Yincheng Life Service CO., Ltd.
銀城生活服務有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1922)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

RESULTS HIGHLIGHTS

- Revenue in 2020 was approximately RMB962.0 million, representing an increase of approximately 38.3% as compared to approximately RMB695.8 million in 2019.
- Gross profit in 2020 was approximately RMB162.4 million, representing an increase of approximately 45.1% as compared to approximately RMB111.9 million in 2019. Gross profit margin in 2020 was approximately 16.9%, indicating an increase of approximately 0.8 percentage points as compared to 2019.
- Profit in 2020 was approximately RMB70.2 million, representing (i) an increase of approximately 111.4% as compared to approximately RMB33.2 million in 2019; and (ii) an increase of approximately 53.6% as compared to approximately RMB45.7 million (i.e. profit before deduction of listing expenses in relation to the listing of the Company on the Stock Exchange on 6 November 2019) in 2019. Net profit margin increased by 2.5 percentage points to approximately 7.3%.
- Profit attributable to owners of the Company in 2020 was approximately RMB67.3 million, representing an increase of approximately 103.3% as compared to approximately RMB33.1 million in 2019.
- Earnings per share attributable to ordinary equity holders of the Company in 2020 was RMB0.25 per share (2019: RMB0.16 per share).
- As at 31 December 2020, the contracted GFA of the Group's property management services was approximately 42.8 million sq.m., representing an increase of approximately 39.0% as compared to approximately 30.8 million sq.m. as at 31 December 2019.
- As at 31 December 2020, the GFA under management of the Group's property management services was approximately 39.1 million sq.m., representing an increase of approximately 49.8% as compared to approximately 26.1 million sq.m. as at 31 December 2019.
- As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB566.9 million (2019: approximately RMB447.8 million).
- The Board recommended the payment of a final dividend of HK$0.92 (equivalent to RMB0.76) per ten ordinary shares of the Company for the year ended 31 December 2020 (2019: HK$0.42 per ten ordinary shares of the Company).

The board of directors (the "**Board**") of Yincheng Life Service CO., Ltd. (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2020 with comparative figures for the year ended 31 December 2019. The annual results have been prepared in accordance with the International Financial Reporting Standards (the "**IFRS(s)**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Notes	**2020** *RMB'000*	2019 *RMB'000*
REVENUE	*5*	**962,017**	695,765
Cost of sales		**(799,632)**	(583,883)
GROSS PROFIT		**162,385**	111,882
Other income and gains	*5*	**15,139**	10,406
Selling and distribution expenses		**(5,355)**	(4,493)
Administrative expenses		**(60,594)**	(55,068)
Other expenses		**(272)**	(103)
Fair value gains on investment properties		**988**	–
Impairment losses on financial assets, net		**(3,803)**	(7,977)
Finance costs		**(9,955)**	(8,007)
Share of profits and losses of:			
an associate		**86**	(521)
joint ventures		**200**	–
PROFIT BEFORE TAX		**98,819**	46,119
Income tax expense	*6*	**(28,604)**	(12,892)
PROFIT FOR THE YEAR		**70,215**	33,227
Profit attributable to:			
Owners of the parent		**67,286**	33,121
Non-controlling interests		**2,929**	106
		70,215	33,227
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted *(RMB)*	*8*	**0.25**	0.16

	2020	2019
	RMB'000	*RMB'000*
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(expense) that may be reclassified to profit or loss in subsequent periods:		
Increase in carrying amounts when owner-occupied properties become investment properties carried at fair value	**–**	6,635
Income tax effect	**–**	(1,659)
Exchange differences:		
Exchange differences on translation of foreign operations	**(6,149)**	–
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(6,149)**	4,976
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**64,066**	38,203
Total comprehensive income attributable to:		
Owners of the parent	**61,137**	38,097
Non-controlling interests	**2,929**	106
	64,066	38,203

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**23,803**	18,626
Investment properties		**29,919**	25,142
Right-of-use assets		**1,459**	4,337
Goodwill		**26,179**	–
Intangible assets		**25,977**	130
Investments in an associate		**2,965**	2,879
Investments in joint ventures		**2,870**	–
Deferred tax assets		**6,007**	6,545
Total non-current assets		**119,179**	57,659
CURRENT ASSETS			
Inventories		**4,903**	833
Trade receivables	*9*	**127,836**	70,761
Due from related companies		**95,383**	66,947
Prepayments, deposits and other receivables	*10*	**61,724**	50,692
Financial assets at fair value through profit or loss ("**FVTPL**")		**5,112**	–
Cash and cash equivalents		**566,915**	447,819
Total current assets		**861,873**	637,052

	Notes	**2020**	2019
		RMB'000	*RMB'000*
CURRENT LIABILITIES			
Trade payables	*11*	**24,203**	10,443
Other payables, deposits received and accruals	*12*	**194,661**	266,078
Contract liabilities		**233,982**	193,489
Due to related companies		**16,074**	30,159
Interest-bearing bank borrowings		**280,000**	50,000
Lease liabilities		**1,469**	14,568
Tax payable		**10,634**	4,141
Total current liabilities		**761,023**	568,878
NET CURRENT ASSETS		**100,850**	68,174
TOTAL ASSETS LESS CURRENT LIABILITIES		**220,029**	125,833
NON-CURRENT LIABILITIES			
Lease liabilities		**38**	1,367
Deferred tax liabilities		**10,520**	2,664
Due to a non-controlling shareholder		**13,900**	–
Total non-current liabilities		**24,458**	4,031
NET ASSETS		**195,571**	121,802
EQUITY			
Equity attributable to owners of the parent			
Share capital	*13*	**2,387**	2,387
Reserves		**171,040**	119,853
Non-controlling interests		**22,144**	(438)
TOTAL EQUITY		**195,571**	121,802

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

The Company is an exempted company incorporated in the Cayman Islands. The registered office address of the Company is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547, Grand Cayman KY1-1104, the Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2020, the subsidiaries now comprising the Group were involved in the provision of property management services and community value-added services.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with IFRSs, (which include all standards and interpretations approved by the IASB, and International Accounting Standards ("**IASs**"), Standing Interpretations Committee interpretations) approved by the IASB that remain in effect, and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at FVTPL which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

2.3 ISSUED BUT NOT YET EFFECTIVE IFRSs

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to adopt them, if applicable, when they become effective.

Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 9,IAS 39, IFRS 7, IFRS 4 and IFRS 16	*Interest Rate Benchmark Reform – Phase 2*[1]
Amendments to IFRS 10 and IAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
IFRS 17	*Insurance Contracts*[3]
Amendments to IFRS 17	*Insurance Contracts*[3, 6]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3, 5]
Amendments to IAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*[2]
Annual Improvements to IFRSs 2018-2020	*Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[2]

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

Judgments

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Classification between investment properties and owner-occupied properties

The Group determines whether a property qualifies as an investment property, and has developed criteria in making that judgement. Investment property is a property held to earn rentals or for capital appreciation or both. Therefore, the Group considers whether a property generates cash flows largely independently of the other assets held by the Group. Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately or leased out separately under a finance lease, the Group accounts for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes. Judgement is made on an individual property basis to determine whether ancillary services are so significant that a property does not qualify as an investment property.

Estimation uncertainty

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

Provision for expected credit losses on trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customers' actual default in the future.

Leases – Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of the reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value-in-use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2020 was RMB26,179,000 (2019: nil).

Estimate of fair value of investment properties

Investment properties carried at fair value were revalued at each reporting date based on the appraised market value provided by independent professional valuers. Such valuations were based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. In making the estimation, the Group considers information from current prices in an active market for similar properties and uses assumptions that are mainly based on market conditions existing at the end of each reporting period.

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2020 were RMB29,919,000 (2019: RMB25,142,000).

Deferred tax assets

Deferred tax assets are recognised for all deductible temporary differences, and carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

Management monitors the operating results of the Group's business which includes property management service income and community value-added service income by project locations for the purpose of making decisions about resource allocation and performance assessment. As all the locations have similar economic characteristics and are similar in the nature of property management services, the nature of the aforementioned business processes, the type or class of customer for the aforementioned business and the methods used to distribute the property management services and community value-added services, all locations were aggregated as one reportable operating segment.

Geographical information

No further geographical information is presented as the Group's revenue from the external customers is derived solely from its operation in Mainland China and no non-current assets of the Group are located outside Mainland China.

Information about major customers

No sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the reporting period.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents income from the services for property management and services for community value-added services during the reporting year.

An analysis of revenue and other income and gains is as follows:

	2020	2019
	RMB'000	*RMB'000*
Revenue from contracts with customers		
Property management services	**771,917**	553,091
Community value-added services	**189,830**	142,674
Revenue from other sources		
Gross rental income from investment property operating leases:		
Other lease payments, including fixed payments	**270**	–
	962,017	695,765

Revenue from contracts with customers

Represented by:

	2020	2019
	RMB'000	*RMB'000*
Revenue from property management services		
Recognised over time	**771,917**	553,091
Revenue from community value-added services		
Recognised over time	**155,144**	111,251
Recognised at a point in time	**34,686**	31,423
	961,747	695,765

	2020	2019
	RMB'000	*RMB'000*
Other income and gains		
Interests income	**3,409**	414
Investment income	**344**	133
Government grants	**8,116**	2,379
Gain on disposal of items of property, plant and equipment	**25**	1
Disposal of financial assets at fair value through profit or loss	**–**	753
Income from lease contract change	**–**	6,352
Others	**3,245**	374
	15,139	10,406

6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2020.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the year. Some subsidiaries are qualified as small low-profit enterprises and thus the first RMB1,000,000 (2019: RMB1,000,000) of assessable profits of these subsidiaries are taxed at 5% (2019: 5%) and the remaining assessable profits are taxed at 10% (2019: 10%) for the year.

