Non-hazardous waste	Waste paper	tonne	0.40
	Total non-hazardous waste	tonne	0.40
	Total non-hazardous waste intensity[10]	tonne/ million sq.m.	0.10
A2.1 Energy[11]	**Direct energy consumption**		
	Natural gas	'000 Kwh	16.81
	Biodiesel	'000 Kwh	151.13
	LPG	'000 Kwh	70.77
	Diesel	'000 Kwh	66.46
	Gasoline	'000 Kwh	213.86

No. of KPIs	Key performance indicator	Unit	2019
	Direct energy consumption	'000 Kwh	519.03
	Direct energy consumption intensity[12]	'000 Kwh/ million sq.m.	133.21
	Indirect energy consumption		
	Purchased electricity	'000 Kwh	9,682.92
	Purchased town gas	'000 Kwh	3.06
	Indirect energy consumption	'000 Kwh	9,685.98
	Indirect energy consumption intensity[13]	'000 Kwh/ million sq.m.	2,485.97
	Total energy consumption		
	Total energy consumption	'000 Kwh	10,205.01
	Total energy consumption intensity[14]	'000 Kwh/ million sq.m.	2,619.18
A2.2 Water consumption	Water consumption	cubic meter	185,316.60
	Water consumption intensity	cubic meter/ million sq.m.	47,562.65

1 Unless otherwise specified, the 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.

2 The emissions are calculated with reference to the Study on List of Air Pollutant in Hangzhou by Investigation of Local Sources of Pollution – Acta Scientiae Circumstantiae (2017) published by relevant research institutes, the Heat Production and Supply Industry (Including Industrial Boiler) (sulphur content S = 30mg/m^3) of the State Environmental Protection Administration, conversion coefficient provided by relevant research institutes (http://w.astro.berkeley.edu/~wright/fuel_energy.html), Emission factors used in the estimations of emissions from combustion by Statistics Norway, The Clean Air Charter – A Business Guidebook of The Hong Kong General Chamber of Commerce, Compilation of Air Pollutant Emissions Factors (AP-42, 5th edition) of United States Environmental Protection Agency, Technical Guidance on Preparation of List of Air Pollutant Emission from Motor Vehicles (Trial) published by the Ministry of Environmental Protection of the PRC and the Study of Air Quality in the Pearl River Delta Region by the Environmental Protection Department of Hong Kong Special Administrative Region.

3 The emission of carbon dioxide equivalent from direct sources, purchased town gas and purchased natural gas are calculated with reference to the conversion coefficient provided by relevant research institutes (http://w.astro.berkeley.edu/~wright/fuel_energy.html) and GHG Protocol tool for Energy Consumption in China provided in The GHG Protocol: A Corporate Accounting and Reporting Standard which is internationally accepted.

4 Total direct emission intensity of carbon dioxide equivalent = direct emission of carbon dioxide equivalent ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

5 The emission factor data for power grid in different regions in mainland China are determined with reference to China Regional Power Grid Baseline Emission Factor for Emission Reduction Project for 2016 published by the National Development and Reform Commission.

6 Total indirect emission intensity of carbon dioxide equivalent = indirect emission of carbon dioxide equivalent ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

7 The electricity consumed for treatment of a unit of drinking water and wastewater in the PRC are 0.6 and 0.28328 Kwh, respectively, and the predetermined emission factor of purchased electricity in the PRC is 0.8 kg/Kwh.

8 Total indirect emission intensity of carbon dioxide equivalent from other sources = indirect emission of carbon dioxide equivalent from other sources ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

9 Total emission intensity of greenhouse gas = total emission of greenhouse gas ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

10 Total non-hazardous waste intensity = Total non-hazardous waste ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

11 Energy consumption is calculated based on the conversion factors in General Principles for Calculation of Comprehensive Energy Consumption (GB/T 2589-2008), a national standard of the PRC, and the conversion coefficient provided by relevant research institutes (http://w.astro.berkeley.edu/~wright/fuel_energy.html).

12 Direct energy consumption intensity = direct energy consumption ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

13 Indirect energy consumption intensity = indirect energy consumption ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

14 Total energy consumption intensity = total energy consumption ÷ total area of 11 projects under management during the year and the headquarter office in Beijing

Social Performance

No. of KPIs	Key performance indicator	Unit	2019
B1.1 Total workforce	**By employment type**		
	Full-time	person	996
	Part-time	person	0
	By geographical region		
	Northern China (Beijing, Tianjin, Tangshan)	person	355
	Southwestern China (Guizhou, Chongqing, Chengdu)	person	274
	Southern China (Hainan, Hunan)	person	218
	Northeastern China (Liaoning, Dandong, Harbin)	person	149
	By gender		
	Male	person	507
	Female	person	489
	By age		
	30 or below	person	298
	31-40	person	294
	41-50	person	235
	51 or above	person	169

No. of KPIs	Key performance indicator	Unit	2019
B1.2 Employee turnover rate	Total number of employee turnover	person	537
	Total employee turnover rate	%	54%
	By employment type		
	Full-time	%	100%
	Part-time	%	0
	By geographical region		
	Northern China (Beijing, Tianjin, Tangshan)	%	22%
	Southwestern China (Guizhou, Chongqing, Chengdu)	%	29%
	Southern China (Hainan, Hunan)	%	35%
	Northeastern China (Liaoning, Dandong, Harbin)	%	14%
	By gender		
	Male	%	60%
	Female	%	40%
	By age		
	30 or below	%	40%
	31-40	%	29%
	41-50	%	13%
	51 or above	%	18%

No. of KPIs	Key performance indicator	Unit	2019
B2.1 Number and rate of work-related fatalities	Number of work-related fatalities	person	0
	Rate of work-related fatalities	%	0%
B2.2 Lost days due to work injury	Lost days due to work injury	day	171
B3.1 Percentage of employees trained	Percentage of employees trained	%	100%
	By gender		
	Male	%	100%
	Female	%	100%
	By employee category		
	Senior management	%	100%
	Middle management	%	100%
	Entry-level employees	%	100%
B3.2 Average training hours completed per employee	Average training hours completed per employee	hour	32
	By gender		
	Male	hour	30
	Female	hour	34
	By employee category		
	Senior management	hour	38
	Middle management	hour	54
	Entry-level employees	hour	27

No. of KPIs	Key performance indicator	Unit	2019
B5.1 Number of suppliers	**Number of suppliers by geographical region**		
	Northern China (Beijing, Tianjin, Tangshan)	number	116
	Southwestern China (Guizhou, Chongqing, Chengdu)	number	103
	Southern China (Hainan, Hunan)	number	27
	Northeastern China (Liaoning, Dandong, Harbin)	number	54
B6.2 Number of products and service related complaints	Number of service related complaints	case	86
B7.1 Number of legal cases regarding corrupt practices	Number of concluded legal cases regarding corrupt practices brought up	case	0
	Anti-corruption training provided to directors and employees	hour	12

REFERENCE TO STOCK EXCHANGE ESG REPORTING GUIDE

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
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.		Disclosed	Environmental Aspect
KPI A1.1	The types of emissions and respective emissions data.	Disclosed	Environmental Aspect, Overview of Key Performance Indicators
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspect, Overview of Key Performance Indicators
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Not applicable	As we do not generate any material hazardous waste, this KPI is not applicable to our business.

