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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2020**

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the year ended 31 December 2020 increased by 67.5% to approximately RMB415.9 million from approximately RMB248.3 million for the year ended 31 December 2019.
- Gross profit of the Group for the year ended 31 December 2020 increased by 77.0% to approximately RMB148.9 million from approximately RMB84.1 million for the year ended 31 December 2019. Gross profit margin increased to 35.8% for the year ended 31 December 2020 from 33.9% for the year ended 31 December 2019.
- Profit after income tax for the year ended 31 December 2020 increased by approximately RMB46.2 million, or 334.8% from approximately RMB13.8 million for the year ended 2019 to approximately RMB60.0 million in 2020. Net profit margin increased to 14.4% for the year ended 31 December 2020 from 5.6% for the year ended 31 December 2019.
- Earnings per share attributable to equity shareholders of the Company amounted to RMB12.76 cents for the year ended 31 December 2020 (2019: RMB3.97 cents).

The board (the “**Board**”) of directors (the “**Directors**”) of Hevol Services Group Co. Limited (the “**Company**”) is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2020, together with the comparative figures for the year ended 31 December 2019.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2020

	Notes	2020 RMB'000	2019 RMB'000
Revenue	4	415,870	248,275
Cost of sales		<u>(266,965)</u>	<u>(164,142)</u>
Gross profit		148,905	84,133
Other income	5	9,529	4,743
(Expected credit losses (“ ECL ”) allowance)/Reversal of ECL allowance on trade and other receivables		(6,162)	4,534
Administrative expenses		(77,265)	(52,353)
Listing-related expenses		–	(17,693)
Finance costs	6(a)	<u>(187)</u>	<u>(150)</u>
Profit before income tax	6(b)	74,820	23,214
Income tax expense	7	<u>(14,843)</u>	<u>(9,421)</u>
Profit for the year		<u>59,977</u>	<u>13,793</u>
Other comprehensive expense for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
– Exchange differences on translation of financial statements of overseas operations		<u>(5,573)</u>	<u>–</u>
Total comprehensive income for the year		<u>54,404</u>	<u>13,793</u>
Profit for the year attributable to:			
Equity shareholders of the Company		56,357	13,793
Non-controlling interests		<u>3,620</u>	<u>–</u>
		<u>59,977</u>	<u>13,793</u>
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		50,784	13,793
Non-controlling interests		<u>3,620</u>	<u>–</u>
		<u>54,404</u>	<u>13,793</u>
Earnings per share attributable to equity shareholders of the Company (expressed in RMB cents)			
Basic and diluted	9	<u>12.76</u>	<u>3.97</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2020

		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
Non-current assets			
Property, plant and equipment		13,886	6,806
Intangible assets	<i>10</i>	24,869	2,657
Investment properties		29,817	30,902
Goodwill		59,626	–
Deposits paid for acquisition of subsidiaries	<i>11</i>	7,800	24,875
Deferred tax assets		6,573	2,726
		142,571	67,966
Current assets			
Inventories		178	106
Trade and other receivables	<i>11</i>	167,544	38,755
Financial assets at fair value through profit or loss		11,446	–
Bank balances and cash		291,507	199,829
		470,675	238,690
Current liabilities			
Contract liabilities		80,444	58,297
Trade and other payables	<i>12</i>	178,070	73,935
Lease liabilities		1,970	1,918
Income tax liabilities		13,004	1,262
		273,488	135,412
Net current assets		197,187	103,278
Total assets less current liabilities		339,758	171,244
Non-current liabilities			
Lease liabilities		642	2,188
Deferred tax liabilities		11,917	4,600
		12,559	6,788
Net assets		327,199	164,456

		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Share capital	<i>13</i>	34	28
Reserves		307,136	164,428
		<hr/>	<hr/>
Equity attributable to equity shareholders of the Company		307,170	164,456
Non-controlling interests		20,029	—
		<hr/>	<hr/>
Total equity		327,199	164,456
		<hr/> <hr/>	<hr/> <hr/>

NOTES

For the year ended 31 December 2020

1. GENERAL INFORMATION

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

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

The Company’s shares are listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

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

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

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

2. BASIS OF PREPARATION

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

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss (“**FVTPL**”) which are stated at fair values.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on the management’s best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

Change in functional currency of the Company

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

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

3. ADOPTION OF AMENDED IFRSs

Amended IFRSs adopted by the Group

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

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

The adoption of the amended IFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Issued but not effective IFRSs