	2020	2019
	RMB'000	*RMB'000*
Current tax:		
PRC corporate income tax	**29,375**	15,776
Deferred tax	**(771)**	(2,884)
Total tax charge for the year	**28,604**	12,892

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

	2020	2019
	RMB'000	*RMB'000*
Profit before tax	**98,819**	46,119
At the statutory income tax rate	**24,704**	11,530
Effect of different tax levy enacted by local authorities	**(536)**	(745)
Expenses not deductible for tax	**1,201**	907
Income not subject to tax	**–**	(1,588)
Deductible temporary differences not recognised	**–**	11
Withholding taxes on undistributed profits of the subsidiaries in the PRC	**1,062**	1,005
Tax losses not recognised	**2,173**	1,772
Tax charge at the Group's effective rate	**28,604**	12,892

7. DIVIDENDS

	2020	2019
	RMB'000	*RMB'000*
Proposed final – HKD92 cents (2019: HKD42 cents) per 10 ordinary shares	**20,670**	10,051

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

8. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 267,152,000 (2019: 210,262,537).

No adjustment has been made to the basic earnings per share amount presented for the year ended 31 December 2020 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the year.

9. TRADE RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Trade receivables	**142,272**	82,592
Impairment	**(14,436)**	(11,831)
	127,836	70,761

Trade receivables mainly arise from property management services. The Group's trading terms with its customers are mainly on credit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management and credit limits attributed to customers are reviewed once a month. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are non-interest-bearing.

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

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**121,065**	65,027
Over 1 year and within 2 years	**5,875**	4,952
Over 2 years and within 3 years	**896**	562
Over 3 years	**–**	220
	127,836	70,761

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

	2020	2019
	RMB'000	*RMB'000*
At the beginning of the year	**11,831**	4,757
Impairment losses recognised *(note 6)*	**2,605**	7,074
Write-off	**–**	–
At the end of the year	**14,436**	11,831

An impairment analysis was performed at each reporting date, using a provision matrix to measure expected credit losses. The provision rates were based on ageing of trade receivables for groupings of various customer segments with similar loss patterns. The calculation reflected the probability-weighted outcome, the time value of money and reasonable and supportable information that was available at the reporting date about past events, current conditions and forecasts of future economic conditions. Generally, trade receivables were written off if their ageing were more than two years and were not subject to enforcement activity.

10. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2020	2019
	RMB'000	*RMB'000*
Prepayments on behalf of customers to utility suppliers	**3,786**	4,064
Other prepayments	**1,526**	1,974
Other deposits	**31,377**	19,548
Other tax recoverable	**216**	292
Due from employees	**11,820**	10,623
Advance payment	**7,162**	10,863
Other receivables	**8,835**	5,128
Impairment allowance	**(2,998)**	(1,800)
	61,724	50,692

Other receivables are unsecured, non-interest-bearing and have no fixed terms of repayment.

Deposits and other receivables mainly represent deposits with employee and suppliers, as well as temporary payments on behalf of customers. Where applicable, an impairment analysis is performed at the end of the reporting period by considering the probability of default of comparable companies with published credit ratings.

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2020	2019
	RMB'000	*RMB'000*
Within 1 year	**23,370**	9,382
Over 1 year	**833**	1,061
	24,203	10,443

The trade payables are interest-free and normally settled on terms of 10 to 15 days.

12. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS

	2020	2019
	RMB'000	*RMB'000*
Income on behalf of community residents for common areas	**18,893**	12,724
Receipts on behalf of community residents for utilities	**63,820**	55,259
Deposits received	**36,944**	17,526
Advanced from employees	**4,679**	3,287
Business tax and surcharges	**13,783**	10,870
Payroll and welfare payable	**55,619**	40,996
Due to a third party	**–**	115,000
Interest payable	**–**	4,750
Unpaid listing fee	**–**	5,032
Others	**923**	634
	194,661	266,078

Other payables are unsecured and repayable on demand. The fair values of other payables at the end of the reporting period approximated to their corresponding carrying amounts.

13. SHARE CAPITAL

	2020	2019
	HK$'000	*HK$'000*
Authorised:		
2,000,000,000 (2019: 2,000,000,000) ordinary shares at HK$0.01 each	**20,000**	20,000

	2020	2019
	RMB'000	*RMB'000*
Issued and fully paid:		
267,152,000 (2019: 267,152,000) ordinary shares at HK$0.01 each	**2,387**	2,387

The Company was incorporated in the Cayman Islands on 3 April 2019 with an authorised share capital of HK$380,000 divided into 38,000,000 ordinary shares of HK$0.01 par value each. 10,000 ordinary shares of HK$0.01 par value were allotted to shareholders for a total consideration of HK$100 upon its incorporation and on 28 May 2019.

On 15 October 2019, the authorised share capital of the Company increased from HK$380,000 divided into 38,000,000 shares of a nominal or par value of HK$0.01 each to HK$20,000,000 divided into 2,000,000,000 shares of a nominal or par value of HK$0.01 each by the creation of an additional 1,962,000,000 shares of a nominal or par value of HK$0.01 each.

On 6 November 2019, upon its listing on the Hong Kong Stock Exchange, the Company issued 66,680,000 new ordinary shares with a par value HK$0.01 each at HK$2.18 per share for a total cash consideration of HK$145,362,400. The respective share capital amount was approximately RMB596,000.

On 6 November 2019, 199,990,000 shares were issued by way of capitalisation with a par value HK$0.01 each, the respective share capital amount was approximately RMB1,787,000.

On 4 December 2019, upon its listing on the Hong Kong Stock Exchange, the over-allotment option has been partially exercised and the Company allotted and issued 472,000 additional shares at HK$2.18 per share for a total cash consideration of HK$1,028,960. The respective share capital amount was approximately RMB4,000.

CHAIRMAN'S STATEMENT

Dear Shareholders,

2020 was a meaningful year to Yincheng Life Service CO., Ltd. (the "**Company**" or "**Yincheng Life Service**") and it was also a year that we have been riding on our established achievements for developing a better future. During the year, the Group has seized the opportunities and implemented different strategies, so that all the business data and operating targets were managed to reach its highest record and the business scale of the Company has achieved substantial development. I would like to express my heartfelt thanks to my staff for their joint efforts. Their detailed and stringent community management, committed and responsible working attitude as well as the philosophy of serving with care satisfied property owners with smiles. I would also like to thank all shareholders of the Company (the "**Shareholders**") for their unswerving confidence and persistent concern.

In 2020, the COVID-19 pandemic brought uncertainties to the development of the global economy, and sectors of all kinds were affected at various extents. As the frontier of anti-epidemic works, property management was vital in strengthening the safety line for defending and controlling the pandemic, and have received great attention from society by fully demonstrating its social value. During the year, both the central and local government have implemented corresponding supportive and instructive policies by phases, which effectively promotes the healthy and quality development of the property management industry in the future. During the period of closed community management, property management enterprises provided various convenient services, including supplies purchase, door-to-door delivery and utility bill payment, which were highly recognised by property owners, thereby attracting them to make use of the diversified community value-added services more frequently and procuring them to develop new consumption patterns.

In the midst of the accidental battle against COVID-19 pandemic, all staff of the Group spared no effort in taking challenges. Members of the management team cancelled their travelling and home-visit plans just before the Lunar New Year of 2020 because they decided to stand by our fellow staff to perform duties 24 hours a day, 7 days a week. Apart from guarding and patrolling the community and disinfecting and sterilising the common areas, we also provided livelihood services (such as supplies purchase and delivery) to property owners so as to address their urgent needs and a total of 50,000 deliveries of different kinds of supplies were made. In addition, we took up a considerable amount of pandemic prevention tasks of the government and the community. Despite the cold weather in winter, our staff members have taken the lead to commit themselves to social responsibilities without any hesitation, and brought about hopes to the city and the community. During the COVID-19 pandemic, the Group has introduced more community value-added services to satisfy the needs of property owners, including group buying of fresh food, live broadcast of fitness classes, hairdressing in the community, jump start for motor vehicles, tire inflation and photocopying of study materials. These services were highly recognised, and facilitated a closer relationship between the Group and property owners, thus further enhancing their adherence and loyalty to us. In addition, as a player in the property management industry which has received high attention during the COVID-19 pandemic, the Group attended quite a number of media interviews and was covered by nearly a hundred detailed and positive reports, hence has enhanced our corporate image continuously and has made us more advantageous in obtaining new projects in the future. Boasting the collaborative efforts from all staff of Yincheng Life Service, we are pleased to say that not a single confirmed case was recorded among as high as one million property owners that have been served by us.