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspect, Overview of Key Performance Indicators
KPI A1.5	Description of measures to mitigate emissions and results achieved.	Disclosed	Environmental Aspect
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Disclosed	Environmental Aspect
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.		Disclosed	Environmental aspects
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspect, Overview of Key Performance Indicators
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Aspect, Overview of Key Performance Indicators
KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Disclosed	Environmental Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Disclosed	Environmental Aspect
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	Not applicable	As we do not use packaging material in our operation, this KPI is not applicable to our business.
Aspect A3: The Environment and Natural Resources			
General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		Disclosed	Environmental aspects
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	Environmental aspects

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
B. Social			
Employment and Labour Practices			
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.		Disclosed	Social Aspect
KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Disclosed	Social Aspect, Overview of Key Performance Indicators
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Social Aspect, Overview of Key Performance Indicators
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.		Disclosed	Social Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
KPI B2.1	Number and rate of work-related fatalities.	Disclosed	Social Aspect, Overview of Key Performance Indicators
KPI B2.2	Lost days due to work injury.	Disclosed	Social Aspect, Overview of Key Performance Indicators
KPI B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	Social Aspect
Aspect B3: Development and Training			
General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.		Disclosed	Social Aspect
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Social Aspect, Overview of Key Performance Indicators
KPI B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Social Aspect, Overview of Key Performance Indicators

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
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		Disclosed	Social Aspect
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Disclosed	Social Aspect
KPI B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Social Aspect
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure Policies on managing environmental and social risks of the supply chain.		Disclosed	Social Aspect
KPI B5.1	Number of suppliers by geographical region.	Disclosed	Social Aspect, Overview of Key Performance Indicators
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.	Disclosed	Social Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
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.		Disclosed	Social Aspect
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Not applicable	As our operation does not involve sales or delivery of products, this KPI is not applicable to our business.
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	Social Aspect, Overview of Key Performance Indicators
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Social Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
KPI B6.4	Description of quality assurance process and recall procedures.	Not applicable	As our operation does not involve product quality examination and recall procedures, this KPI is not applicable to our business.
KPI B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	Social Aspect
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.		Disclosed	Social Aspect
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.	Disclosed	Social Aspect, Overview of Key Performance Indicators
KPI B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	Social Aspect

Subject Areas, Aspects, General Disclosures and KPIs		Disclosure	Section/ Explanation
Community			
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.		Disclosed	Social Aspect
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	Social Aspect
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	Social Aspect

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 2019.

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 26 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 four financial years is set out on pages 203 to 204 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 2019, HK$1.5 million or 2.0%, of the proceeds raised by the Company from the listing have been utilised. In 2020, 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 15.3% of the Group's total revenue. The Group's five largest customers accounted for 17.0% of the Group's total revenue. In the year under review, the Group's largest supplier accounted for 4.5% of the Group's total purchase. The Group's five largest suppliers accounted for 22.2% 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 Tuesday, 16 June 2020 to Friday, 19 June 2020, 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 Friday, 19 June 2020 (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 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on Monday, 15 June 2020.

RESULTS

The results of the Group for the year ended 31 December 2019 are set out in the consolidated statement of profit or loss and other comprehensive income on page 117 in this annual report.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2019.

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 20 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 120 to 121 in this annual report.

As at 31 December 2019, the distributable reserves of the Group amounted to approximately RMB137.9 million (2018: RMB89.5 million).

BORROWINGS

During the year ended 31 December 2019, 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 2019 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 2019, the Group donated HKD1.0 million as charitable contributions.

DIRECTORS

The Board currently consists of the following eight Directors:

Executive Directors

Mr. Wang Wenhao *(Chief Executive Officer)* (appointed on 13 February 2019)

Ms. Hu Hongfang *(Chief Financial Officer)* (appointed on 9 August 2018)

Non-executive Directors

Mr. Liu Jiang ("**Mr. Liu**") *(Chairman)* (appointed on 28 May 2018)

Mr. Zhou Wei (appointed on 13 February 2019)

Independent Non-executive Directors

Mr. Qian Hongji (appointed on 14 June 2019)

Mr. Fan Chi Chiu (appointed on 14 June 2019)

Dr. Chen Lei (appointed on 14 June 2019)

Dr. Li Yongrui (appointed on 14 June 2019)

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 27 April 2020.

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 24 to 29 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 2019 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 2019.

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 2019, 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 2019.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2019, by our Group to or on behalf of any of the Directors.

HUMAN RESOURCES

The Group had approximately 996 employees as at 31 December 2019, as compared to 1,013 employees as at 31 December 2018. 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 2019, 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	71.61%

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 2019, 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.

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.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 31 December 2019, the following persons (other than the Directors or the chief executive of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company and the Stock Exchange in accordance with Divisions 2 and 3 of Part XV of the SFO, or which were required to be entered in the register kept by the Company under section 336 of the SFO:

Long position of the Company's ordinary shares

Name of shareholders	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Liu [(1)]	Beneficial owner	286,439,934	71.61%

Notes:

1. Mr. Liu is the founder of Brilliant Brother, held long position in 286,439,934 shares.

Save as disclosed herein, as at 31 December 2019, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

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

Other than disclosed in the section headed "Material Related Party Transactions", in note 24 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 2019.

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 24 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 2019 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 2019 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 Mr. Liu as to 80% and Ms. Hu Hongfang 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 Real Estate. 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

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**").

On 27 June 2019, we 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. 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 arriving at the above annual caps of Hevol Property Management Services, the Group's Directors have considered (i) the historical service fees for the prior years; (ii) the estimated revenue to be recognised in relation to the Hevol Property Management Services and Hevol Developer related Services to be provided by the Group pursuant to existing contracts and the expected time and volume of delivery for the Group's existing property management projects; and (iii) the expected volume of sale of Hevol Real Estate Group, size and number of the property projects to be managed by the Group based on the total GFA of the properties to be delivered by the Hevol Real Estate Group, the properties under development held by Hevol Real Estate Group as at 31 December 2018 and the estimated time of pre-sales and delivery.

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 upon Listing.

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 2019, 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 2019 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 2019 are set out in note 24 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

From 12 July 2019 and up to the date of this annual report, 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 are 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 are 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 2019.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2019, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Except for the major acquisition of 70% equity interest of Shanghai Tongjin as stated in the Company's announcements dated 23 October 2019, 28 December 2019 and 27 February 2020 respectively, the Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2019.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2019, 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 30 to 47 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 2019 are set out in the Environmental, Social and Governance Report on pages 48 to 90 of this annual report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 30 to the consolidated financial statements.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2019, 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 2019 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 2020

Independent Auditor's Report

Grant Thornton
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To the members 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 117 to 202, which comprise the consolidated statement of financial position as at 31 December 2019, 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 2019, 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)

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

Refer to significant accounting policies in notes 2.7 and 2.8, critical accounting estimates and judgements in note 3 and the disclosure of trade and other receivables in note 16 to the consolidated financial statements.

Key audit matter	How the matter was addressed in our audit
As at 31 December 2019, the Group had trade and other receivables amounting to RMB37,347,000 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 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; • reviewing the ageing of the trade receivables and evaluating the parameters in estimating the ECL rate; and • checking the accuracy of the provision in accordance with the ECL rate applied by the Group.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information included in the 2019 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.

OTHER INFORMATION (Continued)

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.

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

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.

- 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, related safeguards.

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 2020

Han Pui Yu
Practising Certificate No.: P07101

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Revenue	4	248,275	224,450
Cost of sales		(164,142)	(143,958)
Gross profit		84,133	80,492
Other income	5	9,277	1,573
Administrative expenses		(52,353)	(39,966)
Listing-related expenses		(17,693)	(11,694)
Finance costs	6(a)	(150)	–
Profit before income tax	6(b)	23,214	30,405
Income tax expense	8	(9,421)	(13,519)
Profit and total comprehensive income for the year attributable to equity holders of the Company		13,793	16,886
Earnings per share attributable to equity holders of the Company (expressed in RMB cents per share)			
Basic and diluted	10	3.97	5.63

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1.1.