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

IFRS 17	Insurance Contract and related amendments ³
Amendments to IFRS 3	Reference to the Conceptual Framework ⁵
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2 ¹
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Amendments to IFRS 16	Covid-19-Related Rent Concessions ⁶
Amendments to IAS 1	Classification of Liabilities as Current or Non-current ³
Amendments to IAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to IFRSs	Annual Improvements to IFRS Standards 2018-2020 ²

¹ Effective for annual periods beginning on or after 1 January 2021

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after 1 January 2023

⁴ Effective date not yet determined

⁵ Effective for business combinations for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2022

⁶ Effective for annual periods beginning on or after 1 June 2020

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

4. REVENUE AND SEGMENT INFORMATION

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

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

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

Geographical information

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

Information about major customers

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

a) *Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Contract liabilities	<u>80,444</u>	<u>58,297</u>

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

b) Revenue recognised in relation to contract liabilities

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

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

c) Unsatisfied performance obligations

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

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

5. OTHER INCOME

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

Note:

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

	2020 RMB'000	2019 RMB'000
(a) Finance costs		
Interest expenses on lease liabilities	187	150
(b) Other items		
Auditor's remuneration	1,616	1,216
Amortisation of intangible assets (<i>note 10</i>)	2,397	257
Depreciation of property, plant and equipment		
– Owned assets	1,513	941
– Right-of-use assets	2,176	1,114
Depreciation of investment properties	1,085	1,086
ECL allowance on trade and other receivables (<i>note 11</i>)	6,162	–
Legal and professional fees	9,167	5,962
Loss on disposal of property, plant and equipment	35	28
Lease charges:		
– Short-term leases and leases with lease term shorter than 12 months as at initial application of IFRS 16 as at 1 January 2019	612	146

7. INCOME TAX EXPENSE

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

Notes:

(a) Cayman Islands income tax

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

(b) BVI income tax

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

(c) Hong Kong profits tax

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

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

(d) PRC enterprise income tax

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

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

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

(e) PRC withholding income tax

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

8. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2020 (2019: RMB Nil). In 2019, a special dividend of RMB25,400,000 had been declared, approved and paid to its then shareholders.

9. EARNINGS PER SHARE

For the purpose of computing basic and diluted earnings per share, the number of ordinary shares has been adjusted retrospectively for the effect of the Capitalisation Issue (as defined and detailed in note 13(i)) as if the Capitalisation Issue had been completed on 1 January 2019.

a) Basic earnings per share

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

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

b) Diluted earnings per share

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

10. INTANGIBLE ASSETS

	Customers relationships RMB'000	Computer software RMB'000	Total RMB'000
At 1 January 2019			
Cost	–	1,403	1,403
Accumulated amortisation	–	(479)	(479)
Net book amount	–	924	924
Year ended 31 December 2019			
Opening net book amount	–	924	924
Additions	–	1,990	1,990
Amortisation	–	(257)	(257)
Closing net book amount	–	2,657	2,657
At 31 December 2019 and 1 January 2020			
Cost	–	3,391	3,391
Accumulated amortisation	–	(734)	(734)
Net book amount	–	2,657	2,657
Year ended 31 December 2020			
Opening net book amount	–	2,657	2,657
Acquisitions of subsidiaries (note 16)	20,875	41	20,916
Additions	–	3,693	3,693
Amortisation	(1,238)	(1,159)	(2,397)
Closing net book amount	19,637	5,232	24,869
At 31 December 2020			
Cost	20,875	7,125	28,000
Accumulated amortisation	(1,238)	(1,893)	(3,131)
Net book amount	19,637	5,232	24,869

Amortisation charges recognised is analysed as follows:

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

11. TRADE AND OTHER RECEIVABLES

	Notes	2020 RMB'000	2019 RMB'000
Trade receivables	(a)		
– Third parties		71,159	36,111
– Related parties		50,147	4,104
		<u>121,306</u>	<u>40,215</u>
Less: ECL allowance of trade receivables		<u>(17,009)</u>	<u>(10,847)</u>
		<u>104,297</u>	<u>29,368</u>
Other receivables	(b)		
Deposits, prepayment and other receivables		18,213	28,045
Other deposits		33,495	473
Payment on behalf of property owners		18,362	5,550
Advances to employees		453	194
Amounts due from related parties		524	–
		<u>71,047</u>	<u>34,262</u>
Less:			
Deposits paid for acquisitions of subsidiaries included in non-current assets	15(b)	<u>(7,800)</u>	<u>(24,875)</u>
		<u>63,247</u>	<u>9,387</u>
		<u>167,544</u>	<u>38,755</u>

(a) **Trade receivables**

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

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

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

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

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

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

The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors.