The re-discovery of the value of property management urged more communities to seek for "good property management" with excellent quality and affordable price, and also made communities without property management services re-consider the engagement of services of this kind. With the property management industry being developed in the PRC for approximately four decades, the industry has reached its turning point at the moment. Currently, there are hundreds of thousands of property service enterprises with different scales across the country and the industry is relatively shattered and intense competition is observed. According to the data from the China Index Academy and related industrial researches, the gross floor area covered by the property management industry in China amounted to approximately 25.1 billion sq.m. in 2020 and the current scale of the property management industry (including basic services and value-added services) exceeded RMB1 trillion. The industry is projected to maintain rapid growth, and will double in its scale in the coming five years. Although the Group is the largest property management service supplier in Nanjing and the third largest in the Jiangsu Province, we only have a market share of less than 10% in Nanjing, meaning that there is still a significant room for further development. Building on the existing residential and public building projects, the Group has laid a solid foundation for stable development. Since 2020, the Group has secured a foothold in the sectors of urban services and commercial property management, and also has diversified into the provision of community value-added services like furniture installation, group meals and battery changing, which further solidified our potential for future development. We believe that, by leveraging on our good reputation, detailed internal management, quick-responding market sense together with a team of competent staff members, the Group will be able to capture market opportunities and march towards a sustainable success.

The property management industry is particularly favoured by investors in the capital market due to its strong resistance to cyclicality, stable cash flows, massive market scale and promising development potential. In 2020, 17 property management enterprises were listed in Hong Kong, raising an amount of approximately HK$68.0 billion in total, which represented approximately 17% of the total amount of funds raised from initial public offerings in Hong Kong during the year. As at the end of 2020, there were about 40 listed property management companies in Hong Kong, becoming one of the most concerned industries in the capital market. Yincheng Life Service, which has been listed on The Stock Exchange of Hong Kong Limited for more than a year, has been highly acclaimed by the market for its rapid growing performance, ideal investment return and promising growth potential. In 2020, the Group ranked 24th in the "China Top 100 Property Management Companies" as compared to ranking the 34th in 2019. It also received numerous awards, including the "Top 100 Hong Kong Listed Companies" and "2020 Best Listed Companies in Greater China – Fastest-Growing Companies". Being a new comer in the capital market, the Company has strived to upgrade its corporate governance and has communicated with the Shareholders and investors promptly through various channels. Accordingly, the Company was included in the recommended list of research reports of a number of investment houses.

Given the intensified competition and increased concentration in the industry, only quality enterprises with foundation and innovative ideology can maintain sustainable development in the future. In the informatised era, finding a way to re-create values, improve operating efficiency and reshape the ecology of community service with advanced technologies such as big data and artificial intelligence is definitely the common topic among players in the property management industry. Although the Group has achieved its goals and maintained stable growth in 2020, we all know the saying of "you have to start somewhere in order to become successful". In this regard, we have only taken a small step forward. In view of the challenges arising from various uncertainties in 2021, the Group needs to be fully concentrated on achieving the goal of "expanding its scale, creating profits and optimising its businesses" in an integrous and proactive way and to have an outstanding performance in order to reward the Shareholders for their long-term trust.

XIE Chenguang
Chairman

PRESIDENT'S STATEMENT

Dear Board of Directors and Shareholders,

I am pleased to present the first full-year results of Yincheng Life Service CO., Ltd. (the "**Company**" or "**Yincheng Life Service**") after its listing on The Stock Exchange of Hong Kong Limited and would like to share the outlook of the Company in the coming year with you.

Scale expanded with remarkable results

As a renowned property management service provider with nearly 24 years of extensive industry experience in China, Yincheng Life Service has continuously implemented its regional penetration strategy in 2020 and has brought its regional leading advantage in the Nanjing area into full play. We also expanded our business into the prime areas of the core cities of the Yangtze River Delta Megalopolis and achieved continuous breakthroughs in terms of management scale and operating targets accordingly.

Income increased by approximately 38.3% with net profit doubled

For the year ended 31 December 2020 (the "**Review Period**"), the Group recorded an operating income of approximately RMB962.0 million (2019: approximately RMB695.8 million), representing a year-on-year increase of approximately 38.3%. Net profit amounted to approximately RMB70.2 million (2019: approximately RMB33.2 million), representing a substantial year-on-year increase of approximately 111.4%, and an increase by approximately 53.6% as compared to the core net profit (excluding the effect of the one-off listing expenses in 2019) of approximately RMB45.7 million. Gross profit margin and net profit margin were approximately 16.9% and approximately 7.3% respectively.

At the end of 2017, the Group launched a three-year plan named "New Era". As the closing year of the plan, the Group successfully achieved the planned targets during the year and our operating income substantially increased from approximately RMB306.0 million in 2017 to approximately RMB962.0 million, representing a compound annual growth rate ("**CAGR**") of nearly 46.5%. Net profit also increased by more than three times from approximately RMB19.8 million in 2017 to approximately RMB70.2 million, representing a CAGR of approximately 52.4%. Boasting the perfect ending, the Group will build on our established achievements to battle through difficulties and march toward the next three years.

Projects under management increased by approximately 54.4% with obvious growth seen in non-residential projects

During the Review Period, the Group continued to secure more new projects in the market to enlarge its business scale, thereby achieving stable growth in the residential segment and remarkable boost in the non-residential segment. As at 31 December 2020, the Group had 392 contracted projects and 369 projects under management, representing a year-on-year increase of approximately 47.9% and approximately 54.4%, respectively. As to projects under management, the number of residential projects and non-residential projects was 162 (2019: 116) and 207 (2019: 123), respectively. The number of non-residential projects grew faster with a year-on-year increase of approximately 68.3%, demonstrating the success of the Group's strategy of expanding the business scale of non-residential projects.

The Group secured new projects in three ways, including direct engagement by customers, acquisition of property management companies and public tenders. During the Review Period, the Group recorded a net increase of 130 new projects under management, including 27 from direct engagement, 18 from acquisition of property management companies and 85 from public tenders, respectively.

GFA under management increased by approximately 50.1% and the proportion of third-party projects exceeds 80%

As at 31 December 2020, the contracted GFA and GFA under management were approximately RMB42.77 million sq.m. and RMB39.14 million sq.m., representing a year-on-year increase of approximately 39.0% and approximately 50.1%, respectively. Where only the period between 2017 and 2020 was taken into account, the CAGR would be approximately 45.0% and approximately 53.8%, which both were considered to be at a fast-growing stage. During the Review Period, the proportion of GFA under management secured from third-party property developers maintained at a high level in the industry, increasing by approximately 3 percentage points to approximately 82.0%, which once again demonstrated the Group's excellent capability in market expansion.

Marketisation ability highlighted by distinctive characteristics

Market expansion by adhering to the strategy of further developing the market in Yangtze River Delta Megalopolis

The long-term strategy of the Group is "to further develop the market of wealthy cities in the Yangtze River Delta Megalopolis with Nanjing as the regional centre" and we will solidify our position in Nanjing by actively implementing the strategy of "increasing its presence in Nanjing, expanding the market in the southern part of the Jiangsu Province and exploring the market in Huaihai district" on one hand and securing footholds in more markets with potential on the other hand. During the Review Period, the Group pioneered to cities like Wenzhou, Yancheng and Suqian to further expand its presence. As at 31 December 2020, the Group's projects covered 16 cities in the Yangtze River Delta Megalopolis. We also maintained our industry-leading position in Nanjing and our GFA under management exceeded 26 million sq.m., representing a year-on-year increase of approximately 39.0%. In respect of the regions other than Nanjing, the GFA under management exceeded 10 million for the first time and reached approximately 13 million sq.m., representing a year-on-year increase of approximately 79.3% and accounting for approximately 32.9% of the Group's total GFA under management, showing that the Group was able to reproduce our success in Nanjing in other regions so as to enhance our influence continuously.

Uphold our way of marketisation and maintain our advantage as a "second-hand project expert"

The Group has begun its way of marketisation by establishing an innovative business model of "service alignment, business modularisation, module professionalisation and management informatisation". We secured third-party developer projects in the market on our own, thereby building up good reputation gradually and gaining the trust and recommendation of customers. The Group spent only a few years to increase its projects under management from dozens of projects to more than 360 projects and to evolve from a functional department of a real estate company to a prominent industry expert. All these achievements demonstrated the forward-looking vision of our strategies and our pragmatic management capability in delivering strategies.

As at 31 December 2020, both the preliminary contracts secured from property developers and property owners' associations increased substantially, and the related GFA under management increased by approximately 45.9% and approximately 51.4%, respectively.

In respect of the preliminary projects, the GFA under management secured from third-party developers exceeded those from Yincheng International Holding Co., Ltd. and its subsidiaries (i.e. the parent group), showing that other than the steady supply of projects from "Yincheng series", the property management capability of the Group was well recognised by other developers which were willing to assign us to manage their new residential projects for the purpose of increasing the value of their properties.