The notes on pages 124 to 202 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Non-current assets			
Property, plant and equipment	12	6,806	2,979
Intangible assets	13	2,657	924
Investment properties	14	30,902	31,988
Deferred tax assets	19	2,726	4,766
Deposit paid for acquisition of subsidiaries	16	24,875	–
		67,966	40,657
Current assets			
Inventories	15	106	68
Trade and other receivables	16	38,755	85,072
Bank balances and cash		199,829	134,417
		238,690	219,557
Current liabilities			
Contract liabilities	4(a)	58,297	73,116
Trade and other payables	17	73,935	87,950
Lease liabilities	18	1,918	–
Income tax liabilities		1,262	14,442
		135,412	175,508
Net current assets		103,278	44,049
Total assets less current liabilities		171,244	84,706
Non-current liabilities			
Lease liabilities	18	2,188	–
Deferred tax liabilities	19	4,600	4,600
		6,788	4,600
Net assets		164,456	80,106

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
EQUITY			
Share capital	20	28	–*
Reserves	21	164,428	80,106
Total equity		164,456	80,106

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1.1.

* The balance represents amount less than RMB1,000.

Wang Wenhao
Director

Hu Hongfang
Director

The notes on pages 124 to 202 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital RMB'000 *(note 20)*	Share premium* RMB'000 *(note 21(a))*	Capital reserve* RMB'000 *(note 21(c))*	Statutory reserve* RMB'000 *(note 21(b))*	Retained profits* RMB'000	Total equity RMB'000
Balance at 1 January 2018	30,000	–	4,000	7,416	43,178	84,594
Profit and total comprehensive income for the year	–	–	–	–	16,886	16,886
Transactions with owners						
– Shares issued on incorporation of the Company and allotment of shares *(note 20(i))*	–**	–	–	–	–	–**
– Dividend paid *(note 9)*	–	–	–	–	(21,600)	(21,600)
– Capital contributions from the shareholders *(note 21(c))*	–	–	7,633	–	–	7,633
– Deemed distribution arising from the Reorganisation *(note 21(c))*	–	–	(7,407)	–	–	(7,407)
– Effect of the Reorganisation *(note 20)*	(30,000)	–	30,000	–	–	–
– Appropriation to statutory reserve	–	–	–	1,603	(1,603)	–
Total transactions with owners	(30,000)	–	30,226	1,603	(23,203)	(21,374)
Balance at 31 December 2018 *(note)*	–**	–	34,226	9,019	36,861	80,106

Consolidated statement of changes in equity

For the year ended 31 December 2019

	Share capital RMB'000 (note 20)	Share premium* RMB'000 (note 21(a))	Capital reserve* RMB'000 (note 21(c))	Statutory reserve* RMB'000 (note 21(b))	Retained profits* RMB'000	Total equity RMB'000
Balance at 1 January 2019	–**	–	34,226	9,019	36,861	80,106
Profit and total comprehensive income for the year	–	–	–	–	13,793	13,793
Transactions with owners						
– Dividend paid *(note 9)*	–	–	–	–	(25,400)	(25,400)
– Capitalisation issue *(note 20(iii))*	21	(21)	–	–	–	–
– Issuance of new shares in connection with the listing of the Company's shares *(note 20(iv))*	7	112,452	–	–	–	112,459
– Share issuance expenses *(note 20(iv))*	–	(16,502)	–	–	–	(16,502)
– Appropriation to statutory reserve	–	–	–	640	(640)	–
Total transactions with owners	28	95,929	–	640	(26,040)	70,557
Balance at 31 December 2019	28	95,929	34,226	9,659	24,614	164,456

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1.1.

* 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 124 to 202 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from operating activities			
Profit before income tax		23,214	30,405
Adjustments for:			
Amortisation of intangible assets	6(b)	257	58
Depreciation of property, plant and equipment	6(b)	2,055	612
Depreciation of investment properties	6(b)	1,086	1,085
Interest expenses	6(a)	150	–
Bank interest income	5	(654)	(293)
Reversal of ECL allowance on trade and other receivables	5	(4,534)	–
ECL allowance on trade and other receivables		–	2,986
Loss on disposal of property, plant and equipment	6(b)	28	42
Write-off of intangible assets		–	3
Operating profit before working capital changes		21,602	34,898
Increase in inventories		(38)	(44)
Decrease/(Increase) in trade and other receivables		43,204	(4,005)
(Decrease)/Increase in contract liabilities		(14,819)	14,216
(Decrease)/Increase in trade and other payables		(9,977)	4,129
Cash generated from operations		39,972	49,194
Interest received		654	293
Income tax paid		(20,561)	(6,411)
Net cash from operating activities		20,065	43,076
Cash flows from investing activities			
Purchase of property, plant and equipment		(751)	(1,780)
Purchase of intangible assets		(1,990)	(803)
Decrease in amounts due from related parties		7,647	640
Deposit paid for acquisition of subsidiaries	23(b)	(24,875)	–
Net cash used in investing activities		(19,969)	(1,943)

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000 (Note)
Cash flows from financing activities			
Repayment of amounts due to related parties	27	(5,346)	(3,831)
Advance from related parties	27	1,308	4,047
Payment of lease liabilities	27	(1,203)	–
Payment for deferred IPO costs		–	(3,629)
Dividend paid	9	(25,400)	(21,600)
Capital contribution from shareholders		–	7,633
Deemed distribution arising from the Reorganisation		–	(2,633)
Proceed from issuance of new shares in connection with the listing of the Company's shares	20(iv)	112,459	–
Payment of share issuance expenses	20(iv)	(16,502)	–
Net cash from/(used in) financing activities		65,316	(20,013)
Net increase in cash and cash equivalents		65,412	21,120
Cash and cash equivalents at the beginning of the year		134,417	113,297
Cash and cash equivalents at the end of the year, represented by bank balances and cash		199,829	134,417

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1.1.

The notes on pages 124 to 202 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2019

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 "**Listing Business**").

On 12 July 2019, the Company has its shares listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") ("**the Listing**").

In the opinion of the directors, as at 31 December 2019, 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 2019 were approved for issue by the board of directors on 25 March 2020.

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 presentation and preparation

These consolidated financial statements of the Company have been prepared in accordance with applicable International Financial Reporting Standards ("**IFRS**") which includes all applicable individual IFRSs, 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**").

Pursuant to the reorganisation (the "**Reorganisation**") as more fully explained in the section headed "History, Reorganisation and Corporate structure" in the prospectus of the Company dated 27 June 2019 (the "**Prospectus**") which was completed on 26 December 2018, immediately prior to and after the Reorganisation, the Listing Business is held by Beijing Hongsheng Investment Limited (北京泓升投資有限責任公司, "**Beijing Hongsheng**") and is mainly conducted through Beijing Hongsheng and its wholly-owned subsidiaries (collectively, "**Beijing Hongsheng Group**"). Pursuant to the Reorganisation, Beijing Hongsheng and the Listing Business are transferred to and held by the Company on 30 October 2018. The Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business. The Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remain the same. Accordingly, the Group resulting from the Reorganisation is regarded as a continuation of the Listing Business under Beijing Hongsheng Group and the consolidated financial statements have been prepared and presented as a continuation of the consolidated financial statements of Beijing Hongsheng Group with the assets and liabilities of the Group recognised and measured at their carrying amounts of the Listing Business under the consolidated financial statements of Beijing Hongsheng Group for the year ended 31 December 2018. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation and preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis.

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 and changes in accounting policies below.

2.1.1 New and 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 new and 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 2019:

IFRS 16	Leases
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IFRSs	Annual Improvements to IFRSs 2015-2017 Cycle
IFRIC 23	Uncertainty over Income Tax Treatments

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

*IFRS 16 "Leases" ("**IFRS 16**")*

IFRS 16 replaces IAS 17 "Leases" ("**IAS 17**") along with three Interpretations (IFRIC 4 "Determining whether an Arrangement contains a Lease" ("**IFRIC 4**"), SIC-15 "Operating Leases-Incentives" and SIC-27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease"). IFRS 16 has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained profits for the current year. Prior periods have not been restated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation and preparation (Continued)

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

*IFRS 16 "Leases" ("**IFRS 16**") (Continued)*

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

As a Lessee

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 January 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets, the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term. The weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 5.5% per annum.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation and preparation (Continued)

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

*IFRS 16 "Leases" ("**IFRS 16**") (Continued)*

As a Lessee (Continued)

The following is a reconciliation of total operating lease commitments at 31 December 2018 to the lease liabilities recognised at 1 January 2019:

	RMB'000
Total operating lease commitments disclosed at 31 December 2018 *(note 23(a))*	1,117
Recognition exemptions:	
– Leases with remaining lease term of less than 12 months	(118)
Operating leases liabilities before discounting	999
Discounting using incremental borrowing rate as at 1 January 2019	(103)
Operating leases liabilities recognised under IFRS 16 at 1 January 2019	896
Classified as:	
– Current lease liabilities	275
– Non-current lease liabilities	621
	896

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation and preparation (Continued)

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

*IFRS 16 "Leases" ("**IFRS 16**") (Continued)*

As a Lessor

Upon initial application of IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16. Comparative information is not restated.