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

(b) **Other receivables**

Payment on behalf of property owners

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

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Other deposits

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

ECL allowance of other receivables

Impairment on other receivables from third parties (excluding prepayments and advance to employees) are assessed individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment on amounts due from related parties was limited to 12-month ECL since the related parties have a strong capacity to meet its contractual cash flow in the near term.

12. TRADE AND OTHER PAYABLES

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
Trade payables			
– Third parties	(a)	<u>35,855</u>	<u>10,513</u>
Other payables			
Accrued charges and other payables		16,483	10,140
Renovation deposits collected from property owners		22,306	9,067
Amounts collected on behalf of property owners		55,982	20,997
Other tax liabilities		9,480	3,763
Staff costs and welfare accruals		35,681	18,147
Amounts due to related parties		<u>2,283</u>	<u>1,308</u>
		<u>142,215</u>	<u>63,422</u>
		<u>178,070</u>	<u>73,935</u>

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	2020 RMB'000	2019 <i>RMB'000</i>
0 to 30 days	27,319	9,000
31 to 180 days	7,346	952
181 to 365 days	532	6
Over 1 year	<u>658</u>	<u>555</u>
	<u>35,855</u>	<u>10,513</u>

13. SHARE CAPITAL

	Number of shares	Nominal value of shares <i>United States dollar</i> <i>("US\$")</i>
Authorised:		
Ordinary shares of US\$0.00001 each:		
Ordinary shares at 31 December 2019, 1 January 2020 and 31 December 2020	<u>5,000,000,000</u>	<u>50,000</u>

	Notes	Number of shares	Nominal value of shares US\$	Equivalent nominal value of shares RMB'000
Issued and fully paid:				
Ordinary shares of the Company:				
As at 1 January 2019		104,734	1	—*
Capitalisation issue	(i)	299,895,266	2,999	21
Issuance of new shares in connection with the listing of the Company's shares	(ii)	100,000,000	1,000	7
As at 31 December 2019 and 1 January 2020		400,000,000	4,000	28
Issue of shares upon placing of shares	(iii)	80,000,000	800	6
At 31 December 2020		480,000,000	4,800	34

* The balance represents amount less than RMB1,000.

Notes:

(i) Pursuant to a shareholders resolution dated 14 June 2019, and conditional on the share premium account of the Company being credited as a result of the issue of the offer shares pursuant to the proposed share offering described in the prospectus dated 27 June 2019, the Company capitalised an amount of approximately US\$2,999 (equivalents to RMB21,000), standing to the credit of its share premium account and to appropriate such amount as capital to pay up to 299,895,266 shares in full at par (the “**Capitalisation Issue**”). The Capitalisation Issue was completed on 12 July 2019. These shares rank pari passu with the existing shares in all respects.

(ii) On 12 July 2019, upon the listing of its shares on The Stock Exchange of Hong Kong Limited (the “**Listing**”), the Company issued 100,000,000 new ordinary shares at an issue price of HK\$1.28 each, and raised gross proceeds of approximately HK\$128,000,000 (equivalents to RMB112,459,000), of which approximately RMB7,000 was credited to share capital account and the balance of RMB112,452,000 was credited to the share premium account of the Company. These shares rank pari passu with the existing shares in all respects.

Share issuance expenses mainly include share underwriting commission, lawyers' fees, reporting accountant's fee and other related costs associated with the Listing. Incremental costs that are directly attributable to the issue of the new shares amounting to RMB16,502,000 was treated as a deduction against the share premium account arising from the issuance.

(iii) On 15 June 2020, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK\$1.28 per share. On 24 June 2020, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six places at an issue price of HK\$1.28 per share resulting in raising proceeds, before expenses, of HK\$102,400,000 (equivalents to RMB93,330,000), of which RMB6,000 was credited to the share capital account and RMB93,324,000 was credited to the share premium account. The related transaction costs amounted to RMB1,400,000 have been recorded in the share premium account.