The GFA under management secured from contracts entered into with property owners' associations accounted for approximately 77.3% of the Group's total GFA under management, of which the GFA under management secured from the non-Yincheng-series property owners' associations in the market (the "**Second-hand Projects**") amounted to approximately 27.6 million sq.m. (2019: approximately 17.4 million sq.m.), accounting for approximately 70.4% of the total GFA under management. For Second-hand Projects, the whole process, ranging from securing, improving and fulfilling the Group's service standards to realising profits and improving gross profit margin, was a big challenge to the integrated capability of property management enterprises. Thanks to the Group's business model featuring detailed management, modulisation and professionalisation as well as the persistence and commitment of our staff to providing quality services, the Group managed to stand out from the intense market competition and satisfied all the requirements of demanding customers.

In 2020, the renewal rate of the Group maintained at a level as high as approximately 94.1%. The Group has successfully increased the fees it charged regarding some of the projects which have been renewed, with the percentage increase for residential projects and non-residential projects being approximately 23% and approximately 13%, respectively. General customer satisfaction was approximately 86%. The integrated collection rate of the year of residential projects was approximately 91.3%. Our outstanding performance during the COVID-19 pandemic was highly acclaimed by property owners, and the pre-collected property fees of the Group during 2020 reached a record high at approximately 39.2%. In terms of number of households, more than 40% of property owners pre-paid the property management fee for the next year. The collection rate for non-residential projects was approximately 93.0%.

Establishing wholly-owned professional companies to reduce costs and improve efficiency

The Group established three wholly-owned professional service companies to provide customers with services like installation, repair and maintenance of specialised elevators and escalators, placement of indoor greeneries, design and construction of landscaping facilities as well as the installation and repair of electronic and intelligent engineering. Professional and technical competence and qualifications enabled the Group to save costs for customers and enhanced efficiency accordingly, so that we were able to differentiate ourselves in the process of securing new projects. Through these professional service companies, the Group was able to provide new services during the Review Period, including house repair and greenery maintenance of municipal landscaping projects, thereby further broadening the income stream of the Group.

Two drivers – Property management and community value-added services

Yincheng Life Service continued to capitalise the advantages generated by the dual driver model of property management services + community value-added services, and provided diversified community value-added services while providing better property management services to property owners. As a result, the Group was able to explore the potential profitability and realise the scale expansion of such sector. For the year ended 31 December 2020, the Group's revenue from property management services and community value-added services amounted to approximately RMB771.9 million and approximately RMB189.8 million, representing year-on-year increase of approximately 39.6% and approximately 33.0% respectively.

Enrich the non-residential segment by entering into the management of hospital and commercial property segment

Regarding the basic property management services, the provision of services to non-residential properties generated higher gross profit than that of residential properties, so the Group stepped up its efforts on expanding the non-residential property segment in recent years. In March 2020, the Group started its presence in the field of hospital property management with huge development potential by acquiring Nanjing Huiren HengAn Property Management Co., Ltd.*（南京匯仁恆安物業管理有限公司）("**Huiren HengAn**"), and enlarged its non-residential segment to cover ten sub-segments like government facilities, financial institutions and venues for property sales. During the Review Period, Huiren HengAn contributed revenue and net profit of approximately RMB94.2 million and approximately RMB7.1 million to the Group respectively. In February 2021, the Group established a joint venture company named Nanjing Yincheng Commercial Property Management Services Co., Ltd.*（南京銀城商業物業管理服務有限公司）for the purpose of entering into large-scale commercial property management segment characterised by shopping malls and arcades, so as to further broaden the income stream and strengthen our profitability.

As at 31 December 2020, non-residential projects accounted for approximately 21.8% of the Group's total GFA under management. The income contribution of non-residential projects increased steadily with revenue of approximately RMB374.1 million recorded during the Review Period (accounting for approximately 48.5% of the total revenue), representing a year-on-year increase of approximately 78.8%. The average gross profit margin was approximately 14.4%.

More diversified community value-added services to explore new room of development

The Group provided diversified community value-added services for all residential projects and some non-residential projects, covering numerous fields, such as food, clothing, housing, transportation, fitness training, learning, entertainment, shopping, finance, healthcare, courier and battery charging, so as to establish a property owner-oriented "property management +" ecosystem. While the provision of diversified community value-added services have addressed the daily needs of property owners, it also further strengthened the interaction between us and the property owners, thus enhancing the adherence and loyalty of property owners.

In the preceding year, the Group introduced a series of new services like furniture installation, group meals, group buying and battery changing according to the actual needs of property owners. The operation of "Ding Dong"(叮咚)courier lockers and "Xiaobanma"(小班馬) chargers began to bear fruit, contributing continuous and stable income for the Group. The Group installed approximately 25,000 courier lockers and more than 12,000 charging sockets in communities under our management. At the same time, the Group actively explored the possibility of integrating offline services and online consumption. We did not only provided services through WeChat official accounts and Apps, but also established a joint venture company named Nanjing Yincheng Hui Technology Network Co., Ltd.*(南京銀城匯科技網絡有限公司)in February 2021 for resource integration, aiming at providing exclusive services to members registered in the membership systems for property owners or users of the residential and non-residential properties managed by the Group.

Care for our communities to make dreams come true and facilitate growth of our staff

Along with the continuous increase in the number of projects under management, the Group's role as the intermediary of communities became more important. We fully utilised our business advantages and understanding of the needs of community residents, and accordingly organised a number of activities, such as sports games, carnivals, parent-child programs and convenience services in communities, to further enhance the brand awareness and reputation of "Yincheng Property" while giving back to our community.

Employees have been the most important pillars in the course of development and growth of the Group. Through a four-tier training and promotion system, the Group enabled its staff to grow along with the pace of the Group. More than 250 living consultants of the Group were promoted during the year, of which two were promoted to senior living consultants and their personal annual satisfaction exceeds 96% for five consecutive years. Meanwhile, the Group adopted diversified incentive systems upon its listing to reward and retain the staff who made significant contribution to the Group, such as the grant of shares and the adoption of a share option scheme. With the enlargement of scale of the property management industry and the enhancement of professionalisation level, huge demand for talents would emerge inevitably. The Group enjoyed sufficient talent reserves to accommodate the rapid expansion of our business.

PROSPECT

In early January 2021, ten governmental authorities, including the Ministry of Housing and Urban-Rural Development of the People's Republic of China, the Committee of Political and Legal Affairs of the CPC Central Committee and the Central Civilisation Office jointly issued "the Circular on Strengthening and Improving the Administration of Residential Property" (the "**Circular**"), stipulating requirements of enhancing the standard and effectiveness of residential property management in six aspects, such as the integration into the grass-roots social governance system, the improvement of governance structure of property owners' associations and the enhancement of quality of property management services. The implementation of the Circular serves to guarantee the sound and sustainable development of the industry whereas the promotion of establishment of property owners' associations will bring about massive market demand. With our extensive experience in the operation of Second-hand Projects, the Group is confident in securing more projects. The Circular also encourages property service enterprises to diversify into sectors like elderly care, nursery, home economics, culture, health, housing agency as well as collection and delivery of express parcels, so as to explore the model of "property service + living service", and it is obvious that the development portfolio and direction of the Group in respect of community value-added services coincide with the above policies. In March 2021, the Group has established a joint venture company to provide healthcare and comprehensive ancillary services to the elderly in the PRC. Building on our current community value-added services, the Group will be able to improve customers' experience and enhance operation efficiency in the future.

In February 2021, the National Development and Reform Commission of the PRC issued "The Reply Letter of Consent to the Development Planning of Nanjing Metropolitan Circle" (the "**Reply Letter**") which agreed in principle to the "Development Planning of Nanjing Metropolitan Circle", aiming at developing the Nanjing Metropolitan Circle to a modernised metropolitan circle with nationwide influence so as to facilitate the development of world-class clusters in the Yangtze River Delta Megalopolis and serve the national modernisation plan in a better way. The Nanjing Metropolitan Circle comprises Nanjing as the centre and is closely connected with the surrounding cities, including Zhenjiang, Yangzhou, Huaian, Wuhu, Maanshan, Chuzhou and Xuancheng etc., with a usual resident population of approximately 35 million as of the end of 2019. Given the approval of this planning, the construction and quality development of the metropolitan circle will be significantly impacted and the Nanjing Metropolitan Circle will witness rapid development. The Group has established its presence in such regions for many years, and is enjoying remarkable regional effect at the moment. As an enterprise growing in Nanjing, although the Group is at the leading position in terms of market share, there is still plenty room for further development. The Group will take an active role to capture the opportunities brought by favourable policies and to enlarge its coverage in the Nanjing Metropolitan Circle so as to further expand its market share.

Looking ahead, the Group will focus on the positioning of its own more clearly by upholding the principles of "direction, goals, persistence and thankfulness" developed over the years. The business operation of the Group is built around three regional centres, namely Nanjing, southern part of the Jiangsu Province and Huaihai, and we adhere to the policy of developing businesses in the region to enhance our city concentration. The Group will further enlarge its business presence by expansion, mergers and acquisitions as well as joint ventures of projects, enrich the product mix of its non-residential property segment, explore diversified community value-added services and enhance its informatisation level, thus upgrading its business model. At the same time, the Group will also maintain a good word-of-mouth effect and pay close attention to the customer satisfaction of property owners. In order to improve the quality of our refined management, we will retain talents by various channels, including internal training and equity incentive plans. The Group will make every effort to achieve continuous breakthroughs in terms of operating scales and performance targets so as to bring sustainable returns to the Shareholders.