The following table summarises the impact of transition to IFRS 16 on the Group's consolidated statement of financial position at 1 January 2019:

	RMB'000
Increase in right-of-use assets presented in property, plant and equipment	896
Increase in lease liabilities	(896)

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[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IFRS 3	Definition of a Business[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[1]
Amendments to IAS 1 and IAS 8	Definition of Material[1]

1 Effective for annual periods beginning on or after 1 January 2020
2 Effective for annual periods beginning on or after 1 January 2021
3 Effective date not yet determined
4 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation and preparation (Continued)

2.1.2 Issued but not effective IFRSs (Continued)

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.

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).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation and preparation (Continued)

2.1.2 Issued but not effective IFRSs (Continued)

Amendments to IAS 1 and IAS 8 "Definition of Material" (Continued)

Amendments to IAS 1 and IAS 8 are effective for annual reporting period beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted. The directors expect that the amendments have no material impact on the Group's consolidated financial statements.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Foreign currency translation

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "**functional currency**"). The consolidated financial statements are presented in RMB, which is the same as the Company's functional currency.

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.

2.4 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.12) are stated at cost less accumulated depreciation and accumulated impairment losses (note 2.18). The cost 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:

Furniture and fixtures and office equipment	20%
Motor vehicles	20%

Upon the application of IFRS 16, accounting policy for depreciation of right-of-use assets is set out in note 2.12.

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)

2.4 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.

2.5 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 2.18), if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the term of right of use of 20-43 years using straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

2.6 Intangible assets

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 2.18).

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives of 5 years. Amortisation commences when the intangible assets are available for use. 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 2.18.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 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 fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("**FVOCI**").

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)

2.7 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 within "Administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

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)

2.7 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial 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 2.12.

Trade and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.8 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets (Continued)

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.

"**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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost

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

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

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

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

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

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

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

– an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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.

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 28.2.

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;

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Impairment of financial assets (Continued)

Credit-impaired financial assets (Continued)

– 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.

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.

2.9 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.

2.10 Cash and cash equivalents

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

2.11 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.15). 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 2.7).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases

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

Policy applicable from 1 January 2019

For any new contracts entered into on or after 1 January 2019, 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. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases (Continued)

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

Policy applicable from 1 January 2019 (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)

2.12 Leases (Continued)

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

Policy applicable from 1 January 2019 (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. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

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

The Group has elected to account for short-term leases and leases of low-value assets 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.

Policy applicable before 1 January 2019

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.12 Leases (Continued)

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

Policy applicable before 1 January 2019 (Continued)

(i) Classification of assets leased to the Group

Assets that are held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases.

(ii) Operating lease charges as the lessee

Where the Group has the right to use of assets held under operating leases, payments made under the leases are charged to profit or loss on a straight-line basis over the lease terms except where an alternative basis is more representative of the time pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 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.

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.

2.14 Share capital

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

2.15 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.15 Revenue recognition (Continued)

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.

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.

2.16 Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.17 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)

2.18 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets), intangible assets, investment properties and investment in subsidiaries in the statement of financial position of the Company are subject to impairment testing. They 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 cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment losses are charged pro-rata to the assets in the cash-generating unit, 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 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.

Termination benefit

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 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 initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Accounting for income tax (Continued)

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

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

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

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

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

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

  (i) the same taxable entity; or

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

2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that make strategic decisions.

2.22 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)

2.23 Related parties

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

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

(i) has control or joint control 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);

(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); or

(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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Related parties (Continued)

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:

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 2019, the carrying amount of trade and other receivables within the scope of the ECL model was amounted to RMB37,347,000 (2018: RMB78,640,000). Details of the ECL allowance on trade and other receivables are set out in note 28.2.

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 income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. The details of the deferred tax assets are set out in note 19.

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 earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred tax liabilities of approximately RMB41,862,000 (2018: RMB24,963,000) would be provided as at 31 December 2019 (note 19).

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related value-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-maker (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:

	2019 *RMB'000*	2018 *RMB'000*
Revenue from external customers and recognised over time		
Property management services	168,379	155,327
Community value-added services	54,105	55,252
Value-added services to non-property owners	25,791	13,871
	248,275	224,450

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2019 and 2018, substantially all of the non-current assets (other than deferred tax assets) of the Group were located in the PRC.

Information about major customers

For the year ended 31 December 2019, revenue from companies controlled by the Controlling Shareholder contributed 15.3% (2018: 13.0%) 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.

4. REVENUE AND SEGMENT INFORMATION (Continued)

a) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2019 *RMB'000*	2018 *RMB'000*
Contract liabilities	58,297	73,116

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Decrease in contract liabilities as at 31 December 2019 was primarily due to less advance payments were made by the property owners as compared to that of prior year.

b) Revenue recognised in relation to contract liabilities

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

	2019 *RMB'000*	2018 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	66,653	41,865
Community value-added services	4,313	3,697
	70,966	45,562

4. REVENUE AND SEGMENT INFORMATION (Continued)

c) Unsatisfied performance obligations

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. 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

	2019 *RMB'000*	2018 *RMB'000*
Bank interest income	654	293
Exchange gain	1,348	–
Reversal of ECL allowance on trade and other receivables *(note 16)*	4,534	–
Unconditional government subsidy income	2,493	1,190
Sundry income	248	90
	9,277	1,573

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

		2019 *RMB'000*	2018 *RMB'000* *(Note)*
(a)	**Finance costs**		
	Interest expenses on lease liabilities	150	–
(b)	**Other items**		
	Auditor's remuneration	1,216	–
	Amortisation of intangible assets *(note 13)*	257	58
	Depreciation of property, plant and equipment		
	– Owned assets	941	612
	– Right-of-use assets	1,114	–
	Depreciation of investment properties *(note 14)*	1,086	1,085
	ECL allowance on trade and other receivables *(note 16)*	–	2,986
	Loss on disposal of property, plant and equipment	28	42
	Write-off of intangible assets	–	3
	Lease charges:		
	– Premises held under operating leases	–	1,039
	– Short term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16	146	–

Note: The Group has initially applied IFRS 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated. See note 2.1.1.

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2019 RMB'000	2018 RMB'000
Salaries, bonus and allowances	61,975	61,126
Retirement benefit scheme contributions	11,349	11,338
Severance payments	865	195
Other employee benefits	6,235	5,954
	80,424	78,613

8. INCOME TAX EXPENSE

	Note	2019 RMB'000	2018 RMB'000
Current tax – PRC enterprise income tax			
Current year		7,381	9,805
Deferred tax	*19*		
Origination and reversal of temporary differences		1,135	4,104
Effect on deferred tax balances resulting from changes in tax rates		905	(390)
		2,040	3,714
Total income tax expense		9,421	13,519

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:

	2019 *RMB'000*	2018 *RMB'000*
Profit before income tax	**23,214**	30,405
Tax on profit before income tax, calculated at the statutory rates applicable to the tax jurisdiction concerned	8,064	8,637
Tax effect on non-deductible expenses	279	704
Tax effect on non-taxable income	(92)	–
Tax effect of tax losses not recognised	690	720
Utilisation of tax losses previously not recognised	(425)	(752)
Effect on deferred tax balances resulting from changes in tax rates	905	(390)
Deferred tax charge on withholding tax on undistributed profits *(note 19)*	–	4,600
Income tax expense	**9,421**	13,519

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 2019 and 2018.

8. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

c) HONG KONG PROFITS TAX

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the years ended 31 December 2019 and 2018.

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 2019 and 2018, 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 2019 and 2018.

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 2019 and 2018. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises with annual taxable income of less than RMB1,000,000 for each of the years ended 31 December 2019 and 2018, were also entitled to a tax concession of 75% and 50% of its taxable income, 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

In July 2018, a special dividend amounting to RMB21,600,000 had been proposed, approved and paid by Beijing Hongsheng to its then shareholders. On 14 February 2019, a special dividend of RMB25,400,000 had been declared, approved and paid to its then shareholders.

The directors do not recommend the payment of a final dividend for the year ended 31 December 2019.

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 Reorganisation and the Capitalisation Issue (as defined and detailed in note 20(ii) and note 20(iii) respectively) as if the Reorganisation and Capitalisation Issue had been completed on 1 January 2018.

a) Basic earnings per share

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

	2019	2018
Profit attributable to equity holders of the Company *(RMB'000)*	**13,793**	16,886
Number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**347,397**	300,000
Basic earnings per share *(expressed in RMB cents per share)*	**3.97**	5.63

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2019 and 2018 equals 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*
2019					
Executive directors:					
Mr. Wang Wenhao *(Chief Executive Officer)*	*(i), (ii)*	–	330	101	431
Ms. Hu Hongfang	*(v)*	–	358	–	358
Non-executive directors:					
Mr. Liu *(Chairman)*	*(iv)*	–	–	–	–
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

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*
2018					
Executive directors:					
Mr. Wang Wenhao *(Chief Executive Officer)*	*(i), (ii)*	–	148	76	224
Ms. Hu Hongfang	*(v)*	–	–	–	–
Non-executive directors:					
Mr. Liu *(Chairman)*	*(iv)*	–	–	–	–
Mr. Zhou Wei	*(ii)*	–	476	121	597
		–	624	197	821

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.

(iv) Appointed on 28 May 2018.

(v) Appointed on 9 August 2018.

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 2019 and 2018.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2019 and 2018.

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 (2018: 1) director(s) whose emoluments are reflected in the analysis presented in note 11(a). The emoluments paid to the remaining 3 (2018: 4) individuals during the year are as follows:

	2019	2018
	RMB'000	*RMB'000*
Basic salaries and allowances	**890**	975
Retirement benefit scheme contributions	**246**	291
	1,136	1,266

The emoluments fell within the following bands:

	2019	2018
	Number of individuals	
Emolument bands		
HK$Nil – HK$1,000,000	**3**	4

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 2019 and 2018.

12. PROPERTY, PLANT AND EQUIPMENT

	Furniture and fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Office premises *RMB'000*	Heating facility *RMB'000*	Total *RMB'000*
At 1 January 2018					
Cost	4,691	4,003	–	–	8,694
Accumulated depreciation	(3,232)	(3,609)	–	–	(6,841)
Net book amount	1,459	394	–	–	1,853
Year ended 31 December 2018					
Opening net book amount	1,459	394	–	–	1,853
Additions	873	907	–	–	1,780
Disposal	(25)	(17)	–	–	(42)
Depreciation	(499)	(113)	–	–	(612)
Closing net book amount	1,808	1,171	–	–	2,979
At 31 December 2018					
Cost	5,133	4,576	–	–	9,709
Accumulated depreciation	(3,325)	(3,405)	–	–	(6,730)
Net book amount as at 31 December 2018	1,808	1,171	–	–	2,979
Adjustment from the adoption of IFRS 16 *(note 2.1.1)*	–	–	896	–	896
Net book amount as at 1 January 2019, restated	1,808	1,171	896	–	3,875

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Furniture and fixtures and office equipment *RMB'000*	Motor vehicles *RMB'000*	Office premises *RMB'000*	Heating facility *RMB'000*	Total *RMB'000*
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

Depreciation charges recognised is analysed as follows:

	2019 *RMB'000*	2018 *RMB'000*
Cost of sales	995	–
Administrative expenses	1,060	612
	2,055	612

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

As at 31 December 2019, 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 2019 *RMB'000*	As at 1 January 2019 *RMB'000*	for the year ended 31 December 2019 *RMB'000*
Office premises	3,441	896	711
Heating facility	604	–	403
	4,045	896	1,114

The total additions to right-of-use assets included in property, plant and equipment amounting to RMB4,263,000 (note 27(a)). The details in relation to these leases are set out in note 18.

13. INTANGIBLE ASSETS

	Computer software *RMB'000*
At 1 January 2018	
Cost	603
Accumulated amortisation	(421)
Net book amount	182
Year ended 31 December 2018	
Opening net book amount	182
Additions	803
Write-off	(3)
Amortisation	(58)
Closing net book amount	924
At 31 December 2018 and 1 January 2019	
Cost	1,403
Accumulated amortisation	(479)
Net book amount	924
Year ended 31 December 2019	
Opening net book amount	**924**
Additions	**1,990**
Amortisation	**(257)**
Closing net book amount	**2,657**
At 31 December 2019	
Cost	**3,391**
Accumulated amortisation	**(734)**
Net book amount	**2,657**

13. INTANGIBLE ASSETS (Continued)

Amortisation charges recognised is analysed as follows:

	2019 *RMB'000*	2018 *RMB'000*
Administrative expenses	257	58

14. INVESTMENT PROPERTIES

	2019 *RMB'000*	2018 *RMB'000*
Opening net book amount	31,988	33,073
Depreciation	(1,086)	(1,085)
Closing net book amount	30,902	31,988

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 2019, the carrying amount of the Group's investment properties attributable to the properties without the relevant title certificates was approximately RMB30,902,000 (2018: RMB31,988,000). 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.

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

14. INVESTMENT PROPERTIES (Continued)

As at 31 December 2019, the fair value of the Group's investment properties was approximately RMB126,900,000 (2018: RMB126,600,000). Valuations of the Group's investment properties as at 31 December 2019 and 2018 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 recurring 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 2019 and 2018. Increase/(Decrease) in market unit rate would result in an increase/(decrease) in the fair value of the investment properties.

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

	2019 *RMB'000*	2018 *RMB'000*
Leasing income (not within the scope of IFRS 15) included in revenue from value-added services	2,137	825

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. INVENTORIES

	2019 *RMB'000*	2018 *RMB'000*
Materials to be used in value-added services	13	13
Consumable parts	93	55
Closing net book amount	106	68

16. TRADE AND OTHER RECEIVABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade receivables	*(a)*		
– Third parties		36,111	40,894
– Related parties	*24(c)*	4,104	38,947
		40,215	79,841
Less: ECL allowance of trade receivables		(10,847)	(13,636)
		29,368	66,205
Other receivables	*(b)*		
Deposits, prepayment and other receivables		28,518	3,224
Payment on behalf of property owners		5,550	4,794
Advances to employees		194	1,494
Amounts due from related parties		–	7,647
Deferred IPO costs		–	3,453
		34,262	20,612
Less: Deposit paid for acquisition of subsidiaries included in non-current assets	*23(b)*	(24,875)	–
		9,387	20,612
Less: ECL allowance of other receivables		–	(1,745)
		9,387	18,867
		38,755	85,072

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 management service agreements. Service income is due for payment upon rendering of services.

16. TRADE AND OTHER RECEIVABLES (Continued)

a) Trade receivables (Continued)

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

	2019 RMB'000	2018 RMB'000
0 – 90 days	11,772	18,487
91 – 180 days	4,121	4,483
181 – 365 days	5,262	5,636
1 to 2 years	3,727	28,879
Over 2 years	4,486	8,720
	29,368	66,205

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

	2019 RMB'000	2018 RMB'000
Balance at the beginning of the year	13,636	10,650
ECL allowance (reversed)/recognised	(2,789)	2,986
Balance at the end of the year	10,847	13,636

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 28.2.