14. SHARE OPTION SCHEME

On 14 June 2019 (the “**Adoption Date**”), the Company adopted a share option scheme (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants to work towards enhancing the value of the Company and the shareholders as a whole.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue.

No option of the Company was granted to the Company’s employees and other eligible participants since the Adoption Date and up to the date of these consolidated financial statements.

15. COMMITMENTS

(a) Lease commitments

As lessor

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

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Within one year	686	686
After one year but within two years	686	686
After two years but within three years	686	686
After three years but within four years	686	686
After four years but within five years	685	685
After five years	343	1,029
	<u>3,772</u>	<u>4,458</u>

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
Within one year	<u>270</u>	<u>60</u>

(b) **Capital commitments**

Capital commitments outstanding at 31 December 2020 not provided for were as follows:

	2020 RMB'000	2019 RMB'000
– Contracted for	<u>50,700</u>	<u>4,715</u>

On 3 November 2020, Guizhou Furuiying Information Consultancy Limited (“**Guizhou WFOE**”), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Huang Jiahong (黃加紅) (“**Seller A**”), Mr. Yang Xuepeng (楊學鵬) (“**Seller B**”) and Mr. Song Yunhan (宋運漢) (“**Seller C**”) and together with Seller A and Seller B, the “**Sellers**”), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd. (“**Zhongshan Zhongzheng**”) (中山市中正物業管理有限公司), from the Sellers for an aggregate cash consideration of RMB15,400,000. As at 31 December 2020, the Group had paid a deposit of RMB7,700,000 to the Sellers, and accordingly, the Group had capital commitment of RMB7,700,000 for acquisition of Zhongshan Zhongzheng.

On 19 November 2020, Beijing Hevol Property Services Company Limited (“**Beijing Hevol Property Services**”), a wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Yu Hongliang (俞紅亮) (the “**Seller D**”), an independent third party, pursuant to which Beijing Hevol Property Services agreed to acquire 100% equity interests of Beijing Hongteng Real Estate Investment Consulting Co., Ltd. (“**Beijing Hongteng**”) (北京紅藤房地產投資顧問有限公司), from the Seller D for an aggregate cash consideration of RMB200,000. As at 31 December 2020, the Group had paid a deposit of RMB100,000 to the Seller D, and accordingly, the Group had capital commitment of RMB100,000 for the acquisition of Beijing Hongteng.

On 28 December 2020, Guizhou WFOE, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Deng Lihua (鄧利華) (the “**First Seller**”), and Mr. Rao Yunke (饒運科) (the “**Second Seller**”), and together with the First Seller, the “**Sichuan Sellers**”), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 60% equity interests of Sichuan Wansheng Property Service Co., Ltd. (“**Sichuan Wansheng**”) (四川萬晟物業服務有限公司), from the Sichuan Sellers for an aggregate cash consideration of RMB42,900,000.

As at 31 December 2019, the Group had capital commitment of RMB4,715,000 in respect of acquisition of Shanghai Tongjin Property Management Services Co. Ltd (“**Shanghai Tongjin**”) (上海同進物業服務有限公司). The acquisition of Shanghai Tongjin was completed on 22 January 2020.

16. BUSINESS COMBINATIONS THROUGH ACQUISITIONS OF SUBSIDIARIES

During the year ended 31 December 2020, the Group acquired five subsidiaries from independent third parties. The acquired subsidiaries were operating prior to the acquisitions. Therefore, the Group considered the acquisitions as business combinations.

(i) Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration RMB'000
Shanghai Tongjin	Provision of property management services and related value-added services	22 January 2020	70%	29,591
Shanghai Tongjia Property Management Services Co. Ltd (上海同嘉物業服務有限公司) ("Shanghai Tongjia")	Provision of property management services and related value-added services	3 June 2020	60%	3,750
Dongguan Baoying Property Management Company Limited (東莞市寶盈物業管理有限公司) ("Dongguan Baoying")	Provision of property management services and related value-added services	27 October 2020	60%	15,000
Guizhou Xingji Property Services Company Limited (貴州星際物業服務有限公司) ("Guizhou Xingji")	Provision of property management services and related value-added services	5 November 2020	51%	25,500
Hohhot Huigu Property Services Company Limited (呼和浩特市慧谷物業服務有限公司) ("Hohhot Huigu")	Provision of property management services and related value-added services	24 December 2020	65%	12,000

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese names of those companies as no English names have been registered or available.