LI Chunling
President

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is an established property management service provider in the PRC with over 20 years of industry experience that engages in the provision of diversified property management services and community value-added services. As at 31 December 2020, the Group's property management services covered 16 PRC cities, including 11 cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis, with the gross floor area ("**GFA**") under management reaching approximately 39.1 million sq.m. The Group managed 369 properties, including 162 residential properties and 207 non-residential properties, serving over 300,000 households which covers over 1.2 million people as at 31 December 2020.

The Group's business covers a wide spectrum of properties, including residential properties and non-residential properties covering government facilities, financial institutions, property sales offices, hospitals, parks, highway service area, industrial parks, mixed-use properties, schools and office buildings. The Group operates its business along two main business lines, namely the provision of (i) property management services; and (ii) community value-added services. Leveraging on the Group's business scale, operational efficiency, excellent service quality, development potential and social responsibility, the Group obtained various awards in 2020 including ranking the 24th among the China Top 100 Property Management Companies* (中國物業服務百強企業).

The Group adheres to its business motto of "Surpassing Customers' Expectations and Creating Value with Quality Services (超越顧客期待，服務創造價值)" and service concept of "Living⁺ (生活⁺)" and "Industry⁺ (產業⁺)", and has adopted the business model of "Service alignment, Business modularisation, Modules specialisation and Management digitalisation (服務網格化、業務模塊化、模塊專業化、管理數據化)" to serve and create value for its customers with quality property management services.

Property Management Services

The Group provides a wide range of property management services that comprises security services, cleaning services, car park management, repair and maintenance of specialised elevators, escalators and mechanical car park equipment, gardening and landscaping services, daily repair and maintenance of equipment and machinery and ancillary customer services. In 2020, the Group's portfolio of managed properties includes residential properties and ten types of non-residential properties which cover, among others, government facilities, financial institutions and property sales offices.

The contracted GFA and GFA under management

As at 31 December 2020, the Group's contracted GFA was approximately 42.8 million sq.m., representing an increase of approximately 39.0% as compared to its contracted GFA at approximately 30.8 million sq.m. as at 31 December 2019. The increase was mainly attributable to an increase in the number of projects undertaken by the Group from its new customers and existing customers leveraging on the Group's solid reputation, customers' recognition and market strength.

As at 31 December 2020, the Group's GFA under management was approximately 39.1 million sq. m., representing an increase of approximately 49.8% as compared to its GFA under management at approximately 26.1 million sq.m. as at 31 December 2019. The increase was mainly attributable to the Group's solid and high quality services and market reputation which enables the Group to have a competitive advantage in the industry, leading to it being able to secure the engagement as the property management service provider for both residential and non-residential property projects during its preliminary stage from property developers and completed residential properties and non-residential properties from property owners' associations and property developers by replacing the then existing property management service providers.

In view of the Group's strong market expansion capabilities, the number of new contracted projects undertaken from property owners' associations accounted for a larger proportion as compared to those undertaken from property developers, and such contracted projects have quickly become the Group's projects under management a few months after the Group has been engaged as the property management service provider. As such, the Group's contracted GFA and GFA under management in 2020 were similar.

The Group had 369 managed properties as at 31 December 2020, representing an increase of approximately 54.4% or 130 managed properties as compared to its 239 managed properties as at 31 December 2019.

The table below sets out the Group's (i) contracted GFA; (ii) GFA under management; (iii) number of managed properties; and (iv) number of contracted properties, as at the dates indicated:

	As at 31 December		*Increase/*
	2019	**2020**	*(decrease)*
Contracted GFA*(Note)* *('000 sq.m.)*	30,761	**42,768**	*39.0%*
GFA under management*(Note)* *('000 sq.m.)*	26,077	**39,144**	*50.1%*
Number of contracted properties	265	**392**	*47.9%*
Number of managed properties	239	**369**	*54.4%*

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Geographic Coverage

The Group has grown from a local property management service provider in Nanjing to one of the leading property management service providers in both Nanjing and the Jiangsu Province. As at 31 December 2020, our property management services covered 16 PRC cities, including 11 cities in the Jiangsu Province and five cities in other provinces in the Yangtze River Delta Megalopolis. The Group has actively expanded its business to cities other than Nanjing in the Jiangsu Province during the year and had a huge increase in its GFA under management by approximately 79.3%. In 2020, the proportion of GFA under management from the Yangtze River Delta Megalopolis excluding Nanjing exceeded 30% of the Group's total GFA under management, reaching approximately 32.9%.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by geographic region as at the dates indicated:

	As at 31 December					
	2019		2020			
	GFA under management(Note) *('000 sq.m.)*	Number of managed properties	GFA under management(Note) *('000 sq.m.)*	*Increase*	Number of managed properties *('000 sq.m.)*	*Increase*
Nanjing	18,888	196	26,257	*39.0%*	277	*41.3%*
Yangtze River Delta Megalopolis (excluding Nanjing)	7,189	43	12,887	*79.3%*	92	*114.0%*
Total	**26,077**	**239**	**39,144**	*50.1%*	**369**	*54.4%*

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of the Group's property management services revenue by geographic region for the periods indicated:

	For the year ended 31 December			
	2019		2020	
	RMB'000	*%*	*RMB'000*	*%*
Nanjing	466,262	84.3	638,316	82.7
Yangtze River Delta Megalopolis (excluding Nanjing)	86,829	15.7	133,601	17.3
Total	**553,091**	**100.0**	**771,917**	**100.0**

Types of Property Management Services

The Group provides property management services in respect of both residential and non-residential properties. As at 31 December 2020, the non-residential properties managed by the Group comprised ten types of properties, namely government facilities, financial institutions, property sales offices, hospitals, parks, highway service area, industrial parks, mixed-use properties, schools and office buildings.

While the provision of property management services in respect of residential properties is the foundation of the Group's revenue generation and scale expansion, the Group is actively seeking to improve its brand awareness in the non-residential sector by diversifying its services offerings to include other types of non-residential properties, optimising its project portfolio and adjusting its business structure. The Group's provision of property management services in respect of non-residential properties has grown rapidly during the year and recorded an increase of 84 projects, representing an increase of approximately 68.3% as compared to 207 projects in 2019.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by property types as at the dates indicated:

	As at 31 December					
	2019		2020			
	GFA under management(Note) *('000 sq.m.)*	Number of managed properties	GFA under management(Note) *('000 sq.m.)*	*Increase*	Number of managed properties	*Increase*
Residential properties	21,147	116	30,621	*44.8%*	162	*39.7%*
%	*81.1*	*48.5*	*78.2*		*43.9*	
Non-residential properties	4,930	123	8,523	*72.9%*	207	*68.3%*
%	*18.9*	*51.5*	*21.8*		*56.1*	
Total	**26,077**	**239**	**39,144**	*50.1%*	**369**	*54.4%*

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

The table below sets out the breakdown of the Group's revenue and gross profit margin from property management services by property types for the periods indicated:

	For the year ended 31 December					
	2019			2020		
	Revenue		Gross profit margin	Revenue		Gross profit margin
	RMB'000	*%*	*%*	*RMB'000*	*%*	*%*
Residential properties	343,908	62.2	7.1	397,856	51.5	7.1
Non-residential properties	209,183	37.8	14.3	374,061	48.5	14.4
Total	**553,091**	**100.0**	**9.8**	**771,917**	100.0	10.6

Revenue Model

For the year ended 31 December 2020, substantially all of the Group's property management fees were charged on a lump sum basis with the remainder charged on a commission basis. The Group's property management revenue generated from property management services charged on a lump sum basis accounted for approximately 99.9% and 99.9% of the Group's revenue from property management services for the years ended 31 December 2019 and 2020, respectively. The Group's property management revenue generated from property management services charged on a commission basis accounted for approximately 0.1% and 0.1% of the Group's revenue from property management services for the same periods, respectively.

The table below sets out a breakdown of the Group's revenue from property management services by revenue model for the periods indicated and the total GFA under management as at the dates indicated:

	As at or for the year ended 31 December					
	2019			2020		
	Revenue		GFA*(Note)*	Revenue		GFA*(Note)*
	RMB'000	*%*	*('000 sq.m.)*	*RMB'000*	*%*	*('000 sq.m.)*
Lump sum basis	552,903	99.9	25,938	771,729	99.9	39,005
Commission basis	188	0.1	139	188	0.1	139
Total	**553,091**	**100.0**	**26,077**	**771,917**	**100.0**	**39,144**

Note: The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

Project Sources

The Group has been providing property management services to Yincheng International Holding Co., Ltd. and its subsidiaries (the "**Yincheng International Holding Group**"), which is engaged in, among others, the business of property development in developing quality residential properties in the Yangtze River Delta Megalopolis for customers of all ages, as well as to Yincheng Real Estate Group Co., Ltd*（銀城地產集團股份有限公司） and its subsidiaries (the "**Yincheng Real Estate Group**"). Over the years of the Group's operation, the Group has built up a business model operating independently from the property development of Yincheng International Holding Group and/or Yincheng Real Estate Group, as evidenced by its success in actively securing new engagement opportunities with independent third party property developers. As at 31 December 2020, the Group's GFA under management from properties developed by independent third party property developers exceeded 80% of its total GFA under management, reaching approximately 82.0%.

The table below sets out the breakdown of (i) the Group's GFA under management; and (ii) the number of the Group's managed properties by the type of property developers as at the dates indicated:

	As at 31 December			
	2019		**2020**	
	GFA(Note 1) *('000 sq.m.)*	**Number**	**GFA**(Note 1) *('000 sq.m.)*	**Number**
Properties developed by Yincheng International Holding Group/ Yincheng Real Estate Group				
– Preliminary stage(Note 2)	2,852	16	4,249	26
– Property owners' association	2,559	22	2,712	23
Sub-total	**5,411**	**38**	**6,961**	**49**
Properties developed by independent third party property developers				
– Preliminary stage(Note 2)	3,229	17	4,626	26
– Property owners' association	17,437	184	27,557	294
Sub-total	**20,666**	**201**	**32,183**	**320**
Total	**26,077**	**239**	**39,144**	**369**

Notes:

1. The above GFA excludes service engagements solely for the provision of repair and maintenance of specialised elevators, escalators and mechanical car park equipment and gardening and landscaping services, without engaging the Group for other property management services.

2. After being successful in the relevant public tenders and having entered into the relevant preliminary property management agreements with the property developers, it takes time for the newly developed properties to be delivered to the property owners. These newly developed properties will only be under the Group's management once they have been delivered to the property owners.

The table below sets out the breakdown of the Group's property management services revenue by the type of property developers for the periods indicated:

	For the year ended 31 December			
	2019		2020	
	RMB'000	*%*	*RMB'000*	*%*
Properties developed by Yincheng International Holding Group/ Yincheng Real Estate Group				
– Preliminary stage*(Note)*	54,504	9.9	70,054	9.1
– Property owners' association	68,446	12.3	85,352	11.0
Sub-total	**122,950**	**22.2**	**155,406**	**20.1**
Properties developed by independent third party property developers				
– Preliminary stage*(Note)*	30,174	5.5	40,644	5.3
– Property owners' association	399,967	72.3	575,867	74.6
Sub-total	**430,141**	**77.8**	**616,511**	**79.9**
Total	**553,091**	**100.0**	**771,917**	**100.0**

Note: Preliminary stage revenue refers to property management fees collected under the Group's preliminary property management agreements.

Property Management Service Fees

For the year ended 31 December 2020, the Group obtained residential property projects through public tenders and direct engagement by property owners' associations, whereas it obtained non-residential projects through public tenders, acquisition of property management companies or direct engagement by property developers.

The average property management fee charged by the Group is derived from dividing revenue of the Group by the average GFA under management by the Group. The average GFA under management by the Group is calculated by adding the GFA under management in the beginning of the year and GFA under management at the end of the year, then dividing the sum by two.

Among the projects managed by the Group, the average property management fees of the residential properties was approximately RMB1.28 per sq.m. per month for the year ended 31 December 2020, representing a decrease of approximately 23.5% as compared to that of approximately RMB1.67 per sq.m. per month for the year ended 31 December 2019. Such decrease was mainly due to the Group having participated in a number of projects in relation to urban governance organised by the respective local governments in the PRC during the year. The size of such projects is relatively larger, hence has had an impact on the average property management fees received by the Group. Nevertheless, such urban governance projects require less resources and the costs is relatively lower, hence did not have much impact to the profitability of the Group. On the other hand, the participation in such projects would help the Group to secure more projects with businesses in similar nature and for the Group to explore the potentials in them in the future. Therefore, the Group's management consider that the operation of such projects is in line with the Group's long-term development goals.

In respect of the non-residential properties, property management fees was charged based on each project's scope of services and the required human resources instead of being determined by the GFA. If the average property management fee of non-residential properties is calculated by GFA, the Group's average property management fees for the year ended 31 December 2020 would be approximately RMB4.64 per sq.m. per month.

Community Value-Added Services

The Group provides community value-added services to property owners and residents of its managed residential properties with an aim to enhance the level of convenience at its managed communities and customer experience, satisfaction and royalty.

The Group's community value-added services mainly include (i) common area value-added services; (ii) fitness services; and (iii) community convenience services. These services are provided through the Group's daily contact and interaction with its customers during the process of providing property management services, as well as through social media platforms such as "Living^{+}" and "Meilin(美鄰)". As at 31 December 2020, the Group's community value-added services covered all 162 residential properties and 19 mixed-use non-residential properties.

For the year ended 31 December 2020, the Group's revenue generated from the provision of community value-added services amounted to approximately RMB189.8 million, representing an increase of approximately 33.0% as compared to that of RMB142.7 million for the year ended 31 December 2019. Such increase was mainly attributable to an increase in the number of projects undertaken by the Group and the diversification of the scope of services provided by the Group following its continuous business development. The Group also increased its scope of community value-added services in 2020 based on the needs of owners such as home renovation, operation of canteens in various corporations and group buying.

The table below sets out the breakdown of the Group's revenue and gross profit margin of community value-added services for the periods indicated:

	For the year ended 31 December					
	2019			2020		
	Revenue	**Gross profit**	**Gross profit margin**	**Revenue**	**Gross profit**	**Gross profit margin**
	RMB'000	*RMB'000*	*%*	*RMB'000*	*RMB'000*	*%*
Community value-added services						
(i) Common area value-added service	101,501	49,991	49.3	142,108	70,502	49.6
(ii) Fitness services	21,755	3,157	14.5	17,389	2,435	14.0
(iii) Community convenience services	19,418	4,559	23.5	30,333	7,122	23.5
Total	**142,674**	**57,707**	**40.5**	**189,830**	**80,059**	**42.2**

Impact on the COVID-19 Pandemic

The outbreak of COVID-19 has brought great challenges to the property management industry in 2020, but has also highlighted the value and contribution of the industry to the society. Notwithstanding the costs incurred in purchasing pandemic prevention materials and the slight decrease in revenue generated from the provision of fitness services due to the temporary suspension of operation of gyms, there was no material adverse impact of the COVID-19 pandemic on the Group's operations, financial performance and financial position.

In response to the needs of property owners and residents and for their convenience during the COVID-19 pandemic, the Group launched a number of new community value-added services in 2020, such as group buying of daily essentials, live broadcast of fitness classes, hairdressing with appointments, tire inflation and photocopying of study materials. As a result of the increasing demand for these services during the COVID-19 pandemic, the Group had in fact generated more revenue in its provision of community value-added services as compared to 2019.

The Group also foresee the increasing demand for property management services in the future as the government and property owners residing in old residential communities realise the importance and value of engaging property management companies to provide comprehensive property management and community value-added services during the COVID-19 pandemic.

The Group will keep paying close attention to the development of the COVID-19 pandemic and evaluate its impact on the Group's financial position and operating results in order to make timely response and adjustments as appropriate going forward.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately 38.3% from approximately RMB695.8 million for the year ended 31 December 2019 to approximately RMB962.0 million for the year ended 31 December 2020 as a result of (i) an increase in the number of residential and non-residential projects undertaken by the Group which led to an increase in the income from the provision of property management services; (ii) the diversification of the scope of community value-added services provided by the Group following its continuous business development and (iii) the revenue received by the Group after completion of the acquisition of 51% equity interest in Huiren HengAn.

The table below sets out the breakdown of the Group's revenue by business segments for the periods indicated:

	For the year ended 31 December			
	2019		**2020**	
	RMB'000	*%*	*RMB'000*	*%*
Property management services	553,091	79.49	771,917	80.24
Community value-added services	142,674	20.51	189,830	19.73
Others *(Note)*	–	–	270	0.03
Total	**695,765**	**100.00**	**962,017**	**100.00**

Note: Representing gross rental income from investment property operating leases

Revenue from the provision of property management services increased by approximately 39.6% from approximately RMB553.1 million for the year ended 31 December 2019 to approximately RMB771.9 million for the year ended 31 December 2020. Such increase was primarily due to the continuous increase in (i) the Group's GFA under management in residential properties projects; and (ii) the number of non-residential properties projects undertaken by the Group.

Revenue from the provision of community value-added services increased by approximately 33.0% from approximately RMB142.7 million for the year ended 31 December 2019 to approximately RMB189.8 million for the year ended 31 December 2020. Such increase was primarily due to an increase in (i) the number of projects under management; and (ii) the diversification of the scope of services provided by the Group.

Cost of Sales

The Group's cost of sales consists of labour costs, subcontracting costs, equipment operation and facility maintenance costs, material costs, depreciation of right-of-use assets, office expenses and others.

The Group's cost of sales increased by approximately 36.9% from approximately RMB583.9 million for the year ended 31 December 2019 to approximately RMB799.6 million for the year ended 31 December 2020, primarily due to an increase in the number of staff and subcontracting costs as a result of the expansion of the Group's business.

Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 45.1% from approximately RMB111.9 million for the year ended 31 December 2019 to approximately RMB162.4 million for the year ended 31 December 2020. The gross profit margin increased from approximately 16.1% for the year ended 31 December 2019 to approximately 16.9% for the year ended 31 December 2020. Such increase was primarily due to (i) an increase in the income from the provision of property management services as a result of an increase in the Group's GFA under management during the year; (ii) an increase in revenue generated from the provision of community value-added services; (iii) a decrease in the investments in the projects undertaken by the Group from independent third party property developers as such projects had gradually entered into the maturity period; and (iv) a decrease in the Group's expenses arising from the government's policies in relation to social security provident fund due to COVID-19.

Other Income and Gains

The Group's other income and gains mainly represents interests income, investment income, government grants, gain on disposal of items of property, plant and equipment and others.

The Group's other income and gains increased by approximately 45.2% from approximately RMB10.4 million for the year ended 31 December 2019 to approximately RMB15.1 million for the year ended 31 December 2020, primarily due to an increase in interests income and government grants during the year.

Selling and Distribution Expenses

The Group's selling and distribution expenses consist primarily of staff costs, advertising and promotional expenses, office expenses, business development expenses, travelling expenses and others.

The Group's selling and distribution expenses increased by approximately 20.0% from approximately RMB4.5 million for the year ended 31 December 2019 to approximately RMB5.4 million for the year ended 31 December 2020, primarily due to a continuous increase in the Group's business expansion.

Administrative Expenses

The Group's administrative expenses primarily include staff costs, professional fees, office expenses, business development expenses, rental expenses, travelling expenses, depreciation and amortisation, bank charges, taxes and others.

The Group's administrative expenses increased by approximately 10.0% from approximately RMB55.1 million for the year ended 31 December 2019 to approximately RMB60.6 million for the year ended 31 December 2020, primarily due to an increase in (i) staff costs; and (ii) amortisation of intangible assets obtained in the acquisition of 51% equity interest in Huiren HengAn.

Impairment Losses on Financial Assets, Net

The Group's impairment losses on financial assets, net decreased by approximately 52.5% from approximately RMB8.0 million for the year ended 31 December 2019 to approximately RMB3.8 million for the year ended 31 December 2020, primarily due to (i) a satisfactory collection of fees during the year; and (ii) there being an enhanced monitoring of the collection of trade and other receivables.

Finance Costs

The Group's finance costs mainly include interest on bank borrowings and other loans and interest on lease liabilities in relation to lease liabilities recorded for properties leased by the Group for operation of its offices and fitness centers.

The Group's finance costs increased by approximately 25.0% from approximately RMB8.0 million for the year ended 31 December 2019 to approximately RMB10.0 million for the year ended 31 December 2020, primarily due to an increase in short-term borrowings.

Share of Profits and Losses of an Associate

The Group's share of profits and losses of an associate increased by 116.5% from having a loss of approximately RMB521,000 for the year ended 31 December 2019 to having a profit of approximately RMB86,000 for the year ended 31 December 2020, primarily due to a positive growth in the business of the associate company leading to there being profits generated therefrom.

Share of Profits and Losses of Joint Ventures

The Group's share of profits and losses of joint ventures increased by 100% from nil for the year ended 31 December 2019 to approximately RMB0.2 million for the year ended 31 December 2020, primarily due to the establishment of three joint ventures companies in 2020.

Income Tax Expense

The Group's income tax refers to PRC enterprises income tax at a tax rate of 25% on taxable profits of its subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small-low-profit enterprises and thus are subject to a preferential tax rate of 10% for the year ended 31 December 2020.

The Group's income tax expense increased by approximately 121.7% from approximately RMB12.9 million for the year ended 31 December 2019 to approximately RMB28.6 million for the year ended 31 December 2020, primarily due to an increase in the profit before tax.

Profit for the Year

As a result of the foregoing, the Group's profit increased by approximately 111.4% from approximately RMB33.2 million for the year ended 31 December 2019 to approximately RMB70.2 million for the year ended 31 December 2020. Profits attributable to owners of the Company for the year ended 31 December 2020 amounted to approximately RMB67.3 million, representing an increase of approximately 103.3% as compared to the corresponding period in 2019. The net profit margin was approximately 7.3% for the year ended 31 December 2020, up 2.5 percentage points from approximately 4.8% in the corresponding period in 2019. The increase in net profit margin was mainly due to (i) the improvement in the operating conditions of the projects on hand; (ii) a better cost control adopted by the Company in 2020; (iii) there being no listing expenses during the year; and (iv) a decrease in the Group's expenses arising from the government's policies in relation to social security provident fund due to COVID-19.

Liquidity, Reserves and Capital Structure

The Group adopts a prudent funding and treasury policy and maintained a healthy financial position during the year ended 31 December 2020. The Group's current assets amounted to approximately RMB861.9 million as at 31 December 2020, representing an increase of approximately 35.3% as compared to that of approximately RMB637.1 million as at 31 December 2019. The Group's cash and cash equivalents amounted to approximately RMB566.9 million as at 31 December 2020, representing an increase of approximately 26.6% as compared to that of RMB447.8 million as at 31 December 2019, primarily due to (i) the net cash flows from operating activities which was amounted to approximately RMB68.0 million; and (ii) an increase in bank and other borrowings.

The Group's total equity amounted to approximately RMB195.6 million as at 31 December 2020, representing an increase of approximately 60.6% as compared to that of approximately RMB121.8 million as at 31 December 2019. Such increase was mainly due to an increase in the profit of approximately RMB70.2 million during the year.

Property, Plant and Equipment

The Group's property, plant and equipment amounted to approximately RMB23.8 million as at 31 December 2020, representing an increase of approximately 28.0% as compared to that of approximately RMB18.6 million as at 31 December 2019. This was primarily due to an increase in office equipment, electronic devices and other devices and leasehold improvements as a result of the expansion in the Group's business.

Trade Receivables

The Group's trade receivables primarily consist of receivables for its property management services and community value-added services from its customers. The Group's trade receivables amounted to approximately RMB127.8 million as at 31 December 2020, representing an increase of approximately 80.5% as compared to that of approximately RMB70.8 million as at 31 December 2019. This was primarily due to the increase of the Group's revenue in 2020.

Prepayments, Deposits and Other Receivables

The Group's prepayments, deposits and other receivables amounted to approximately RMB61.7 million as at 31 December 2020, representing an increase of approximately 21.7% as compared to that of approximately RMB50.7 million as at 31 December 2019. This was mainly due to an increase in other deposits including bid bond and performance bond as a result of an increase in the number of property management projects undertaken by the Group.

Trade Payables

The Group's trade payables primarily consist of payables to suppliers and subcontractors. The Group's trade payables amounted to approximately RMB24.2 million as at 31 December 2020, representing an increase of approximately 132.7% as compared to that of approximately RMB10.4 million as at 31 December 2019. This was mainly due to an increase in the number of property management projects undertaken by the Group.

Other Payables, Deposits Received and Accruals

The Group's other payables, deposits received and accruals amounted to approximately RMB194.7 million as at 31 December 2020, representing a decrease of approximately 26.8% as compared to that of approximately RMB266.1 million as at 31 December 2019. This was mainly due to the repayment of a payable due to a third party amounting to RMB115 million.

Contract Liabilities

The Group receives payments from its customers based on billing schedules as provided in the property management agreements. A portion of the payments are usually received in advance of the performance under the contracts which are mainly from property management services. According to the Group's business model, for revenue recognised from the provision of property management services, all such revenue are carried forward from contract liabilities during the year ended 31 December 2020. Most of the Group's contract liabilities are expected to be recognised as revenue within one year as at 31 December 2020.

The Group's contract liabilities amounted to approximately RMB234.0 million as at 31 December 2020, representing an increase of approximately 20.9% as compared to that of approximately RMB193.5 million as at 31 December 2019. This was mainly due to an increase in the number of properties managed by the Group as a result of the Group's business expansion.

Borrowings

As at 31 December 2020, the Group had interest-bearing bank borrowings of RMB280 million, as compared to RMB50.0 million as at 31 December 2019. The Group's borrowings are all denominated in RMB.

The table below sets out the Group's total debts as at the dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Current:		
Bank loans – secured	**280,000**	50,000
Total	**280,000**	50,000

The table below sets out the repayment schedule of the Group's borrowings as at the dates indicated:

	As at 31 December	
	2020	2019
	RMB'000	*RMB'000*
Repayable within one year	**280,000**	50,000

The table below sets out the effective interest rates for the Group's borrowings as at the dates indicated:

	As at 31 December	
	2020	2019
	%	*%*
Current:		
Bank loans – secured	**4.35**	5.22

Financial Risks

The Group is exposed to risks arising from its financial instruments such as interest rate risk, credit risk and liquidity risk.

Interest Rate Risk

The Group's exposure to risk for changes in market interest rates relates primarily to the Group's interest-bearing bank borrowings.

The Group does not use derivative financial instruments to hedge interest rate risk, and obtains all bank borrowings with a fixed rate.

Credit Risk

The Group classifies financial instruments on the basis of shared credit risk characteristics, such as instrument types and credit risk ratings for the purpose of determining significant increases in credit risk and calculation of impairment.

The carrying amounts of cash and cash equivalents, trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2020.

As at 31 December 2020, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

Liquidity Risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank borrowings. Cash flows are closely monitored on an ongoing basis.

Foreign Exchange Risk

As all of the Group's businesses are conducted in the PRC, revenue and profits for the year ended 31 December 2020 were denominated in RMB. The major foreign currency source for the Group is the fundraising following the successful listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") during the year, all of which were in Hong Kong dollars. As at 31 December 2020, the Group did not have significant foreign currency exposure from its operations. The Group currently has not used derivative financial instruments to hedge its foreign exchange risk. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

Gearing Ratio

The Group's gearing ratio is calculated based on net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, amounts due to related companies and lease liabilities, less cash and cash equivalents. The Group's capital represents equity attributable to owners of the Company. As at 31 December 2020, the Group's gearing ratio was not applicable.

Use of Proceeds from the Listing

The Company was successfully listed on the Main Board of the Stock Exchange on 6 November 2019 with the issue of 66,680,000 new shares. The total net proceeds from the listing of the shares of the Company on the Main Board of the Stock Exchange (including the exercise of the Over-allotment Option (as defined in the prospectus of the Company dated 25 October 2019 (the "**Prospectus**")) amounted to approximately HK$131.4 million after deducting the underwriting fees and commissions and other expenses in connection with the Global Offering (as defined in the Prospectus), which will be used for the intended purposes as set out in the section headed "Future Plans and Use of Proceeds" of the Prospectus.

Set out below is the actual utilisation of the net proceeds as at 31 December 2020, which is consistent with the proposed allocation disclosed in the Prospectus:

	Planned use of proceeds in total *HK$'000*	**Actual use of proceeds as at 31 December 2020** *HK$'000*	**Remaining balance of net proceeds as at 31 December 2020** *HK$'000*	**Expected timeline for utilising the remaining net proceeds** *(Note)*
Continue to expand the Group's business by mergers and acquisitions or investments in order to expand its market shares in the property management service industry in the PRC	78,853	20,767	58,086	By 31 December 2021
Invest in intelligent systems to improve the Group's service quality and enhance its customers' experience	19,713	4,260	15,543	By 31 December 2021
Upgrade the Group's internal information technology system to enhance operational efficiency	13,142	449	12,693	By 31 December 2021
Continue to recruit more technical and managerial talents and, at the same time, provide training to the Group's employees for the expansion of its operations	6,571	512	6,059	By 31 December 2021
General working capital	13,142	7,476	5,666	By 31 December 2021

Note: The expected timeline for utilising the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to changes based on the current and future development of the market conditions.

The Group will continue to utilise the remaining net proceeds as shown above and expects to fully utilise such amount by 31 December 2021.

Pledge of Assets

The Group had no pledge of assets as at 31 December 2020.

Contingent Liabilities

The Group had no material contingent liabilities or guarantees as at 31 December 2020.

Significant Investments Held

Save as disclosed in this announcement, the Group did not hold any significant investment during the year ended 31 December 2020.

Employees and Remuneration Policies

As at 31 December 2020, the Group had a total of 3,903 employees. The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution and social welfare. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

Future Plans for Material Investments and Capital Assets

The Group will continue to focus on its existing property management services and community value-added services. Save as disclosed in the Prospectus, no concrete plan for future investment is in place as at the date of this announcement.

Material Acquisition and Disposal

On 16 March 2020, Nanjing Yincheng Property Services Co., Ltd.*(南京銀城物業服務有限公司)(the "**Purchaser**" or "**Yincheng Property Services**") (an indirect wholly-owned subsidiary of the Company), Zhenjiangshi Puren Commercial Trading Centre (General Partnership)*(鎮江市普仁商業貿易中心(普通合夥)) (the "**Vendor**"), Mr. Shen Chunlei (沈春雷先生)(the "**Guarantor**"), Mr. Kong Jianbin(孔建斌先生)("**Mr. Kong**"), Ms. Shen Chunlan(沈春蘭女士)("**Ms. Shen**") and Huiren HengAn (the "**Target Company**", together with the Purchaser, the Vendor, the Guarantor, Mr. Kong and Ms. Shen, the "**Parties**") entered into an equity interest transfer agreement, pursuant to which the Parties agreed that the Purchaser shall acquire, and the Vendor shall sell 51% of the entire equity interest in the Target Company at the consideration of RMB45,900,000 (subject to adjustments). For further details, please refer to the Company's announcement dated 16 March 2020.

Save as disclosed above, during the year ended 31 December 2020 and up to the date of this announcement, the Group did not perform any material acquisition or disposal of subsidiaries and associates.

Subsequent Events

On 25 January 2021, a share option scheme (the "**Share Option Scheme**") under Chapter 17 of the Listing Rules was approved by the shareholders of the Company (the "**Shareholders**") and adopted on the same day. The Share Option Scheme then became effective on 26 January 2021 upon the Listing Committee of the Stock Exchange having granted approval of the listing of, and permission to deal in, the shares of the Company (the "**Shares**") which may be issued pursuant to the exercise of the options to be granted under the Share Option Scheme. The Company is entitled to issue a maximum of 5,343,040 Shares upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes in aggregate, representing 2% of the total number of Shares in issue as at the date of this announcement. For further details, please refer to the Company's circular and poll results announcement dated 5 January 2021 and 25 January 2021.

On 1 February 2021, Yincheng Property Services and Nanjing Yincheng Business Management Co., Ltd.* (南京銀城商業管理有限公司) entered into (i) an investment agreement, pursuant to which the parties agreed to form Nanjing Yincheng Commercial Property Management Services Co., Ltd.* (南京銀城商業物業管理服務有限公司) for engaging in commercial properties management in the PRC; and (ii) an investment agreement, pursuant to which the parties agreed to form Nanjing Yincheng Hui Technology Network Co., Ltd.* (南京銀城滙科技網絡有限公司) for the development and provision of community value-added services through online platforms for owners or users of residential and non-residential properties currently under the management of the Group. For further details, please refer to the Company's announcement dated 2 February 2021.

On 11 March 2021, Yincheng Property Services and Nanjing Yincheng Kangyang Elderly Healthcare Services Co., Ltd.* (南京銀城康養養老服務有限公司) entered into a cooperation agreement, pursuant to which the parties agreed to form Nanjing Yincheng Yijia Elderly Healthcare Services Co., Ltd.* (南京銀城怡家養老服務有限公司) to principally engage in the provision of healthcare and comprehensive ancillary services for the elderly in the PRC.

On the same day, Yincheng Property Services, Nanjing Gulou Real Estate Group Property Services Co., Ltd* (南京鼓樓房產集團物業服務有限公司) and Nanjing Guochu Engineering Technology Co., Ltd* (南京國礎工程技術有限公司) entered into an investment agreement, pursuant to which the parties agreed to form Nanjing Xinhongju Property Services Co., Ltd* (南京鑫紅居物業服務有限公司) to principally engage in the provision of comprehensive property management services for residential communities in Nanjing, the PRC. For further details, please refer to the Company's announcement dated 11 March 2021.

Other than the events as mentioned above, the Directors are not aware of any material events undertaken by the Group subsequent to 31 December 2020.

OTHER INFORMATION

PURCHASE, SALE AND REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2020.

ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Friday, 28 May 2021, the notice of which will be published and dispatched to the Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Listing Rules.

FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$0.92 per ten ordinary shares (2019: HK$0.42 per ten ordinary shares) of the Company for the year ended 31 December 2020. The final dividend is subject to the approval of the Shareholders at the forthcoming AGM to be held on Friday, 28 May 2021 and, subject to the approval by the Shareholders at the AGM, the final dividend is expected to be paid on or about 19 July 2021 to the Shareholders whose names appear on the register of members of the Company on Thursday, 10 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(a) from Tuesday, 25 May 2021 to Friday, 28 May 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at 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 share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Monday, 24 May 2021; and

(b) from Monday, 7 June 2021 to Thursday, 10 June 2021, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 4 June 2021.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code on corporate governance. During the year ended 31 December 2020 and up to the date of this announcement, the Company has complied with the Corporate Governance Code.

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 code of conduct regarding directors' securities transactions. All Directors confirmed, after having made specific enquiry with the Company, that they have complied with the Model Code during the year ended 31 December 2020 and up to the date of this announcement.

AUDIT COMMITTEE AND REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE INDEPENDENT AUDITOR

The Company established the Audit Committee with written terms of reference in compliance with the Corporate Governance Code. As at the date of this announcement, the Audit Committee comprises three members, namely Mr. Chow Siu Hang, Mr. Mao Ning and Mr. Xie Chenguang.

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2020. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), to the amounts set out in the Group's audit consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young in this announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

The annual results announcement is published on the website of the Stock Exchange (www.hkexnews.hk) and that of the Company (www.yinchenglife.hk). The annual report will be dispatched to the shareholders of the Company and will be available on the website of the Stock Exchange and that of the Company in due course.

By order of the Board
Yincheng Life Service CO., Ltd.
XIE Chenguang
Chairman

Nanjing, China
22 March 2021

As at the date of this announcement, the executive Directors are Mr. Li Chunling and Ms. Huang Xuemei; the non-executive Directors are Mr. Huang Qingping, Mr. Xie Chenguang, Mr. Ma Baohua and Mr. Zhu Li; and the independent non-executive Directors are Mr. Chow Siu Hang, Mr. Li Yougen and Mr. Mao Ning.