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.

16. TRADE AND OTHER RECEIVABLES (Continued)

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.

ECL allowance of other receivables

Impairment on other receivables from third parties (excluding prepayments, advance to employees and deferred IPO costs) are assessed 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.

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

	2019 ***RMB'000***	2018 *RMB'000*
Balance at the beginning of the year	**1,745**	1,745
ECL allowance reversed	**(1,745)**	–
Balance at the end of the year	**–**	1,745

17. TRADE AND OTHER PAYABLES

	Notes	2019 RMB'000	2018 RMB'000
Trade payables			
– Third parties	(a)	10,513	7,740
Other payables			
Accrued charges and other payables		19,207	20,163
Amounts collected on behalf of property owners		20,997	28,556
Other tax liabilities		3,763	4,623
Staff costs and welfare accruals		18,147	21,522
Amounts due to related parties	24(c)	1,308	5,346
		63,422	80,210
		73,935	87,950

(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:

	2019 RMB'000	2018 RMB'000
0 to 30 days	9,000	5,480
31 to 180 days	952	1,169
181 to 365 days	6	298
Over 1 year	555	793
	10,513	7,740

18. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2019 *RMB'000*	2018 *RMB'000*
Total minimum lease payments:		
Due within one year	2,094	–
Due over one year but less than two years	1,854	–
Due over two years but less than five years	411	–
	4,359	–
Future finance charges on lease liabilities	(253)	–
Present value of lease liabilities	4,106	–
Present value of minimum lease payments:		
Due within one year	1,918	–
Due over one year but less than two years	1,782	–
Due over two years but less than five years	406	–
	4,106	–
Less: Portion due within one year included under current liabilities	(1,918)	–
Portion due after one year included under non-current liabilities	2,188	–

The Group has initially applied IFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under IAS 17. Comparative information as at 31 December 2018 has not been restated. Details for transitions to IFRS 16 are set out in note 2.1.1.

18. LEASE LIABILITIES (Continued)

As at 31 December 2019, lease liabilities amounting to RMB4,106,000 (2018: RMBNil) carried weighted-average effective interest rate of 5.6% 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 2019, the total cash outflows for the leases (including short-term leases) are RMB1,349,000.

Details of the lease activities

As at 31 December 2019, the Group has entered into leases for office premises and heating facility.

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"	3	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	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

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

19. DEFERRED TAXATION

The amounts recognised in the consolidated statement of financial position are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**2,726**	4,766
Deferred tax liabilities recognised in the consolidated statement of financial position	**(4,600)**	(4,600)
Net deferred tax (liabilities)/assets	**(1,874)**	166

The movement of net deferred tax (liabilities)/assets are as follows:

	2019 *RMB'000*	2018 *RMB'000*
At the beginning of the year	**166**	3,880
Recognised in profit or loss *(note 8)*	**(1,135)**	(4,104)
Attributable to change in tax rates *(note 8)*	**(905)**	390
At the end of the year	**(1,874)**	166

19. 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 2018	1,654	2,226	3,880
Recognised in profit or loss	(80)	576	496
Attributable to change in tax rates *(note 8)*	201	189	390
At 31 December 2018 and 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	**1,087**	**1,639**	**2,726**

Deferred tax liabilities

	Withholding tax on undistributed earnings *RMB'000*
At 1 January 2018	–
Recognised in profit or loss	(4,600)
At 31 December 2018, 1 January 2019 and 31 December 2019	**(4,600)**

As at 31 December 2019, accumulated profits of the Group's subsidiaries established in the PRC amounted to RMB87,862,000 (2018: RMB70,963,000) 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.

19. DEFERRED TAXATION (Continued)

Deferred tax liabilities (Continued)

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 2019, the aggregate amount of temporary differences associated with undistributed retained earnings of the PRC subsidiaries for which deferred tax liabilities have not been recognised amounting to approximately RMB41,862,000 (2018: RMB24,963,000).

As at 31 December 2019, the Group had unused tax losses of approximately RMB14,865,000 (2018: RMB15,919,000) 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:

	2019 *RMB'000*	2018 *RMB'000*
2019	–	3,814
2020	2,822	2,822
2021	2,666	2,666
2022	3,736	3,736
2023	2,881	2,881
2024	2,760	–
	14,865	15,919

20. SHARE CAPITAL

The share capital as at 1 January 2018 represents the combined paid-in capital of the companies now comprising the Group, after elimination of inter-company investments. With the completion of the Reorganisation on 26 December 2018, the Company became the holding company of the Group and the combined paid-in capital of RMB30,000,000, being the capital contribution from the shareholders, were transferred to capital reserve (note 21(c)).

	Note	Number of shares	Nominal value of shares *United States dollar ("**US$**")*
Authorised:			
Ordinary shares of the Company:			
Ordinary shares upon incorporation and at 31 December 2018 and 2019	*(i)*	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:				
Issuance upon incorporation	*(i)*	100	–	–*
Allotment of shares	*(ii)*	104,634	1	–*
As at 31 December 2018 and 1 January 2019		104,734	1	–*
Capitalisation issue	*(iii)*	299,895,266	2,999	21
Issuance of new shares in connection with the listing of the Company's shares	*(iv)*	100,000,000	1,000	7
At 31 December 2019		**400,000,000**	**4,000**	**28**

* The balance represents amount less than RMB1,000.

20. SHARE CAPITAL (Continued)

Notes:

(i) The Company was incorporated in the Cayman Islands on 28 May 2018 with an authorised share capital of US$50,000 divided into 5,000,000,000 ordinary shares of par value of US$0.00001 each. On incorporation, 100 ordinary shares were issued at par to the shareholders of the Company.

(ii) Pursuant to the Reorganisation, on 19 July 2018 and 26 December 2018, 900 shares and 99,000 shares were allotted and issued to the shareholders of the Company, respectively. On 26 December 2018, the Company allotted and issued additional 4,734 shares at par value of US$0.00001 each to the then shareholder of Rime Venture Limited ("**Rime Venture**") as consideration in exchange for 100% equity interest in Rime Venture. These shares rank pari passu with the existing shares in all respects.

(iii) 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, 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.

(iv) On 12 July 2019, upon 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.

21. 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.

21. RESERVES (Continued)

b) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

c) Capital reserve

The capital reserve of the Group represents the capital contribution from the shareholders.

With the completion of the Reorganisation on 26 December 2018, the Company became the holding company of the Group and the combined paid-in capital of RMB30,000,000, being the capital contribution from the shareholders, were transferred to capital reserve (note 20).

On 19 July 2018, the then shareholder of Guizhou Hevol Abundance Property Management Limited ("**Guizhou Hevol**") and Rime Venture (HK) Limited ("**Rime Venture (HK)**") had injected capital of RMB5,000,000 and RMB2,633,000 to Guizhou Hevol and Rime Venture (HK), respectively. Accordingly, the amount was accounted for as a capital contribution during the year ended 31 December 2018.

On 22 August 2018 and 19 October 2018, Rime Venture (HK) and Guizhou Furuiying Information Consultancy Limited ("**Guizhou WFOE**") had acquired 4.52% and 95.48% of the issued share capital of Guizhou Hevol, a PRC company which controls the Beijing Hongsheng Group, at considerations of RMB2,633,000 and RMB4,774,000, respectively. Accordingly, the considerations paid were accounted for as a deduction of capital reserve.