The above subsidiaries were acquired to expand the Group's property management service portfolio and provide synergies to its existing property management business.

(ii) Fair value of assets acquired and liabilities recognised at the respective date of the acquisitions

	Shanghai Tongjin RMB'000	Shanghai Tongjia RMB'000	Dongguan Baoying RMB'000	Guizhou Xingji RMB'000	Hohhot Huigu RMB'000	Total RMB'000
Property, plant and equipment	7,607	5	368	64	62	8,106
Intangible assets (note 10)	6,855	—	2,296	9,520	2,245	20,916
Deferred tax assets	2,155	—	195	558	85	2,993
Deposits	977	—	—	—	—	977
Trade and other receivables	22,963	720	4,690	10,141	2,271	40,785
Financial assets at fair value through profit or loss	—	—	5,990	—	5,456	11,446
Bank balances and cash	34,794	5,785	4,419	7,629	6,484	59,111
Contract liabilities	(5,294)	—	(127)	(4,287)	(4,119)	(13,827)
Trade and other payables	(48,883)	(423)	(7,339)	(10,630)	(5,684)	(72,959)
Lease liabilities	(200)	—	(222)	—	—	(422)
Income tax liabilities	(5,911)	(24)	(513)	(296)	(123)	(6,867)
Deferred tax liabilities	(2,240)	—	(2,072)	(2,380)	(943)	(7,635)
Total identifiable net assets acquired	12,823	6,063	7,685	10,319	5,734	42,624

(iii) **Non-controlling interests**

The non-controlling interests in Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu of 30%, 40%, 40%, 49% and 35% recognised at the respective acquisition dates, respectively, were measured by reference to the respective proportionate share of the recognised amounts of net assets of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu amounted to RMB3,847,000, RMB2,425,000, RMB3,074,000, RMB5,056,000 and RMB2,007,000, respectively.

(iv) **Goodwill arising on acquisitions**

	Shanghai Tongjin <i>RMB'000</i>	Shanghai Tongjia <i>RMB'000</i>	Dongguan Baoying <i>RMB'000</i>	Guizhou Xingji <i>RMB'000</i>	Hohhot Huigu <i>RMB'000</i>	Total <i>RMB'000</i>
Cash considerations	29,591	3,750	15,000	25,500	12,000	85,841
Fair value of identifiable net assets acquired	(12,823)	(6,063)	(7,685)	(10,319)	(5,734)	(42,624)
Non-controlling interests	3,847	2,425	3,074	5,056	2,007	16,409
Goodwill arising on acquisition	<u>20,615</u>	<u>112</u>	<u>10,389</u>	<u>20,237</u>	<u>8,273</u>	<u>59,626</u>

Goodwill arose in the acquisitions of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu as the costs of the business combinations included a control premium. In addition, the considerations paid for the combinations effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

The acquisition-related costs incurred by the Group for the acquisitions amounting to RMB906,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

(v) **Net cash inflow on acquisitions of subsidiaries**

	<i>RMB'000</i>
Total cash considerations paid (<i>note</i>)	79,841
Cash deposit paid as at 31 December 2019	(24,875)
Bank balances and cash acquired	<u>(59,111)</u>
	<u>(4,145)</u>

Note:

The consideration payable for the acquisition of Hohhot Huigu amounting to RMB6,000,000 was included in other payables.

(vi) **Impact on acquisitions on the results of the Group**

Included in the profit for the year ended 31 December 2020 is profit of RMB11,832,000 attributable to the additional business generated by Shanghai Tongjin, loss of RMB931,000 attributable to Shanghai Tongjia, profit of RMB145,000 attributable to Dongguan Baoying, profit of RMB787,000 attributable to Guizhou Xingji and RMBNil attributable to Hohhot Huigu. Revenue for the year ended includes RMB87,154,000 in respect of Shanghai Tongjin, RMB2,148,000 in respect of Shanghai Tongjia, RMB4,589,000 in respect of Dongguan Baoying, RMB9,104,000 in respect of Guizhou Xingji and RMBNil in respect of Hohhot Huigu.

If the acquisitions had occurred on 1 January 2020, the Group's revenue and profit for the year ended 31 December 2020 would have been RMB518,796,000 and RMB72,140,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

17. NON-ADJUSTING EVENTS AFTER THE REPORTING DATE

Save as disclosed elsewhere in this announcement, the following significant events took place subsequent to 31 December 2020:

(a) **Completion of acquisitions of Zhongshan Zhongzheng, Beijing Hongteng, Sichuan Wansheng and Jiangsu Shenhua Times Property Group Co., Ltd. ("Jiangsu Shenhua") (together, the "Acquired Subsidiaries")**

On 4 January 2021, the acquisition of Zhongshan Zhongzheng was completed and accordingly, Zhongshan Zhongzheng became a non-wholly owned subsidiary of the Company.

On 4 January 2021, the acquisition of Beijing Hongteng was completed and accordingly, Beijing Hongteng became a wholly owned subsidiary of the Company.

On 25 January 2021, the acquisition of Sichuan Wansheng was completed and accordingly, Sichuan Wansheng became a non-wholly owned subsidiary of the Company.

On 5 February 2021, Beijing Hongsheng Investment Limited (北京泓升投資有限責任公司) ("**Beijing Hongsheng**"), an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Huzhou Shenhua Enterprise Management Consulting Partnership (Limited Partnership) (湖州深華企業管理諮詢合夥企業(有限合夥)) (the "**Seller E**"), independent third party, pursuant to which Beijing Hongsheng agreed to acquire 51% equity interests of Jiangsu Shenhua (江蘇深華時代物業集團有限公司), from the Seller E for an aggregate cash consideration of RMB40,800,000. On 16 March 2021, the acquisition of Jiangsu Shenhua was completed and accordingly, Jiangsu Shenhua became a non-wholly owned subsidiary of the Company.

(b) **Issue of shares upon placing**

On 14 January 2021, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK\$2.00 per share. On 5 February 2021, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK\$2.00 per share resulting in raising gross proceeds of HK\$160,000,000 (equivalents to RMB133,405,000).

18. RECLASSIFICATIONS AND COMPARATIVE FIGURES

Certain reclassifications have been made to the prior year's consolidated financial statements to enhance comparability with the current year's consolidated financial statements. As a result, certain line items have been revised in the consolidated statement of profit or loss and other comprehensive income.

CHAIRMAN'S STATEMENT

Dear shareholders,

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

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

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

For the twelve months ended 31 December 2020, Hevol Services Group Co., Limited and its subsidiaries (together, the “**Group**”) achieved revenue of RMB415.9 million, an increase of 67.5% over the same period in 2019; gross profit of RMB148.9 million, an increase of 77.0% over the same period in 2019; and profit of RMB60.0 million, an increase of 334.8% over the same period in 2019. Earnings per share attributable to Shareholders amounted to RMB12.76 cents and RMB3.97 cents in 2020 and 2019, respectively. Profitability of the Group was further strengthened in 2020, with an increase of overall gross profit margin to approximately 35.8% from 33.9% in 2019. Net profit margin of the Group increased to approximately 14.4% compared to 5.6% in 2019.