21. RESERVES (Continued)

d) The amounts of the Company's reserves and the movements are presented as follows:

	Share premium *RMB'000*	Merger reserve *RMB'000*	Accumulated losses *RMB'000*	Total reserves *RMB'000*
At the date of incorporation on 28 May 2018	–	–	–	–
Loss for the period	–	–	(11,694)	(11,694)
Arising from the Reorganisation *(note)*	–	101,178	–	101,178
At 31 December 2018 and 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 20(iii))*	(21)	–	–	(21)
Issuance of new shares in connection with the listing of the Company's shares *(note 20(iv))*	112,452	–	–	112,452
Share issuance expenses *(note 20(iv))*	(16,502)	–	–	(16,502)
At 31 December 2019	**95,929**	**101,178**	**(59,232)**	**137,875**

Note: With the completion of the Reorganisation on 26 December 2018, the Company became the holding company of the Group, the difference between the fair values of the subsidiaries being acquired at the completion date of the Reorganisation and the nominal value of the Company's shares capital issued in exchange thereof was recorded as merger reserve.

As at 31 December 2019, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB137,875,000 (2018: RMB89,484,000).

22. 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.

23. COMMITMENTS

a) Lease commitments

As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within one year	686	886
In the second to fifth years	2,743	1,845
After five years	1,029	–
	4,458	2,731

23. COMMITMENTS (Continued)

a) Lease commitments (Continued)

As lessee

At the reporting date, the lease commitments for short-term leases (2018: total future minimum lease payments payable by the Group under non-cancellable operating leases) are as follows:

	2019 *RMB'000*	2018 *RMB'000*
Within one year	60	442
In the second to fifth years	–	675
	60	1,117

b) Capital commitments

On 28 December 2019, Beijing Hongsheng, a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Tongjin Real Estate Development Ltd. SH (上海同進置業有限公司) (the "**First Seller**") and Huzhou Yihong Enterprise Management Consulting Limited Liability Partnership (湖州懿宏企業管理諮詢合夥企業（有限合夥）) (the "**Second Seller**", and together with the First Seller, the "**Sellers**"), independent third parties, pursuant to which Beijing Hongsheng agreed to acquire 70% equity interests of Shanghai Tongjin Property Management Services Co. Ltd ("**Shanghai Tongjin**"), from the Sellers for an aggregate cash consideration of RMB29,590,000. As at 31 December 2019, the Group had paid a deposit of RMB24,875,000 to the Sellers, and accordingly, the Group had capital commitment of RMB4,715,000 for acquisition of Shanghai Tongjin.

24. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.23. 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 related parties that had transactions with the Group were as follows:

Related parties	Relationship with the Group
Mr. Liu	Controlling shareholder
Hevol Real Estate	A company controlled by the Controlling Shareholder
Hevol Holding Group Limited (和泓控股集團有限公司)	A company controlled by the Controlling Shareholder
Beijing Fufa Real Estate Development Co., Ltd (北京福發房地產開發有限公司)	A company controlled by the Controlling Shareholder
Beijing Donghe Weiye Real Estate Development Limited (北京東和偉業房地產開發有限公司)	A company controlled by the Controlling Shareholder
Beijing Community Radius Information Technology Limited (北京社區半徑信息技術有限公司)	A company controlled by the Controlling Shareholder
Chengdu Hehua Weiye Real Estate Co., Ltd. (成都和華偉業置業有限公司)	A company controlled by the Controlling Shareholder
Chengdu Hevol Real Estate Development Co., Ltd. (成都和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chongqing Youshan Real Estate Development Co., Ltd. (重慶佑山房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chongqing Hevol Investment Co., Ltd (重慶和泓投資有限公司)	A company controlled by the Controlling Shareholder
Chongqing Qishan Shiye Co., Ltd. (重慶祺山實業有限公司)	A company controlled by the Controlling Shareholder
Hunan Hevol Real Estate Development Co., Ltd. (湖南和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Hunan Daxin Investment Real Estate Co., Ltd. (湖南大信投資置業有限公司)	A company controlled by the Controlling Shareholder
Hunan Pengsheng Investment Co., Ltd. (湖南鵬盛投資有限公司)	A company controlled by the Controlling Shareholder
Sanya Hevol Real Estate Development Co., Ltd. (三亞和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Hevol Weiye Real Estate Development Co., Ltd. (唐山和泓偉業房地產開發有限公司)	A company controlled by the Controlling Shareholder

24. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(a) The related parties that had transactions with the Group were as follows (Continued):

Related parties	Relationship with the Group
Tangshan Hevol Real Estate Development Co., Ltd. (唐山和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Hevol Jiaye Real Estate Development Co., Ltd. (唐山和泓嘉業房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Boxuan Real Estate Development Co., Ltd. (唐山博軒房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tangshan Fengnan District Huaxin Real Estate Development Co., Ltd. (唐山市豐南區華信房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tianjin Taida Hevol Real Estate Development Co., Ltd. (天津泰達和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tianjin Hevol Siji Investment Co., Ltd. (天津和泓四季投資有限公司)	A company controlled by the Controlling Shareholder
Tianjin Hevol Real Estate Development Co., Ltd. (天津和泓房地產開發有限公司)	A company controlled by the Controlling Shareholder
Tianjin Hevol Dongtai Real Estate Co., Ltd. (天津和泓東泰置業有限公司)	A company controlled by the Controlling Shareholder
Guizhou Donghai Real Estate Development Co., Ltd. (貴州東海房地產開發有限公司)	A company controlled by the Controlling Shareholder
Guizhou Heyuan Juwenlv Town Real Estate Co., Ltd. (貴州和源聚文旅小鎮置業有限公司)	A company controlled by the Controlling Shareholder
Hainan Lingshui Yihe Real Estate Investment Co., Ltd (海南陵水億和地產投資有限公司)	A company controlled by the Controlling Shareholder
Heilongjiang Aiwan Real Estate Development Co., Ltd. (黑龍江愛晚房地產開發有限公司)	A company controlled by the Controlling Shareholder
Chongqing Hevol Jiaye Investment Co., Ltd. (重慶和泓嘉業投資有限公司)	A company controlled by the Controlling Shareholder
Chongqing Hengtuo Real Estate Co., Ltd. (重慶恒拓置業有限公司)	A company controlled by the Controlling Shareholder
Sanya Shunze Real Estate Development Co., Ltd. (三亞順澤房地產開發有限公司)	A company controlled by the Controlling Shareholder
Shenyang Hevol Jiarui Real Estate Development Co., Ltd. (瀋陽和泓嘉瑞房地產開發有限公司)	A company controlled by the Controlling Shareholder

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.

24. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(b) The transactions with related parties of the Group carried out in the ordinary course of business were as follows:

	2019 RMB'000	2018 RMB'000
Companies controlled by Mr. Liu		
Revenue arising from provision of property management and value-added services*	38,036	29,094
Lease expenses*	722	610
Purchase of intangible assets*	1,593	–

* These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(c) **Balances with related parties**

	2019 RMB'000	2018 RMB'000
Amounts due from related parties		
Trade receivables		
– companies controlled by Mr. Liu	4,104	38,947
Other receivables		
– companies controlled by Mr. Liu *(note)*	–	7,647
	4,104	46,594
Amounts due to related parties		
Other payables		
– companies controlled by Mr. Liu *(note)*	1,308	5,346

Note: The amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and are denominated in RMB.

24. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(d) 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:

	2019 *RMB'000*	2018 *RMB'000*
Directors' fees	348	–
Salaries, bonus and allowances	1,857	1,019
Retirement benefit scheme contributions	345	303
	2,550	1,322

25. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2019 *RMB'000*	2018 *RMB'000*
Non-current assets		
Investment in subsidiaries *(note)*	101,178	101,178
Current assets		
Other receivables	38,465	4,157
Bank balances and cash	24,819	–
	63,284	4,157
Current liabilities		
Other payables	26,559	15,851
Net current assets/(liabilities)	36,725	(11,694)
Net assets	137,903	89,484
EQUITY		
Share capital	28	–*
Reserves *(note 21(d))*	137,875	89,484
Total equity	137,903	89,484

Approved and authorised for issue by the board of directors on 25 March 2020.

Note: Details of the principal subsidiaries are stated in note 26.

Wang Wenhao
Director

Hu Hongfang
Director

26. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2019 and 2018 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%	Investment holding
Rime Venture[3]	BVI/ 28 March 2018	US$1	100%	Investment holding
Indirectly held by the Company				
Rime Venture (HK)[3]	Hong Kong/ 23 May 2018	US$1	100%	Investment holding
Guizhou WFOE[1]	PRC/ 13 September 2018	RMB41,575,600 (2018: RMB1,000,000)	100%	Management consultation and Investment holding
Guizhou Hevol[2]	PRC/ 19 July 2018	RMB5,000,000	100%	Investment holding
Beijing Hongsheng[2]	PRC/ 13 January 2006	RMB30,000,000	100%	Investment holding
Beijing Hevol Property Services Company Limited[2] 北京和泓物業服務有限公司[2]	PRC/ 9 April 2002	RMB12,000,000	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%	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%	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%	Property management services

26. PARTICULARS OF SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2019 and 2018 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				
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%	Property management services
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%	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%	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%	Property management services
Beijing Hongyun Education Consulting Services Company[2] Limited 北京泓韻教育諮詢服務有限公司[2]	PRC/ 22 August 2019	RMB10,000	100%	Inactive

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

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.

27. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Major non-cash transactions

During the year ended 31 December 2019, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to 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 2019 and 2018.

	Lease liabilities *RMB'000*	Amounts due to related parties *RMB'000*	Total *RMB'000*
At 1 January 2018	–	356	356
Cash flows			
– Inflow from financing activities	–	4,047	4,047
– Outflow from financing activities	–	(3,831)	(3,831)
Non-cash transaction			
– Deemed distribution arising from the Reorganisation	–	4,774	4,774
At 31 December 2018	–	5,346	5,346
Impact on initial application of IFRS 16 *(note 2.1.1)*	896	–	896
At 1 January 2019 (adjusted)	**896**	**5,346**	**6,242**
Cash flows			
– Inflow from financing activities	**–**	**1,308**	**1,308**
– Outflow from financing activities	**(1,203)**	**(5,346)**	**(6,549)**
Non-cash transactions			
– Entering into new leases	**4,263**	**–**	**4,263**
– Interest expenses on lease liabilities	**150**	**–**	**150**
At 31 December 2019	**4,106**	**1,308**	**5,414**

28. 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.

28.1 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:

	2019 *RMB'000*	2018 *RMB'000*
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	37,347	78,640
– Bank balances and cash	199,829	134,417
	237,176	213,057
Financial liabilities		
Financial liabilities at amortised cost		
– Trade and other payables	70,172	83,327
Lease liabilities	4,106	–
	74,278	83,327

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.2 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 28.1.

(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 2.8, the Group assesses ECL under IFRS 9 on trade receivables based on provision matrix, the expected loss 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 historical rates are adjusted to reflect current and forwarding-looking macroeconomic factors 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. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

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 indicators of no reasonable expectation of recovery.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.2 Credit risk (Continued)

(i) Trade receivables (Continued)

The ECL allowance of trade receivables was determined as follows. The expected credit losses 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 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
Loss allowance provision	1,238	1,297	1,758	6,534	20	10,847
At 31 December 2018						
Weighted average expected credit loss rate	12.8%	16.4%	19.1%	44.3%	0.5%	
Gross carrying amount	6,277	4,582	5,637	24,398	38,947	79,841
Loss allowance provision	801	752	1,077	10,811	195	13,636

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.2 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. 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 2.8 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.

28.3 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 28.1, 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.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.3 Liquidity risk (Continued)

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2019 and 2018. 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 *RMB'000*	Over 1 year but within 2 years *RMB'000*	Over 2 years but within 5 years *RMB'000*	Total contractual undiscounted amount *RMB'000*	Carrying amount *RMB'000*
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
As at 31 December 2018					
Trade and other payables	83,327	–	–	83,327	83,327

28.4 Interest rate risk

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk for its bank deposits and lease liabilities, respectively. Both of which are mainly concentrated on the fluctuation of the market interest rate from banks. No sensitivity analysis is presented since the directors consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits and lease liabilities, respectively, will not be significant in the near future.

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.5 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group's exposures to currency risk mainly arise from its bank deposits denominated Hong Kong Dollar ("**HKD**") which is not the functional currencies of the group entities to which these transactions relate. As at 31 December 2019, the Group's bank deposits denominated in HKD were amounted to RMB25,883,000 (2018: RMBNil).

The following table illustrates the sensitivity of the Group's profit after income tax for the year and equity in regards to an appreciation in the group entities' functional currencies against HKD. These sensitivity rates are the rates used when reporting foreign currency risk internally to key management personnel and represents management's best assessment of the possible change in foreign exchange rates.

The same percentage depreciation in the group entities' functional currency against HKD would have the same magnitude on the Group's profit after tax for the year but of opposite effect.

	Sensitivity rate	Decrease in profit after tax *RMB'000*	Decrease in equity *RMB'000*
2019			
HKD	5%	1,294	1,294
2018			
HKD	5%	–	–

28. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

28.5 Foreign currency risk (Continued)

As at 31 December 2019, the Group's bank balance of RMB172,743,000 (2018: RMB132,521,000) 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.

28.6 Fair values of financial assets and liabilities

The fair values of the Group's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short maturity of these financial instruments.

29. 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.

30. 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 2019:

a) Completion of acquisition of Shanghai Tongjin

On 22 January 2020, the acquisition of Shanghai Tongjin (as detailed in note 23(b)) was completed and accordingly, Shanghai Tongjin became a non-wholly owned subsidiary of the Company.

b) Impact of outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak")

Following the COVID-19 outbreak in early 2020, a series of additional precautionary and control measures have been implemented by the Group, including extension of the Chinese New Year holiday of the Group's employees, certain restriction and control measures over the travelling of people and traffic arrangements and enhancing hygiene and epidemic prevention measures in the communities, etc.

In light of the negative impact brought upon by the COVID-19 outbreak, it may lead to an increase in costs incurred by additional hygiene and epidemic prevention measures when rendering services, as well as decrease in revenue from community value-added services due to the restrictions and controls over community activities.

The Group is not yet able to quantify the aforesaid influence due to the COVID-19 outbreak. However, the Group will pay close attention to the development of the COVID-19 outbreak and its impact and will continue to perform relevant assessments and take proactive measures as appropriate.

Four-Year Financial Summary

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December			
	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	169,027	196,027	224,450	**248,275**
Cost of sales	(118,550)	(129,906)	(143,958)	**(164,142)**
Gross profit	50,477	66,121	80,492	**84,133**
Other income	5,403	1,827	1,573	**9,277**
Administrative expenses	(29,927)	(37,251)	(39,966)	**(52,353)**
Listing-related expenses	–	–	(11,694)	**(17,693)**
Finance costs	–	–	–	**(150)**
Profit before income tax	25,953	30,697	30,405	**23,214**
Income tax expense	(7,219)	(8,827)	(13,519)	**(9,421)**
Profit and total comprehensive income for the year attributable to equity holders of the Company	18,734	21,870	16,886	**13,793**
Earnings per share attributable to owners of the Company (expressed in RMB cents per share)				
Basic and diluted	6.24	7.29	5.63	**3.97**

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December			
	2016	2017	2018	**2019**
	RMB'000	*RMB'000*	*RMB'000*	***RMB'000***
Assets				
Non-current assets	49,428	38,988	40,657	**67,966**
Current assets	150,695	194,385	219,557	**238,690**
Total assets	200,123	233,373	260,214	**306,656**
Equity and Liabilities				
Total equity	62,724	84,594	80,106	**164,456**
Non-current liabilities	–	–	4,600	**6,788**
Current liabilities	137,399	148,779	175,508	**135,412**
Total Liabilities	137,399	148,779	180,108	**142,200**
Total equity and liabilities	200,123	233,373	260,214	**306,656**