STRONG MOMENTUM FOR SCALE EXPANSION

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

FURTHER IMPROVEMENT OF SERVICE QUALITY

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

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

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

DEVELOPMENT DRIVEN BY TECHNOLOGICAL INNOVATION

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

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

Liu Jiang

Chairman of the Board of Directors

Hong Kong, 25 March 2021

BUSINESS REVIEW AND PROSPECTS

BUSINESS REVIEW

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

In 2020, the Group achieved relatively fast growth in management scale, with total revenue increased by 67.5% to approximately RMB415.9 million in 2020 compared to approximately RMB248.3 million in 2019. The Group’s GFA under management reached approximately 17.9 million sq.m. in 2020 from approximately 8.2 million sq.m. in 2019. During the year, the Group acquired (i) 70% equity interest of Shanghai Tongjin Property Management Services Co. Ltd* (“**Shanghai Tongjin**”) with a consideration of RMB29.6 million, (ii) 60% equity interest of Shanghai Tongjia Property Management Services Co. Ltd.* (“**Shanghai Tongjia**”) with a consideration of RMB3.8 million, (iii) 60% equity interest of Dongguan Baoying Property Management Co. Ltd* (“**Dongguan Baoying**”) with a consideration of RMB15.0 million, (iv) 51% equity interest of Guizhou Xingji Property Services Company Limited.* (“**Guizhou Xingji**”) with a consideration of RMB25.5 million, and (v) 65% of equity interest of Hohhot Huigu Property Services Company Limited.* (“**Hohhot Huigu**”) with a consideration of RMB12.0 million. All of the above acquisitions were completed in 2020 and the Group’s GFA under management has increased by approximately 6.0 million sq.m., together with external expansion projects by bidding, projects co-operation with other third party property developers and property management projects developed by Hevol Real Estate Group, our aggregate GFA under management reached approximately 17.9 million sq.m. as at 31 December 2020. Our geographical coverage in China has expanded to 23 cities and our coverage of geographical regions in China now include the northern region, southwestern region, northeastern region, southern region and eastern region. We believe that acquisition is a cost-effective way to grow our service offerings and property management portfolio in new geographic markets. The acquisitions can create synergies with the business of our Group by combining the existing strength and experience of the newly acquired property management companies in the Yangtze River Delta region and Greater Bay Area Southwestern and other regions of the PRC. The Group will be able to further enhance its market share and brand influence and fill the market gap in the region, expand the scope and size of its property management business and improve its business growth and profitability.

PROPERTY MANAGEMENT SERVICES

Property Management Services

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

Geographical Coverage

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

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

Notes:

- (1) “Northern China” includes Beijing, Tianjin, Tangshan, Qinhuangdao and Hohhot.
- (2) “Northeastern China” includes Dandong, Harbin, Fushun and Shenyang.
- (3) “Southwestern China” includes Chongqing, Guiyang, Chengdu, Zunyi, Xichang and Anshun.
- (4) “Southern China” includes Sanya, Changsha, Guangzhou, Jiangmen and Dongguan.
- (5) “Eastern China” includes Shanghai, Kunshan and Wuxi.

As at 31 December 2020, our geographical coverage of property management projects has expanded to 23 cities across China.

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

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

Community value-added services

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

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

Value-added services to non-property owners

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

PROSPECT

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

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

FINANCIAL REVIEW

Revenue

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

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

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

Property management services

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

Community value-added services

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

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

Value-added services to non-property owners

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

Cost of Sales

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

Gross Profit and Gross Profit Margin

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

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

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

Property management services

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

Community value-added services

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

Value-added services to non-property owners

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

Other Income

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

Administrative Expenses

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

Income Tax Expenses

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

Profit for the Year

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

Intangible Assets

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

Investment Properties

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

Goodwill

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

Other Deposits

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

Deposits Paid for Acquisition of Subsidiaries

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

Trade and Other Receivables

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

Contract Liabilities

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

Trade and Other Payables

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

Liquidity, Capital Structure and Financial Resources

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

Proceeds from the Listing

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

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

Net proceeds (in RMB million)

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

Proceeds from the placing of shares

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

Asset Charges

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

Material Acquisitions and Disposals of Assets

The Group plans to expand the breadth and contents of the Group’s service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed several material equity acquisitions (details are set out in note 16 to this announcement). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

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

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

Gearing Ratio

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

Contingent Liabilities

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

Treasury Policies

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

Foreign Exchange Risk

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

Employees and Benefits Policies

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

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. Details of the corporate governance practices will be disclosed in the Company's report for the year. The Board is of the view that, during the year ended 31 December 2020, the Company has complied with all the code provisions on the Corporate Governance Code ("**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its codes of conduct regarding securities transactions by its Directors and employees (the “**Securities Dealing Code**”).

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

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

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

REVIEW OF ACCOUNTS

The audit committee of the Company (the “**Audit Committee**”) was established with written terms of reference in compliance with Appendix 14 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group. The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 December 2020 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Dr. Chen Lei, Mr. Fan Chi Chiu and Mr. Qian Hongji, who are independent non-executive Directors.

DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS FOR THE 2020 AGM

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

NOTICE OF ANNUAL GENERAL MEETING

The AGM will be held on 28 June 2021 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange in due course.

SUFFICIENCY OF PUBLIC FLOAT

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

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by the Auditor 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 the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the respective websites of the Company at www.hevolwy.com.cn and the Stock Exchange at www.hkex.com.hk. The annual report of the Company for the year ended 31 December 2020 containing all the information required under the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

By order of the Board
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 25 March 2021

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Hu Hongfang and Mr. Wang Wenhao, two non-executive Directors, namely Mr. Liu Jiang and Mr. Zhou Wei, and four independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji.