

# 佳源服務控股有限公司

JIAYUAN SERVICES HOLDINGS LIMITED

(INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY)

STOCK CODE : 1153

2020 ANNUAL REPORT



# CONTENTS

---

Corporate Information	2
Chairman's Statement	3
Management Discussion and Analysis	5
Directors and Senior Management	16
Report of the Directors	21
Corporate Governance Report	34
Independent Auditor's Report	46
Consolidated Statement of Comprehensive Income	51
Consolidated Statement of Financial Position	52
Consolidated Statement of Changes in Equity	54
Consolidated Statement of Cash Flows	55
Notes to the Consolidated Financial Statements	56
Financial Summary	128



# CORPORATE INFORMATION



## BOARD OF DIRECTORS

### Executive Directors

Mr. Zhu Hongge  
*(Chairman and Chief Executive Officer)*  
Ms. Mu Liyuan

### Non-executive Directors

Mr. Huang Fuqing  
Mr. Pang Bo

### Independent Non-Executive Directors

Ms. Liang Yunxu  
Mr. Wang Huimin  
Mr. Wong Kwok Yin

## AUDIT COMMITTEE

Mr. Wong Kwok Yin *(Chairman)*  
Ms. Liang Yunxu  
Mr. Wang Huimin

## REMUNERATION COMMITTEE

Ms. Liang Yunxu *(Chairman)*  
Mr. Pang Bo  
Mr. Wang Huimin

## NOMINATION COMMITTEE

Mr. Zhu Hongge *(Chairman)*  
Ms. Liang Yunxu  
Mr. Wong Kwok Yin

## AUTHORISED REPRESENTATIVES

Ms. Mu Liyuan  
Mr. Chan Yu Hin

## AUDITOR

PricewaterhouseCoopers  
Certified Public Accountants  
Registered Public Interest Entity Auditor

## LEGAL ADVISERS

*As to Hong Kong law:*  
Jeffrey Mak Law Firm

*As to PRC law:*  
Jingtian & Gongcheng

*As to Cayman Islands law:*  
Conyers Dill & Pearman

## COMPLIANCE ADVISER

Rainbow Capital (HK) Limited

## REGISTERED OFFICE

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

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

Floor 3, Rome Metropolis No. 899, Wanghu Road  
Nanhu District, Jiaxing, Zhejiang Province, PRC

## HEADQUARTERS

Room 1403, 9 Queen's Road Central, Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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

## BRANCH SHARE REGISTRAR IN HONG KONG

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

## PRINCIPAL BANKS

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

## COMPANY SECRETARY

Mr. Chan Yu Hin

## STOCK CODE

1153

## COMPANY'S WEBSITE

<http://jy-fw.cn/>



## CHAIRMAN'S STATEMENT

To shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Jiayuan Services Holdings Limited (the "Company" or "Jiayuan Services", together with its subsidiaries, the "Group"), I am pleased to present the financial performance of the Group for the year ended 31 December 2020.

In 2020, the sudden Novel Coronavirus ("COVID-19") epidemic is a big challenge for the property management industry. In order to guard the last line of defense at the door of the owners, nearly 6,000 employees of the Group in various projects across the country devoted huge manpower and resources and took up the responsibility of fighting the epidemic as a warrior, turning the community into the strongest fortress for epidemic prevention and control. As a result, the Group was awarded the honor of "Group with Outstanding Performance in Prevention and Control of the COVID-19 Epidemic" by the People's Government of Nanhu District, Jiaxing City, and many employees were awarded the honors of provincial-level outstanding individuals in anti-epidemic work.

The year of 2020 also witnessed the rapid development of the industry. Rooted in the Yangtze River Delta, the Group further promoted deep urban cultivation, established a leading market position in Zhejiang Province, and was highly recognised in the Yangtze River Delta region. After over 16 years of operation, the Group has gradually grown from a leading regional property management service provider to an established comprehensive property management service provider with national presence.

For the year ended 31 December 2020, the Group recorded a total revenue of approximately RMB615.1 million, with a year-on-year increase of approximately 35.2%. The gross profit amounted to approximately RMB187.1 million, with a year-on-year increase of approximately 72.2%. The Group's gross profit margin was approximately 30.4%. Net profit of the Group amounted to approximately RMB70.0 million, showed a year-on-year increase of approximately 39.3% with a net profit margin of approximately 11.4%.

With optimal and high-quality services and long-term accumulated reputation, the scale of management of the Group has also achieved rapid growth. For the year ended 31 December 2020, the Group had a total contracted gross floor area ("GFA") of approximately 49.7 million square meters ("sq.m."), with a year-on-year increase of approximately 28.0%. Relying on comprehensive strength and brand influence, the Group has also been further recognised in the industry. The Group won a number of awards from the China Index Academy in 2020, including the 35th among 2020 Top 100 Property Management Companies (2020中國物業服務百強企業35位), 13th among the 2020 Leading Growth Enterprises of the Top 100 Property Management Service Providers in China (2020中國物業服務百強成長性領先企業13位), 2020 Specialised Operational Leading Brand of China Property Service Companies (2020中國物業服務專業化運營領先品牌企業), 2020 Noteworthy Property Management Company in the Capital Market (2020值得資本市場關注的物業服務企業), 2020 East China Market-leading Enterprise for Property Services (2020華東區域物業服務市場地位領先企業), 2020 Excellent Management Team in China's Property Management Industry (2020中國物業管理行業優秀管理團隊).

## CHAIRMAN'S STATEMENT



Adhering to the vision of “Build a Beautiful Life with Heartfelt Services” (用心服務,共築美好), Jiayuan Services brought property owners scene-style experience through the “six services” of “security”, “cleaning”, “greening”, “maintenance”, “elderly care” and “child care”, as well as the exclusive “Jiayuan Five Sense Services” (佳源五感服務), and transformed the complex operation process into a simple and easy-to-operate on-site effect, so as to continuously improve and enhance the service quality, and lead the improvement of the customer’s quality of life with the leading service quality.

The Group is committed to providing property owners and residents with more convenient and reliable services using modern technologies. By iteratively upgrading “Jiayou Life” (佳優生活) service system, the Group can be able to provide all-aged, all-round extended services and customised services to continuously improve and innovate to enhance and provide property owners with better service quality. The Group will extend its services to, among others, online and onsite services in community retail, management fee payment, repair and maintenance service booking, remote access control, feedbacks and complaints to build a livable and healthy happy community, and create a happy and peaceful life. The Group gained a customer satisfaction score of 82.8 in 2020, higher than the property management industry average for the 2020 Residential Satisfaction of Urban Residents in China of 78.5, according to a survey conducted by China Index Academy, an authoritative third party.

Looking forward to 2021, it is a new journey and a new start. The Group is a witness of development and a practitioner of service innovation. The Group will continue to promote high-quality development with the strategic plan of “One District, Two Wings and Three Clusters” (一區兩翼三群), quickly promote the business expansion of the Northeast, Northwest and Southwest regional clusters from point to area, so that more property owners can enjoy the beauty of property management services, and make “Jiayou Life” a happy life for property owners, and create sustainable and long-term value for the society and the shareholders of the Company (the “Shareholders”). Believe Jiayuan, and you will seize a bright future!

Jiayuan Services Holdings Limited  
Zhu Hongge  
*Chairman and Executive Director*



# MANAGEMENT DISCUSSION AND ANALYSIS

## MARKET REVIEW

Looking back to 2020, it is a historic year for the entire property management industry: faced with the COVID-19 epidemic raging around the world, the property management companies have actively assumed their social responsibilities and united the community to build the first line of defense against the epidemic, the entire society has a deeper understanding of the value of property management companies; the competition among property management companies in different fields has also been intensifying. Urban services, commercial operations, community pensions, and community retail have all become important areas for property management companies to continuously explore service boundaries with the support of national policies of the People's Republic of China (the "PRC" or "China"), and the value of property management companies is constantly being reconstructed; 2020 is also a year when the number of property management companies listed on the market hit a record. Preference of capital in property management companies is obvious to all, but the valuations of different property management companies in the secondary market have also shown a distinct trend of differentiation. The valuation of the overall sector has also undergone a round of significant adjustments and capital tends to return to rationality.

## BUSINESS REVIEW

On 9 December 2020 (the "Listing Date"), the Company's shares were listed on the Main Board of the Stock Exchange (the "Listing"). Under the background of the great development of the industry, the Company, as a new listed company, has achieved steady growth in performance.

In 2020, the total revenue of the Group was approximately RMB615.1 million, with a year-on-year increase of approximately 35.2%. The gross profit of the Group was approximately RMB187.1 million, with a year-on-year increase of approximately 72.2%. The net profit for the year was approximately RMB70.0 million, with a year-on-year increase of approximately 39.3%, of which the net profit attributable to owners of the Company reached approximately RMB65.4 million, with a year-on-year increase of approximately 30.3%. Basic earnings per share was RMB0.14, with a year-on-year increase of approximately 27.6%. Primarily benefited from standardised operations, effective cost control and the economies of scale, the Group's profitability was significantly enhanced in 2020. In addition, due to the regulatory supportive policies issued by the local governments in response to the COVID-19 epidemic such as the deduction or exemption of payment of social insurance fees, the overall gross profit margin of the Group increased by approximately 6.5 percentage points compared with that in 2019, reaching approximately 30.4%. The core net profit of the Group (i.e. before the deduction of listing expenses) in 2020 reached approximately RMB97.1 million, representing an increase of approximately 93.3% as compared with the core net profit of approximately RMB50.2 million in 2019. Core net profit margin in 2020 was approximately 15.8% compared with that of approximately 11.0% in 2019.

## MANAGEMENT DISCUSSION AND ANALYSIS



In terms of the property management service business, in 2020, the revenue of property management service of the Group was approximately RMB507.6 million, with a year-on-year increase of approximately 38.8%. As at 31 December 2020, the Group's GFA under management reached approximately 31.5 million sq.m., with a year-on-year increase of approximately 20.7%, and the contracted GFA reached approximately 49.7 million sq.m., with a year-on-year increase of approximately 28.0%. Although the Group postponed mergers and acquisitions activities due to the listing plan, by leveraging on good service quality and market reputation, the Group has further expanded its management territory through endogenous growth, single project expansion, and cooperation through joint ventures, among which the GFA under management from third-party developers was approximately 10.5 million sq.m., with a year-on-year increase of approximately 34.4%, accounting for about 33.4% of the total GFA under management. The proportion of the area under management by third parties continued to increase steadily from approximately 30.0% in 2019. In 2020, the gross profit of the property management service business was approximately RMB151.3 million, with a year-on-year increase of approximately 80.6%, and the gross profit margin significantly increased by approximately 6.9 percentage points to approximately 29.8%. The revenue of property management service business accounted for approximately 82.5% of the total revenue, and the gross profit of the property management service business accounted for approximately 80.8% of the overall gross profit. The property management service business remains to be the major source of income and profit for the Group. The increase in the scale of the property management service business was mainly due to the increase in the GFA under management and the average property management fee.

In terms of value-added services to property developers, in 2020, the Group's revenue from value-added services to property developers was approximately RMB72.8 million, with a year on-year increase of approximately 7.8%. The gross profit of this type of service reached approximately RMB21.7 million, with a year-on-year increase of approximately 25.6%, and the gross profit margin increased by approximately 4.2 percentage points to approximately 29.8% compared with that in 2019. The revenue of value-added services to property developers accounted for approximately 11.9% of the total revenue, representing a decrease of approximately 3 percentage points from approximately 14.8% in 2019. The gross profit of value-added services to property developers business accounted for approximately 11.6% of overall gross profit. The increase in the scale of value-added services to property developers business was mainly due to the increase in venue services items.

In terms of community value-added services, in 2020, the revenue of community value-added services was approximately RMB34.7 million, with a year-on-year increase of approximately 59.6%. The gross profit margin of this type of service reached approximately RMB14.1 million, with a year-on-year increase of approximately 85.3%, and the gross profit margin increased by approximately 5.6 percentage points to approximately 40.7% compared with that in 2019. The total revenue of community value-added service business accounted for approximately 5.6% of the total revenue, which also increased steadily from approximately 4.8% in 2019. The gross profit of the community value-added service business accounted for approximately 7.6% of the overall gross profit. The increase in the scale of community value-added services was mainly due to (i) the increase in the Group's projects under management; and (ii) the provision of targeted and diversified value-added services after digging deeper into the needs of property owners.

### Impacts of the COVID-19 epidemic

The COVID-19 epidemic brought severe challenges to the property management industry in 2020, but it also brought new opportunities to the industry. In response to the COVID-19 epidemic, the Group has implemented epidemic prevention plans and enhanced hygiene and precautionary measures across the Group's office premises and properties under management. For the year ended 31 December 2020, the total cost of the Group's purchase of anti-epidemic supplies reached approximately RMB1.4 million. After taking into account the medical and cleaning supplies distributed by local governments and related subsidy policies (such as reducing social insurance orders), the Board believes that the additional costs associated with the enhanced measures will not have a material adverse impact on the financial performance and financial position of the Group.

For the year ended 31 December 2020, the Group was relatively less affected by the spread of the COVID-19 in the area under management, and there was no delay in the delivery of related projects. Therefore, the impact of COVID-19 epidemic on the Group's operations and finances is minimal.

The COVID-19 epidemic has also increased the level of trust and reliance by many property owners on the services of property management companies, and promoted the development of value-added services offered by property management companies such as, among others, delivery services, purchasing service, house cleaning and disinfecting services. During the period of COVID-19 epidemic, the Group has provided convenience for home quarantine for customers who need to be isolated and observed, and has provided services for assisting home quarantine customers in purchasing daily supplies. In the Yangtze River Delta region, the regional macroeconomic development plans and talent attraction plans in the long run remain unchanged, and thus after the COVID-19 epidemic is effectively controlled, the outlook for the demand of residential and commercial properties and related property management services in the Yangtze River Delta region and Zhejiang province will remain positive. The COVID-19 provides an opportunity for the rapid development of property management business in the later period.

## FINANCIAL REVIEW

### Revenue

The revenue of the Group derives from three types of services: (i) property management services; (ii) value-added services to property developers; and (iii) community value-added services. The revenue of the Group increased by approximately 35.2% from approximately RMB454.9 million in 2019 to approximately RMB615.1 million in 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS



The following table sets forth the details of the Group's revenue by types of services for the years indicated:

	Year ended 31 December					
	2020		2019		Changes	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Property management services	507,595	82.5	365,635	80.4	141,960	38.8
Value-added services to property developers	72,783	11.9	67,499	14.8	5,284	7.8
Community value-added services	34,718	5.6	21,757	4.8	12,961	59.6
	<u>615,096</u>	<u>100.0</u>	<u>454,891</u>	<u>100.0</u>	<u>160,205</u>	<u>35.2</u>

### Property management services

Revenue from property management services increased by approximately 38.8% from approximately RMB365.6 million for the year ended 31 December 2019 to approximately RMB507.6 million for the year ended 31 December 2020, primarily attributable to (i) the increase in GFA under management; and (ii) the increase in the average property management fee.

### Value-added services to property developers

Revenue from value-added services to property developers increased by approximately 7.8% from approximately RMB67.5 million for the year ended 31 December 2019 to approximately RMB72.8 million for the year ended 31 December 2020, primarily attributable to the increase in the number of venue services items and new projects delivered.

### Community value-added services

Revenue from community value-added services increased by approximately 59.6% from approximately RMB21.8 million for the year ended 31 December 2019 to approximately RMB34.7 million for the year ended 31 December 2020, primarily due to the increase in value-added service retail content items and the increase in the number of residents to whom the Group provided community value-added services.

### Cost of services and sales

The cost of services and sales consists of (i) employee benefit expenses; (ii) maintenance expenses; (iii) expenses for utility; (iv) cleaning and security expenses; (v) greening and gardening expenses; (vi) taxes and surcharges; (vii) office and communication expenses; and (viii) other expenses such as depreciation and amortisation.

Cost of services and sales increased by approximately 23.6% from approximately RMB346.2 million for the year ended 31 December 2019 to approximately RMB428.0 million for the year ended 31 December 2020, primarily due to the increase in salary base as a result of an increase of the employees and staff resulting from business expansion.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

The gross profit of the Group increased by approximately 72.2% from approximately RMB108.7 million for the year ended 31 December 2019 to approximately RMB187.1 million for the year ended 31 December 2020, which was mainly due to the increase in revenue of the Group as a result of the increase in business scale.

The gross profit margin increased from approximately 23.9% for the year ended 31 December 2019 to approximately 30.4% for the year ended 31 December 2020. Such increase was primarily due to (i) the increase in the gross profit margin of property management services, which accounted for a higher portion of revenue; and (ii) the deduction or exemption of payment of social insurance contributions as a result of the regulatory supportive policies issued by the local governments in response to the COVID-19 epidemic.

The following table sets forth the details of the Group's gross profit and gross profit margin by types of services for the years indicated:

	For the year ended 31 December			
	2020		2019	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Property management services	151,275	29.8	83,775	22.9
Value-added services to property developers	21,715	29.8	17,289	25.6
Community value-added services	14,136	40.7	7,630	35.1
<b>Total</b>	<b>187,126</b>	<b>30.4</b>	<b>108,694</b>	<b>23.9</b>

### Property management services

The gross profit margin of property management services increased from approximately 22.9% for the year ended 31 December 2019 to approximately 29.8% for the year ended 31 December 2020, which was mainly due to the combined effect of (i) the increase in the average property management fee from RMB1.32 per sq.m. per month for the year ended 31 December 2019 to RMB1.37 per sq.m. per month for the year ended 31 December 2020; (ii) economies of scale as a result of the business expansion; (iii) the implementation of cost-saving measures, such as application of automated tools, advanced technology and standardisation of procedures; and (iv) the deduction or exemption of payment of social insurance contributions as a result of the regulatory supportive policies issued by the local governments in response to the COVID-19 epidemic.

## MANAGEMENT DISCUSSION AND ANALYSIS



### Value-added services to property developers

The gross profit margin of value-added services to property developers increased from approximately 25.6% for the year ended 31 December 2019 to approximately 29.8% for the year ended 31 December 2020, primarily due to (i) the increase in pre-planning and design consulting service fees for the year ended 31 December 2020; and (ii) to a lesser extent, attributable to the deduction or exemption of payment of social insurance contributions as a result of the regulatory supportive policies issued by the local governments in response to the COVID-19 epidemic.

### Community value-added services

The gross profit margin of community value-added services increased from approximately 35.1% for the year ended 31 December 2019 to approximately 40.7% for the year ended 31 December 2020, primarily due to (i) the benefit from the economies of scale achieved as the Group provided value-added services to an increasing number of projects; and (ii) the Group's continued efforts to diversify the service offerings.

### Other income and expenses, net

Other net income increased from approximately RMB1.7 million for the year ended 31 December 2019 to approximately RMB4.7 million for the year ended 31 December 2020 mainly due to (i) the increase in government grants for staff retention and property management industry as a result of the regulatory supportive policies issued by the local governments in response to the COVID-19 epidemic; and (ii) value-added tax refund as a result of the tax regulations on value-added tax deductions issued in April 2019, which allows the taxpayers in the home-living service industries to enjoy additional 10% input value-added tax deduction.

### Selling and marketing expenses

Selling and marketing expenses increased from approximately RMB7.4 million for the year ended 31 December 2019 to approximately RMB10.0 million for the year ended 31 December 2020, representing an increase of approximately 35.7%, mainly as a result of increased advertising expenses and employee benefit expenses which was in line with the business expansion of the Group.

### Administrative expenses

Administrative expenses increased from approximately RMB29.3 million for the year ended 31 December 2019 to approximately RMB71.0 million for the year ended 31 December 2020, representing an increase of approximately 142.4%. The increase in administrative expenses was mainly attributable to (i) listing expenses of approximately RMB27.1 million for the year; (ii) the increase in employee benefit expenses for management and administrative staff as a result of the increase in the headcount of management staff for business expansion and steady growth in average salary of senior management; and (iii) the increase in depreciation and amortisation as a result of business expansion.

### Finance costs

Finance costs represented interest expenses on lease liabilities due to the adoption of HKFRS 16.

### Income tax expenses

Income tax expenses were approximately RMB32.8 million for the year ended 31 December 2020, representing an increase of approximately 81.5%, from approximately RMB18.1 million for the year ended 31 December 2019. The increase in income tax expenses was in line with the increase in profit before tax for the year.

### Profit and total comprehensive income for the year

As a result of the foregoing, the profit and total comprehensive income for the year increased from approximately RMB50.2 million for the year ended 31 December 2019 to approximately RMB70.0 million for the year ended 31 December 2020.

The profit and total comprehensive income attributable to owners of the Company for the year increased from approximately RMB50.2 million for the year ended 31 December 2019 to approximately RMB65.4 million for the year ended 31 December 2020.

### Property and equipment

The property and equipment of the Group increased from approximately RMB14.6 million as at 31 December 2019 to approximately RMB18.8 million as at 31 December 2020, representing an increase of approximately 28.8%, mainly due to the purchase of office equipment and motor vehicles which was in line with business expansion.

### Intangible assets

The intangible assets of the Group comprise property management contracts and goodwill resulting from equity acquisition and the purchase of software.

The intangible assets of the Group decreased from approximately RMB35.7 million as at 31 December 2019 to approximately RMB34.2 million as at 31 December 2020, representing a decrease of approximately 4.2%, mainly due to the amortisation of property management contracts during the year.

### Trade and other receivables

Trade receivables mainly arise from provision of property management services, value-added services to property developers and community value-added services. Trade receivables of the Group, net of allowance for impairment, increased from approximately RMB125.6 million as at 31 December 2019 to approximately RMB213.3 million as at 31 December 2020, representing an increase of approximately 69.8%. Such increase was primarily due to (i) the increasing number of property management projects managed by the Group; and (ii) the increase in average property management fee charged by the Group.

## MANAGEMENT DISCUSSION AND ANALYSIS



Other receivables mainly consist of deposits and payments made on behalf of customers, amounts due from related parties and advances to a third party. Other receivables, net of allowance for impairment decreased significantly from approximately RMB604.5 million as at 31 December 2019 to approximately RMB28.0 million because the amounts due from related parties amounted to approximately RMB544.0 million as at 31 December 2019 and the advances to a third party amounted to approximately RMB38.5 million as at 31 December 2019 were repaid during the year ended 31 December 2020.

### Trade and other payables

Trade payables represent the obligations to pay for goods and services acquired in the ordinary course of business from sub-contractors. Trade payables increased from approximately RMB16.0 million as at 31 December 2019 to approximately RMB23.8 million as at 31 December 2020, representing an increase of approximately 49.1%. Such increase was mainly due to the increase in sub-contracting costs as a result of the increase in property projects under the Group's management during the year, which was in line with the business expansion of the Group.

Other payables mainly represent (i) amounts due to related parties; (ii) payroll payable; (iii) deposits received such as performance deposits, retention deposits from property owners, decoration deposits and tender deposits; and (iv) utility and other payables such as the receipts from residents and related parties which the Group collected on their behalf and were payable to relevant suppliers. Other payables decreased from approximately RMB560.6 million as at 31 December 2019 to approximately RMB281.7 million, mainly due to the settlement of amounts due to related parties amounted to approximately RMB304.2 million as at 31 December 2019 during the year ended 31 December 2020.

### Contract liabilities

Contract liabilities mainly arise from property management fee received upfront as of the beginning of a billing cycle but not recognised as revenue. Contract liabilities increased from approximately RMB77.3 million as at 31 December 2019 to approximately RMB88.2 million as at 31 December 2020, primarily due to the increase in the number of properties managed by the Group as a result of overall business growth.

### Liquidity, financial and capital resources

As at 31 December 2020, the total cash and cash equivalents and restricted bank deposits of the Group amounted to approximately RMB617.8 million and approximately RMB1.2 million, respectively. As at 31 December 2019, the total cash and cash equivalents and restricted bank deposits of the Group amounted to approximately RMB37.6 million and approximately RMB1.6 million, respectively. Significant increase was mainly due to (i) the net proceeds raised by the Group from its Global Offering (as defined in the Company's prospectus dated 27 November 2020 (the "Prospectus")) on 9 December 2020; (ii) the net effect of the settlements of amounts due from related parties amounted to approximately RMB544.0 million as at 31 December 2019 and amounts due to related parties amounted to approximately RMB304.2 million as at 31 December 2019, during the year ended 31 December 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

The Group maintained a sound financial position. As at 31 December 2020, the Group's net current assets amounted to approximately RMB448.1 million while the Group's net current assets amounted to approximately RMB96.7 million as at 31 December 2019. As at 31 December 2020, the Group's current ratio (current assets/current liabilities) was approximately 2.07 while the Group's current ratio was approximately 1.14 as at 31 December 2019.

Except for advances made to a third party as at 31 December 2019, the Group did not have any loans and borrowings as at 31 December 2020.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents and restricted bank deposits. Total capital is calculated as 'Total equity' shown in the consolidated statement of financial position. As at 31 December 2020 and 2019, the Group has a net cash position.

### Future plans and prospects

In the future, along with the "Notice on Strengthening and Improving Residential Property Management" (《關於加強和改進住宅物業管理的通知》) jointly issued by the Ministry of Housing and Urban-Rural Development of the PRC and others, the national policies of the PRC will become more friendly to the property management industry, and the social value of property management enterprises will also increase, but the competition as a result of convergence in the industry will also become more intense, Therefore, only differentiated development can be the path for going further and better.

Focusing on 2021, the Company's management team will adhere to the strategic layout of "deep plowing in the Greater East Region and rising in the southwest, northwest, and northeast urban agglomerations", continuously expand the scale of business, enrich the business portfolio and improve the project coverage in the region through stable endogenous growth, active mergers and acquisitions activities, single project expansion and equity cooperation in parallel; keep up with the development of the times, combine intelligent operation and professional personnel services, create high-quality on-site effects while reducing costs, and convey the warmth of the Group in high-efficiency services; have a broader and deeper understanding of the industry changes, continue to innovate service concepts and methods, meet the diversified needs of the property owners, and go all out to create a better life for the property owners so that the Shareholders can enjoy a higher premium.

### Capital commitments

As at 31 December 2020, the Group did not have any material capital commitments.

### Contingent liabilities

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

### Pledge of assets

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

## MANAGEMENT DISCUSSION AND ANALYSIS



### MAJOR RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group are set forth below. Such factors are not exhaustive and therefore other risks and uncertainties may also exist.

#### Industry risks

The operation of the Group may be affected by the regulatory landscape of the PRC property management industry and related measures. In particular, any price control policies of the PRC government in relation to property management fees. The PRC government may also promulgate new laws and regulations related to other aspects of the Group's industry. This could increase the compliance and operational costs of the Group, thereby materially and adversely affecting the business, financial condition and results of operations of the Group. A significant portion of the Group's operations are concentrated in the Yangtze River Delta region. The Group is susceptible to any adverse development in government policies or business environment (including the level of economic activities and the future regional development prospects) in that region. The business performance of the Group depends on the total GFA under management and the number of projects under management. The Group has been seeking to expand the Group's business since the Group's inception through organic growth as well as acquisitions of and investment in other companies. However, the expansion plans of the Group may be affected by the economic condition in general of the PRC, market prospects and development. The Group cannot guarantee that the Group will be able to grow its business as planned.

#### Business risks

The Group's profitability depends on its ability to estimate or control the costs in performing our property management services. The Group's profit margin and operating results may be significantly and adversely affected by the increase in labor costs, sub-contracting costs and other operating costs. The Group may not be able to collect property management fees from property owners, residents and property developers and as a result, the Group's business, financial position and results of operations may be materially and adversely affected. The Group cannot guarantee that it is able to renew its existing property management service contracts on favorable terms. There is no guarantee that the Group would be able to find other business opportunities and enter into alternative property management service contracts on favorable terms, or at all.

#### Foreign exchange risk

Almost all of the Group's operating activities are carried out in PRC with most of the transactions denominated in Renminbi ("RMB"). The major foreign currency source of the Group is the net proceeds received following the successful listing on the Stock Exchange as at 9 December 2020, all of which were denominated in Hong Kong Dollar ("HKD"). The Directors expected that the RMB exchange rate would not have a material adverse effect on the operations of the Group. The Group will closely monitor the fluctuations of the RMB exchange rate and adopt prudent measures to reduce potential foreign exchange risk. As at 31 December 2020, the Group did not engage in hedging activities for managing the foreign exchange risk.

#### Interest rate risk

As at 31 December 2020, the Group did not have material interest-bearing assets and liabilities and the Directors expected that the operation of the Group will be independent from changes in interest rates.

### SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 31 December 2020.

### MATERIAL ACQUISITIONS AND DISPOSALS

Saved as disclosed in Note 1.2 to the consolidated financial statements, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2020.

### EMPLOYEES AND REMUNERATION POLICY

The Group had 5,993 full-time employees as at 31 December 2020. The total staff costs for the year ended 31 December 2020 were approximately RMB332.9 million. Employees' remuneration package includes salary, performance bonus and other welfare subsidies. The remuneration of employees is determined in accordance with the Group's remuneration and welfare policies, the employees' positions, performance, company profitability, industry level and market environment.

### STAFF TRAINING AND DEVELOPMENT

Leveraging on the three-level training mechanism of the headquarters, group and enterprise, the Group insists on implementing the school recruitment and management training program, the training of new recruits, and the talent training for reserving corporate general managers and project managers, and also combining the needs of property development and the career plan of employees to organise on-site trainings on various professional skills, general qualities, management capabilities, corporate culture, on-site practical operations in order to improve the overall quality and work capabilities of employees and meet the needs of industry development.

Under the influence of the COVID-19 epidemic in 2020, the Group's various online trainings have been combined with that of offline. Online training mainly consists of courses such as management theory, operation guidelines, and management systems. Offline training is mainly related to business operation skills. More than 1,000 annual trainings were held, with a total of 12,000 class hours, and more than 26,000 participants during the year ended 31 December 2020.



# DIRECTORS AND SENIOR MANAGEMENT



## CHAIRMAN, EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

**Mr. Zhu Hongge (朱宏戈)**, aged 59, was appointed as an executive Director, the chief executive officer and the chairman of the Board on 11 June 2020 and is chairman of the Nomination Committee of the Company. He is responsible for the overall operational management and strategic planning of the Group. He served as the general manager of Zhejiang Jiayuan Property Services Group Company Limited (浙江佳源物業服務集團有限公司) (“Zhejiang Jiayuan Services”) from April 2016 to December 2016. Since December 2016, he has been serving as the president of the Group where he has been primarily responsible for the overall management and strategic planning of the Group. He also holds directorships in various members of the Group. Mr. Zhu has over 10 years of experience in the property management and property development industry. From November 2009 to January 2011, he was the general manager of Zhejiang Jiayuan Services. From November 2012 to April 2014, Mr. Zhu served as the general manager of Haiyan Jiayuan Real Estate Co., Ltd. (海鹽縣佳源房地產開發有限公司) (“Haiyan Jiayuan”), a property development company indirectly wholly-owned by Mr. Shum Tin Ching (“Mr. Shum”), one of the controlling Shareholders. From September 2013 to March 2016, he served as the general manager of Pinghu Jiayuan Tourism Development Co., Ltd. (平湖市佳源旅遊開發有限公司), a company principally engaged in property development, where he was primarily responsible for its daily operation management. From March 2016 to December 2016, he served as a president assistant at Zhejiang Jiayuan Medical and Health Management Group Co., Ltd. (浙江佳源醫養健康管理集團有限公司), a company indirectly wholly-owned by Mr. Shum. Mr. Zhu obtained a diploma in mathematics from Zhengzhou University (鄭州大學) in the PRC via distance learning in June 1987.

## EXECUTIVE DIRECTOR

**Ms. Mu Liyuan (牟立園)**, aged 32, was appointed as an executive Director on 11 June 2020 and is primarily responsible for the overall investment management of the Group. She joined the Group in May 2016 and served as a deputy manager of the personnel administration department of Zhejiang Jiayuan Services from May 2016 to December 2016. From December 2016 to January 2018, she served as a deputy general manager of the development management center of the Group. Since January 2018, she has been serving as the general manager of the investment development center of the Group. Ms. Mu has over 10 years of experience in property development and property management industry. Prior to joining the Group, from December 2009 to August 2012, she worked as the administrative manager of human resources and administration department of Zhejiang Jiayuan Real Estate Group Company Limited (浙江佳源房地產集團有限公司) (“Zhejiang Jiayuan Real Estate”), a property development company indirectly wholly-owned by Mr. Shum. From June 2013 to October 2013, she served as a management trainee in the sales and marketing department of Haiyan Jiayuan. From October 2013 to April 2016, she worked as a deputy office director at Pinghu Jiayuan Tourism Development Co., Ltd. (平湖市佳源旅遊開發有限公司). Ms. Mu obtained a bachelor’s degree via distance learning in business administration from Jiaxing University (嘉興學院) in the PRC in June 2013. Ms. Mu also obtained the second-class certificate of senior level (二級企業人力資源管理師) of human resources management issued by the Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部) in May 2015.

### NON-EXECUTIVE DIRECTORS

**Mr. Huang Fuqing (黃福清)**, aged 59, was appointed as a non-executive Director on 11 June 2020 and is primarily responsible for providing guidance and formulation of business strategies for the overall development of the Group. Mr. Huang has over 16 years of experience in the property development industry. From December 2003 to December 2009, he was the general manager of Changzhou Zhongchuang Property Development Co., Ltd. (常州市中創房地產開發有限公司). From January 2010 to December 2010, Mr. Huang served as the general manager of Changzhou Tianyu Property Development Co., Ltd. (常州天宇房地產開發有限公司). From January 2011 to December 2014, he worked at Zhejiang Jiayuan Real Estate, with his last position as the executive general manager. From September 2013 to December 2014, he worked as the general manager of Changzhou Jinyuan Property Development Co., Ltd. (常州金源房地產開發有限公司). From September 2014 to July 2018, he was the general manager of Nanjing Xinhaoning Property Development Co., Ltd. (南京新浩寧房地產開發有限公司), a property development company wholly-owned by Mr. Shum. Since December 2014, Mr. Huang has been working as the general manager of Hong Kong Jia Yuan Holdings Limited (香港佳源集團有限公司) (“Hong Kong Jia Yuan”), an investment holding company indirectly wholly-owned by Mr. Shum. Since September 2018, Mr. Huang has been working as the president of Ninggang Jiayuan Investment Consulting Group Co., Ltd. (寧港佳源投資諮詢集團有限公司), company mainly engaged in property development and indirectly wholly-owned by Mr. Shum. Mr. Huang has also been serving as an executive director and vice chairman of the board of Jiayuan International Group Limited (佳源國際控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 2768) (“Jiayuan International”) since July 2015 and August 2016, respectively. He is also a director of certain subsidiaries of Jiayuan International.

**Mr. Pang Bo (龐博)**, aged 37, was appointed as a non-executive Director on 11 June 2020 and is a member of the Remuneration Committee of the Company. He is primarily responsible for providing guidance and formulation of business strategies for the overall development of the Group. Mr. Pang has over 13 years of experience in capital operation and corporate management. From September 2006 to September 2010, he worked as an assistant to the chairman and the representative of securities affairs of the board of Minfeng Special Paper Co., Ltd. (民豐特種紙股份有限公司), a company listed on the Shanghai Stock Exchange (Stock Code: 600235). From September 2010 to June 2015, Mr. Pang served as the board secretary and party branch secretary of Zhejiang ODM Transmission Technology Co., Ltd. (浙江歐迪恩傳動科技股份有限公司). From June 2015 to April 2017, he worked as the board secretary and investment director of Jiangxi Zhanyu New Energy Co., Ltd. (江西展宇新能源股份有限公司). Since April 2017, he took various positions in Jiayuan Chuangsheng Holding Group Company Limited (佳源創盛控股集團有限公司) (“Jiayuan Chuangsheng”), including the chief officer of listing management, assistant to the general manager, deputy general manager and general manager of the capital operation department. Since April 2019, he has been serving as a director of Zhejiang Xigu Digital Technology Co., Ltd. (浙江西谷數字技術股份有限公司), a company listed on the National Equities Exchange and Quotations (Stock Code: 836081). Since October 2019, he has been serving as a director of Qingdao Jiayuan Real Estate Co., Ltd. (青島佳源房地產集團有限公司), a property development company indirectly wholly-owned by Mr. Shum. Since August 2020, he has been serving as general manager of the investment and development department of Jiayuan International.

Mr. Pang obtained a bachelor's degree in economics from Jiaying University (嘉興學院) in the PRC in June 2006. Mr. Pang obtained the board secretary certificate awarded by the Shanghai Stock Exchange and the board secretary certificate awarded by the Shenzhen Stock Exchange in November 2006 and March 2014, respectively.

## DIRECTORS AND SENIOR MANAGEMENT



### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Liang Yunxu (梁蘊旭)** (also known as **Ms. Liang Yiping (梁一萍)**), aged 58, was appointed as an independent non-executive Director on 21 October 2020 and is the chairman of the Remuneration Committee and a member of the Audit Committee and the Nomination Committee of the Company. She is responsible for providing independent advice on the operations and management of the Group. Ms. Liang has over 23 years of experience in financial and banking industry. From June 1996 to November 2017, Ms. Liang held a number of positions at Jiaxing branch of the Bank of Communications Limited (交通銀行股份有限公司), a bank listed on the Shanghai Stock Exchange (Stock Code: 601328), with her last position as the president of the Jiaxing branch. Since November 2018, she has been an independent director and chairman of the risk management committee of the board of the Bank of Jiaxing (嘉興銀行). Since January 2019, she has been serving as the business consultant of the Zhejiang Anji BoCom Rural Bank Co., Ltd. (浙江安吉交銀村鎮銀行). Ms. Liang obtained a master's degree in business administration from Fudan University (復旦大學) in the PRC in January 2011.

**Mr. Wang Huimin (王惠敏)**, aged 60, was appointed as an independent non-executive Director on 21 October 2020 and is a member of the Audit Committee and the Remuneration Committee of the Company. He is responsible for providing independent advice on the operations and management of the Group. Mr. Wang has over 28 years of experience in the property development industry. Since January 1992, Mr. Wang has been working at China Real Estate Industrial Association (中國房地產業協會), where he successively served as an assistant to the director of its communication department, deputy director of its publicity and training department, director of its cooperative development department and vice secretary general and is currently serving as its honorary vice president, vice secretary general, director of "Guangsha Prize" (廣廈獎) selection office and director of credit construction office, primarily responsible for organising the credit ranking and awards to property developers in the PRC.

**Mr. Wong Kwok Yin (王國賢)**, aged 41, was appointed as an independent non-executive Director on 21 October 2020 and is the chairman of the Audit Committee and a member of the Nomination Committee of the Company. He is responsible for providing independent advice on the operations and management of the Group. Mr. Wong has over 14 years of experience in investment banking. From March 2006 to November 2006, he was a business valuer in Vigers Appraisal and Consulting Limited (威格斯資產評估顧問有限公司). From November 2006 to April 2007, he worked as the executive of Platinum Management Services Limited (百德能管理服務有限公司). From April 2007 to June 2017, he successively served as an associate manager and associate director at Investec Capital Asia Limited (天達融資亞洲有限公司). Since July 2017, he has been working for VMS Securities Limited (鼎珮證券有限公司), a company mainly engaged in securities brokerage and corporate finance services in Hong Kong and is licensed to carry out type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO, where he is currently the managing director of the corporate finance department and is responsible for business development and overseeing the overall operation of the corporate finance department.

Mr. Wong obtained a bachelor's degree of science majoring in applied chemistry from Hong Kong Baptist University in December 2002. He also obtained a master's degree of arts majoring in accounting and information systems from the City University of Hong Kong in November 2005. He was admitted as a fellow of the Association of Chartered Certified Accountants in September 2015. He was a licensed representative and was accredited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO since December 2006 and was accredited as a responsible officer in November 2016 to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He is currently a principal sponsor at VMS Securities Limited (鼎珮證券有限公司).

### SENIOR MANAGEMENT

**Mr. Chan Yu Hin (陳宇軒)**, aged 35, was appointed as the chief financial officer of the Group in June 2020 and is primarily responsible for overseeing the finance, accounting and company secretarial matters of the Group. Mr. Chan has over 12 years of experiences in auditing, accounting, financial management and corporate finance. He joined the Group in January 2020 as the general manager of the finance centre of the Group. Prior to joining the Group, from November 2007 to December 2014, he successively served as an accountant, senior accountant and manager at Ernst & Young. From January 2015 to March 2016, he worked as a deputy financial controller in Carrianna Group Holdings Limited (佳寧娜集團控股有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 126). From April 2016 to October 2016, he served as the finance manager at NWS Holdings Limited (新創建集團有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 659). From November 2016 to August 2017, he worked as an accounting manager in Emperor Capital Group Limited (英皇證券集團有限公司), a company listed on the Main Board of the Stock Exchange (Stock Code: 717). From October 2017 to January 2020, he successively served as a finance manager of the finance department and the financial controller of Hong Kong Jia Yuan.

Mr. Chan obtained a bachelor's degree in finance, accounting and management from the University of Nottingham in the United Kingdom in July 2007. He was admitted as a certified public accountant of the Hong Kong Institute of Certified Public Accountants (HKICPA) in May 2011 and a certified public accountant (practising) of the HKICPA in March 2016.

**Ms. Rui Ping (芮萍)**, aged 47, was appointed as a general manager of the quality operations center of the Group in January 2018. She is primarily responsible for quality control and the management of the quality operations center of the Group. She joined the Group in December 2016 as a deputy general manager of the operational management center of the Group. Ms. Rui has over 14 years of experience in property management industry. Prior to joining the Group, Ms. Rui worked at the Tongxiang branch of Zhejiang Jiahang Property Management Company Limited (浙江嘉杭物業管理有限公司) (formerly known as Jiaying Jiaye Yangguang Property Management Co., Ltd. (嘉興市嘉業陽光物業管理有限公司) in 2006. From March 2008 to March 2012, she successively served as a manager of the supervision department and a manager of the operational and management department of Zhejiang Jiayuan Services. From April 2012 to December 2016, she left the Group and worked at Zhejiang Wanbohui Investment Management Co., Ltd. (浙江萬博匯投資管理有限公司), with her last position as a manager of its operational and management department. Ms. Rui obtained a diploma in administrative management from The Open University of China (國家開放大學) (formerly known as China Central Radio and TV University) (中央廣播電視大學) in the PRC in January 2008.

## DIRECTORS AND SENIOR MANAGEMENT



**Ms. Lu Yuping (陸鈺萍)**, aged 42, was appointed as the deputy general manager of the finance center of the Group in January 2020 and is primarily responsible for overseeing the financial affairs of the Group. She joined the Group in April 2007. Ms. Lu has over 21 years of experience in accounting and property management matters. Prior to joining the Group, from October 1998 to July 2006, she worked as an accountant at Zhejiang Donglin Co., Ltd. (浙江東菱股份有限公司). From July 2006 to April 2007, Ms. Lu worked as an accountant at Dongming Industrial (Jiaxing) Co., Ltd. (東明實業(嘉興)有限公司). Ms. Lu obtained a diploma in accounting from Zhejiang Institute of Economics and Trade (浙江經貿職業技術學院) in the PRC in June 2008.

**Ms. Zhang Yaqin (張亞琴)**, aged 38, was appointed as a deputy general manager of the human resources management center of the Group in January 2020 and is primarily responsible for the overall management of human resources of the Group. She joined the Group in July 2007 as a staff in the human resources and administrative department of the Group and served as an assistant manager of the human resource and administrative department in August 2016, where she was primarily responsible for overseeing the administrative affairs of the Group. From January 2017 to December 2019, she served as the administrative secretary in the integrated management center of the Group, where she was primarily responsible for administrative management and establishment of internal system. Prior to joining the Group, from October 2006 to March 2007, Ms. Zhang worked at Jiaxing Yihe Import and Export Trading Co., Ltd. (嘉興市億禾進出口貿易有限公司), a company mainly engaged in commodity distribution and import and export of technology. Ms. Zhang obtained a bachelor's degree in art designing from Zhejiang Sci-Tech University (浙江理工大學) in the PRC in June 2004.

**Mr. Bao Guojun (鮑國軍)**, aged 35, was appointed as the general manager of the integrated management center of the Group in January 2018 and is primarily responsible for the management of the integrated management center of the Group. He joined the Group in December 2016 as a deputy general manager of the integrated management center of the Group. Mr. Bao has over 13 years of experience in property management and property development industry. From March 2007 to February 2011, he worked at Zhejiang Jiayuan Services with his last position as the branch manager, where he was primarily responsible for project management. From March 2011 to June 2016, he left the Group and worked at Lujiang Guangyuan Real Estate Development Co., Ltd. (廬江縣廣源置業發展有限公司), with his last position as an office director. From July 2016 to December 2016, he worked at Lujiang Jiangyuan Real Estate Development Co., Ltd. (廬江縣佳源房地產開發有限公司), with his last position as an office director and assistant to the general manager. Mr. Bao obtained a bachelor's degree in public affairs management from Jiaxing University (嘉興學院) in the PRC in June 2007.



# REPORT OF THE DIRECTORS

The Board is pleased to present its report together with the audited consolidated financial statements of the Group for the year ended 31 December 2020.

## PRINCIPAL ACTIVITIES

The principal activities of the Company and its subsidiaries are provision of property management services, value-added services to property developers and community value-added services in the PRC. There were no significant changes in the nature of the Group's principal activities during the year.

## RESULTS

The results of the Group for the year ended 31 December 2020 are set out in the consolidated statement of comprehensive income on page 51 of this annual report.

## DIVIDENDS

The Company has adopted a dividend policy, which aims to set out the principles and guidelines that the Company intends to apply in relation to the declaration, payment or distribution of its net profits, as dividends to the Shareholders.

The Board is committed to maintaining a stable dividend policy to ensure sustainable and steady returns for Shareholders. After considering the composition of the profit and cash flows of the Group, the Board recommended a final dividend of HKD64 cents per ten ordinary shares to shareholders whose names appear on the register of members of the Company on Friday, 18 June 2021 (the "2020 Proposed Final Dividend").

The 2020 Proposed Final Dividend is subject to the approval of the Shareholders at the annual general meeting to be held on Wednesday, 9 June 2021 (the "AGM") and will be paid to the Shareholders on or about Friday, 9 July 2021.

As at the date of this annual report, the Board was not aware that any Shareholders had waived or agreed to any arrangement to waive dividends.

## BUSINESS REVIEW

A fair review of the Group's business and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are included in the section headed "Management Discussion and Analysis" from pages 5 to 15 of this annual report. The status of the Group's compliance with the relevant laws and regulations that have material impact on the Group is set out in the section headed "Litigation and Compliance" below; and the description of the principal risks and uncertainties facing the Company is set out in the section headed "Management Discussion and Analysis". The aforesaid discussion forms a part of the Directors' Report.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Company will publish an Environmental, Social and Governance Report separately on the websites of the Company and the Stock Exchange no later than three months after the publication of this report.

## REPORT OF THE DIRECTORS



### FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last four financial years is set out on page 128 of this annual report.

### PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2020 are set out in Note 17 to the consolidated financial statements.

### BANK AND OTHER BORROWINGS

Except for advances made to a third party as at 31 December 2019 as set out in Note 23 to the consolidated financial statements, the Group did not have any loans and borrowings as at 31 December 2020.

### SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2020 are set out in Note 25 to the consolidated financial statements.

### TAX RELIEF

The Company is not aware of any relief from taxation available to the Shareholders by reason of their holding of the shares of the Company.

### RESERVES

Details of movements in the reserves of the Company and the Group during the year ended 31 December 2020 are set out in the consolidated statement of changes in equity.

### DISTRIBUTABLE RESERVES

As at 31 December 2020, the Company's reserves available for distribution under the Companies Laws of the Cayman Islands, consisted of retained earnings amounted to approximately RMB21.8 million.

### EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2020 or subsisted at the end of the year.

### SIGNIFICANT RELATIONSHIP WITH STAKEHOLDERS

#### Employees

As of 31 December 2020, the Group had a total number of 5,993 employees. During the reporting period, relationship between the Company and the employees remained stable. The Company did not experience any strikes or other labor disputes which would have material impact on the business activities of the Company.

#### Customers

The Group understands the importance of maintaining good relationship with customers. The Group has established internal policies and procedures to timely record, respond to and follow up with customers' complaints and feedback which allows the Group to expand its service offerings, and improve its communication methods and issue handling capabilities based on customer experiences.

#### Suppliers

During day-to-day operation and management, the Company maintained constant communication with the suppliers and subcontractors to understand their opinions and requirements and responded actively in order to reinforce business partnerships.

### MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, both the percentage of purchases attributable to the Group's five largest suppliers and the percentage of sales attributable to the Group's five largest customers were less than 30% of the total cost of services and total revenue of the Group, respectively.



## REPORT OF THE DIRECTORS



### DIRECTORS

The Directors of the Company during the year ended 31 December 2020 and up to the date of this annual report were:

#### Executive Directors

Mr. Zhu Hongge (*Chairman and Chief Executive Officer*) (appointed on 11 June 2020)

Ms. Mu Liyuan (appointed on 11 June 2020)

#### Non-executive Directors

Mr. Huang Fuqing (appointed on 11 June 2020)

Mr. Pang Bo (appointed on 11 June 2020)

#### Independent Non-executive Directors

Ms. Liang Yunxu (appointed on 21 October 2020)

Mr. Wang Huimin (appointed on 21 October 2020)

Mr. Wong Kwok Yin (appointed on 21 October 2020)

In accordance with the articles of association of the Company (“Articles of Association”) and the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), Mr. Zhu Hongge, Ms. Mu Liyuan, Mr. Huang Fuqing, Mr. Pang Bo, Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin will retire and, being eligible, will offer themselves for re-election at the AGM.

### DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the Directors and senior management are set out in the section headed “Directors and Senior Management” on pages 16 to 20 of this annual report.

### DIRECTORS’ RIGHT TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed herein, at no time during the year ended 31 December 2020 was the Company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate; and none of the Directors, or their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year ended 31 December 2020.

### DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service agreement with the Company on 11 June 2020 for a term of three years commencing from the Listing Date, and such service agreements may be terminated in accordance with the terms of the service agreements.

Each of the non-executive Directors was appointed to the Board pursuant to their respective letters of appointment dated 11 June 2020 and each of the independent non-executive Directors was appointed to the Board pursuant to their respective letters of appointment dated 21 October 2020. Each of the non-executive Directors and independent non-executive Directors was appointed for an initial term of three year commencing from the Listing Date, and such appointment may be terminated in accordance with the terms of the letters of appointment.

All the Directors are subject to retirement by rotation and re-election at an annual general meeting at least once every three years in accordance with the Articles of Association of the Company.

Saved as disclosed herein, no Director proposed for re-election at the AGM of the Company has a service contract that is not determinable within one year without payment of compensation, other than statutory compensation.

Each of the executive Directors is entitled to a basic salary pursuant to his/her service agreements, which is determined with reference to his/her responsibilities, experience, performance and the prevailing market conditions. In addition, each of them is entitled to a discretionary bonus of such amount as the Board may determine in respect of each complete financial year of the Company and other benefits such as social insurances and housing funds.

Each of the non-executive Directors is not entitled to remuneration and benefits for holding his/her office as non-executive Director. Each of the independent non-executive Directors is entitled to a director's fee pursuant to his/her letters of appointment, which is determined with reference to his/her responsibilities, experience, performance and the prevailing market conditions. Save for director's fee, each of the independent non-executive Directors is not expected to receive any other remuneration and benefits for holding his/her office as independent non-executive Director respectively.

### REMUNERATION OF THE DIRECTORS

Details of remuneration of the Directors during the year ended 31 December 2020 are set out in Note 12 to the consolidated financial statements.

### INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the three independent non-executive Directors, a confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent in accordance with Rule 3.13.

## REPORT OF THE DIRECTORS



### NON-COMPETE UNDERTAKINGS

Each of the controlling Shareholders of the Company has confirmed to the Company of his/its compliance with the non-compete undertakings provided to the Company under the Deed of Non-Competition (as defined in the Prospectus). The independent non-executive Directors have reviewed the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied with by the controlling Shareholders during the period commencing from the Deed of Non-Competition and up to the date of this report.

### DIRECTORS' INTERESTS IN COMPETING BUSINESS

None of the Directors had any direct or indirect interest in a business which competed or might compete with the business of the Group as required to be disclosed under Rule 8.10 of the Listing Rules since the Listing Date and up to the date of this report.

### DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS OF SIGNIFICANCE

Save as disclosed herein, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or at the end of the year.

### PERMITTED INDEMNITY PROVISION

Pursuant to the Articles of Association, Directors, managing directors, alternate Directors, auditors, secretary and other officers for the time being of the Company and the trustees for the time being acting in relation to any of the affairs of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts.

The Company has also arranged appropriate directors' and officers' liability insurance for the Directors and officers of the Group.

### SHARE OPTION SCHEME

The Company had no share option scheme.

### MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year ended 31 December 2020.

### DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2020, the interest and/or short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest and short positions which they were taken or deemed to have under such provision of the SFO) or which were required to be and were recorded in the register required to be kept under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers in Appendix 10 to the Listing Rules (the "Model Code") were as follows:

#### (a) Interest in associated corporation of the Company

Name of Director	Name of associated corporation	Capacity and nature of interest	Number of ordinary shares held <sup>(1)</sup>	Approximate percentage of shareholding
Mr. Zhu Hongge	Jiayuan International	Beneficial owner	64,000 (L)	0.002%

*Notes:*

(1) The letter "L" denotes the Director's long position in the shares.

Save as disclosed above, as at 31 December 2020, none of the Directors and chief executives of the Company and their respective close associates had any interests or short positions in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## REPORT OF THE DIRECTORS



### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

So far as the Directors are aware as of 31 December 2020, the following persons (other than the Directors or chief executives of the Company) had the following interests or short positions in the shares or underlying shares as recorded in the register required to be kept by the Company under section 336 of the SFO or required to be disclosed under Divisions 2 and 3 of Part XV of the SFO:

Name of Substantial Shareholder	Capacity and nature of interest	Number of shares ordinary held	Approximate percentage of total issued shares of the Company <sup>(4)</sup>
Chuangyuan Holdings Limited ("Chuangyuan Holdings")	Beneficial owner	450,000,000 (L)	75.00%
Jiayuan Investment Management Limited ("Jiayuan Investment") <sup>(2)</sup>	Interest in controlled corporation	450,000,000 (L)	75.00%
Jiayuan International <sup>(2)</sup>	Interest in controlled corporation	450,000,000 (L)	75.00%
Mingyuan Group Investment Limited ("Mingyuan Group") <sup>(2)</sup>	Interest in controlled corporation	450,000,000 (L)	75.00%
China Jiayuan Group Limited ("China Jiayuan") <sup>(2)</sup>	Interest in controlled corporation	450,000,000 (L)	75.00%
Galaxy Emperor Limited ("Galaxy Emperor") <sup>(2)</sup>	Interest in controlled corporation	450,000,000 (L)	75.00%
Mr. Shum <sup>(2)</sup>	Interest in controlled corporation	450,000,000 (L)	75.00%
Ms. Wang Xinmei <sup>(3)</sup>	Interest of spouse	450,000,000 (L)	75.00%
First Leading Trading Limited	Beneficial owner	32,124,000 (L)	5.35%

*Notes:*

- (1) The letter "L" denotes the person's long position in the shares of the Company (the "Shares").
- (2) As at 31 December 2020, Chuangyuan Holdings is wholly-owned by Jiayuan Investment, which is in turn wholly-owned by Jiayuan International. Jiayuan International is owned as to approximately 67.96% by Mingyuan Group and approximately 1.78% by Mr. Shum in his own personal capacity. Mingyuan Group is directly wholly-owned by China Jiayuan, which is directly wholly-owned by Galaxy Emperor. Galaxy Emperor is directly wholly-owned by Mr. Shum. By virtue of the SFO, each of Jiayuan Investment, Jiayuan International, Mingyuan Group, China Jiayuan, Galaxy Emperor and Mr. Shum is deemed to be interested in the Shares in which Chuangyuan Holdings is interested.
- (3) Ms. Wang Xinmei is the spouse of Mr. Shum. By virtue of the SFO, Ms. Wang Xinmei is deemed to be interested in the Shares in which Mr. Shum is interested.
- (4) As at 31 December 2020, the total number of issued shares of the Company was 600,000,000.

Save as disclosed above, as at 31 December 2020, the Directors are not aware of any person who had an interest or short position in the shares and the underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to section 336 of the SFO.

**CONNECTED TRANSACTIONS**

The Group entered into certain related party transactions with related parties during the year ended 31 December 2020 which constituted connected transactions or continuing connected transactions of the Group, details of which are set out in Note 33 to the consolidated financial statements. They do not constitute notifiable connected transaction under the Listing Rules.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

The Group had entered into various transactions which constituted continuing connected transactions under Chapter 14A of the Listing Rules. All the continuing connected transactions during the year that need to be disclosed herein are in compliance with the Listing Rules. The transaction amount of the continuing connected transactions of the Group for the year ended 31 December 2020 is set out below:

Connected Person	Nature of Transaction	Transaction Amount for the Year Ended 31 December 2020 <i>RMB'000</i>
<b>Exempted continuing connected transactions<sup>(1)</sup></b>		
1. Jiayuan International <sup>(3)</sup>	Provision of property management services	4,836
2. Jiayuan International <sup>(4)</sup>	Provision of valued added services	125
3. Jiayuan Chuangsheng <sup>(5)</sup>	Provision of property management services	2,334
4. Hunan Jianhongda Real Estate Development Co., Ltd. ("Hunan Jianhongda") <sup>(6)</sup>	Provision of property management services	1,779
<b>Non-exempted continuing connected transactions<sup>(2)</sup></b>		
5. Jiayuan International <sup>(7)</sup>	Provision of services	30,656
6. Jiayuan Chuangsheng <sup>(8)</sup>	Provision of services	38,065

*Notes:*

- (1) Continuing connected transactions which are subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement.
- (2) Continuing connected transactions which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements.

## REPORT OF THE DIRECTORS



- (3) Jiayuan International is an exempted company incorporated in the Cayman Islands with limited liability on 5 May 2015 and indirectly holds 75% of the issued share capital of the Company as at 31 December 2020.

On 21 November 2020, the Company entered into a property management services framework agreement with Jiayuan International (for itself and on behalf of its subsidiaries and associates, collectively, the “Jiayuan International Group”) for a term commencing from the Listing Date to 31 December 2022 under which the Group will provide (a) property management services for completed property units which are unsold or sold but prior to the delivery date as agreed between the Jiayuan International Group and the purchasers, including security, cleaning, greening, and repair and maintenance services; and (b) management services for completed car parking spaces which are unsold or sold but prior to the delivery date as agreed between the Jiayuan International Group and the purchasers, including cleaning, maintenance and lighting services, for property projects developed by the Jiayuan International Group.

The annual cap for the year ended 31 December 2020 was approximately RMB7.4 million. The annual caps for the years ending 31 December 2021 and 2022 will be approximately, RMB9.2 million and RMB10.3 million, respectively.

- (4) On 21 November 2020, the Company entered into a value added services framework agreement with Jiayuan International (for itself and on behalf of its subsidiaries and associates) for a term commencing from the Listing Date to 31 December 2022 under which the Group will provide catering services for employees of Jiayuan International Group; and (b) assistance services for the sales of car parking spaces including marketing and advertising services for the Jiayuan International Group.

The annual cap for the year ended 31 December 2020 was approximately RMB1.6 million. The annual caps for the years ending 31 December 2021 and 2022 will be approximately RMB1.9 million and RMB3.1 million, respectively.

- (5) Jiayuan Chuangsheng is a company established in the PRC with limited liability on 18 April 1995 and indirectly wholly-owned by Mr. Shum, one of the controlling Shareholders.

On 21 November 2020, the Company entered into a property management services framework agreement with Jiayuan Chuangsheng (for itself and on behalf of its subsidiaries and associates, collectively, “Jiayuan Chuangsheng Group”) for a term commencing from the Listing Date to 31 December 2022 under which the Group will provide (a) property management services for completed property units which are unsold or sold but prior to the delivery date as agreed between the Jiayuan Chuangsheng Group and the purchasers, including security, cleaning, greening, and repair and maintenance services; and (b) management services for completed car parking spaces which are unsold or sold but prior to the delivery date as agreed between the Jiayuan Chuangsheng Group and the purchasers.

The annual cap for the year ended 31 December 2020 was approximately RMB5.5 million. The annual caps for the years ending 31 December 2021 and 2022 will be approximately RMB6.5 million and RMB7.2 million, respectively.

- (6) Hunan Jianhongda is a company established in the PRC with limited liability on 29 August 2001 and directly holds 35% equity interest in Hunan Huaguan Property Services Company Limited, an indirect non-wholly owned subsidiary of the Company.

On 21 November 2020, the Company entered into a property management services framework agreement with Hunan Jianhongda (for itself and on behalf of its subsidiaries and associates, collectively, “Hunan Jianhongda Group”) for a term commencing from the Listing Date to 31 December 2022 under which the Group will provide property management services for completed property units which are unsold or sold but prior to the delivery date as agreed between the Hunan Jianhongda Group and the purchasers.

The annual cap for the year ended 31 December 2020 was approximately RMB2.8 million. The annual caps for the years ending 31 December 2021 and 2022 will be approximately RMB2.2 million and RMB2.4 million, respectively.



## REPORT OF THE DIRECTORS

- (7) On 21 November 2020, the Company entered into a sales management and other services framework agreement with Jiayuan International (for itself and on behalf of its subsidiaries and associates) for a term commencing from the Listing Date to 31 December 2022 under which the Group will provide (a) management of the on-site sales office for the sales of properties, including but not limited to cleaning and security services; (b) preliminary planning and design consultancy services in the planning, design, construction and completion phases of property development projects; and (c) cleaning services on an one-off basis for the properties before delivery to homeowners, for property projects developed by the Jiayuan International Group.

The annual cap for the year ended 31 December 2020 was approximately RMB34.2 million. The annual caps for the years ending 31 December 2021 and 2022 will be approximately RMB36.8 million and RMB39.8 million, respectively.

- (8) On 21 November 2020, the Company entered into a property management services framework agreement with Jiayuan Chuangsheng (for itself and on behalf of its subsidiaries and associates) for a term commencing from the Listing Date to 31 December 2022 under which the Group will provide (a) management of the on-site sales office for the sales of properties, including but not limited to cleaning and security services; (b) preliminary planning and design consultancy services in the planning, design, construction and completion phases of property development projects; and (c) cleaning services for the properties on an one-off basis before delivery to homeowners, for property projects developed by the Jiayuan Chuangsheng Group.

The annual cap for the year ended 31 December 2020 was approximately RMB38.2 million. The annual caps for the years ending 31 December 2021 and 2022 will be approximately RMB41.0 million and RMB44.2 million, respectively.

The independent non-executive Directors confirmed that the above continuing connected transactions have been entered into in the ordinary and usual course of business of the Group on normal commercial terms that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, PricewaterhouseCoopers, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe that the continuing connected transactions abovementioned:

- (i) have not been approved by the Board;
- (ii) are not in accordance with pricing policies of the Group if the transactions involve provision of goods or services by the Group;
- (iii) have not been entered into in accordance with the relevant agreements governing the transactions; and
- (iv) have exceeded the respective annual caps.

### EMOLUMENT POLICY

A Remuneration Committee was set up to make recommendations on the Company's emolument policy and remuneration packages for the Directors and senior management of the Group on the basis of their merit, qualifications and competence.

None of the Directors waived any emoluments during the year ended 31 December 2020.



## REPORT OF THE DIRECTORS



### PRE-EMPTIVE RIGHTS

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

### SUFFICIENCY OF PUBLIC FLOAT

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

### PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 31 December 2020.

### EVENTS AFTER THE REPORTING PERIOD

The over-allotment option as described in the Prospectus (the "Over-allotment Option") has been partially exercised by, Haitong International Securities Company Limited, as the Stabilising Manager (as defined in the Prospectus) on 31 December 2020 in respect of an aggregate of 11,709,000 shares out of 22,500,000 shares, at the exercise price of HKD3.86 per over-allotment share, raising net proceeds of approximately HKD43.5 million after deducting the underwriting commissions and other estimated expenses payable by the Company. Listing of and dealings in such over-allotment shares commenced on the Main Board of the Stock Exchange on 6 January 2021.

Save as disclosed above, the Group does not have significant events after the end of the reporting period.

### PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 9 December 2020 and issued 150,000,000 new shares under the Global Offering. On 31 December 2020, Haitong International Securities Company Limited, as the Stabilising Manager, partially exercised the Over-allotment Option in respect of an aggregate of 11,709,000 shares out of 22,500,000 shares. Listing of and dealings in the over-allotment shares commenced on the Main Board of the Stock Exchange on 6 January 2021. After deducting the underwriting fees and commissions, the net proceeds received by the Company from the Global Offering and the partial exercise of Over-allotment Option (the "net proceeds") amounted to approximately HKD517.5 million and HKD43.5 million, respectively.

As at 31 December 2020, the Group had not yet utilised the net proceeds and it is expected that the Group will utilise the net proceeds in the manner consistent with the purposes as stated in the Prospectus as follows:

- approximately 70% will be used to pursue selective strategic investment and acquisition opportunities and to further develop strategic cooperation;

- approximately 8% will be used to enrich and expand the Company's service offerings;
- approximately 12% will be used to invest in intelligent operational and internal management system to enhance service quality and customer experience;
- approximately 10% will be used for working capital and other general corporate purposes.

For the expected timeline of the intended use of proceeds, please refer to the implementation plan as set out in the section headed "Future Plans and Use of Proceeds" the Prospectus.

### AUDIT COMMITTEE

The annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2020 have been reviewed by the Audit Committee of the Company. Information on the work of the Audit Committee and its composition are set out in section headed "Corporate Governance Report" on pages 34 to 45 of this annual report.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiries with all the Directors, each of the Directors has confirmed that he/she has complied with the required standard of dealings as set out in the Model Code since the Listing Date and up to the date of this report.

### CORPORATE GOVERNANCE

Details of the Company's corporate governance practices are set out in the "Corporate Governance Report" in this annual report.

### AUDITOR

The consolidated financial statements for the year ended 31 December 2020 have been audited by Messrs. PricewaterhouseCoopers who shall retire at the AGM. A resolution will be proposed at the AGM to re-appoint Messrs. PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board  
**Zhu Hongge**  
*Chairman*

Hong Kong, 29 March 2021

# CORPORATE GOVERNANCE REPORT



## CORPORATE GOVERNANCE REPORT

The Board is pleased to report to the Shareholders on the corporate governance of the Company for the year ended 31 December 2020.

## CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of shareholders' value.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The shares of the Company have been listed on the Main Board of the Stock Exchange since 9 December 2020, the Listing Date. As the Company was not a listed company until the Listing Date, the CG Code was not applicable to the Company before the Listing Date. The CG Code has been applicable to the Company with effect from the Listing Date. The Company has complied with the code provisions as set out in the CG Code since the Listing Date up to the date of this annual report, except for the deviations from the code provision A.2.1 of the CG Code, details of which are set out below.

The Company periodically reviews its corporate governance practices with reference to the latest development of corporate governance. The Directors will use their best endeavors to procure the Company to continue to comply with the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as the code of conduct regarding Directors' dealings in the securities of the Company.

As the shares of the Company were not listed on the Stock Exchange until 9 December 2020, the provisions under the Listing Rules in relation to compliance with the Model Code by the Directors regarding securities transactions were not applicable to the Company before 9 December 2020.

The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code throughout the period from the Listing Date to the publication date of this annual report.

In case when the Company is aware of any restricted period for dealings in the Company's securities, the Company will notify its Directors in advance.



### BOARD OF DIRECTORS

The powers and duties of the Board include convening general meetings and reporting the Board's work at the Shareholders' meetings, determining business and investment plans, preparing the annual financial budgets and final reports of the Company, formulating proposals for profit distributions and exercising other powers, functions and duties as conferred by the Articles of Association.

#### Composition of the Board

As at 31 December 2020, the Board comprised the following Directors:

##### Executive Directors

Mr. Zhu Hongge (*Chairman and Chief Executive Officer*)

Ms. Mu Liyuan

##### Non-executive Directors

Mr. Huang Fuqing

Mr. Pang Bo

##### Independent Non-executive Directors

Ms. Liang Yunxu

Mr. Wang Huimin

Mr. Wong Kwok Yin

The biographical information of the Directors is set out in the section headed "Directors and Senior Management" on pages 16 to 20 of this annual report.

Saved as disclosed herein and to the best knowledge, information and belief of the Directors, each of the Directors has no financial, business, family or other material/relevant relationships with any other Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

The list of Directors (by category) is disclosed in all corporate communications issued by the Company pursuant to the Listing Rules. A list of the Directors identifying their roles and functions is also available on the Company's website at <http://jy-fw.cn/> and on the website of the Stock Exchange.

#### Chairman and Chief Executive Officer

According to code provision A.2.1 of the CG Code as set out in Appendix 14 to the Listing Rules, the role of the chairman and chief executive officer of the Company should be separate and should not be performed by the same individual. Mr. Zhu Hongge is the chairman and the chief executive officer of the Company. The Board believes that, under the leadership of Mr. Zhu Hongge, the Board works efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions are made in consultation with members of the Board and relevant Board committee, and there are three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.



The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

### **Independent non-executive Directors**

Since the Listing Date up to 31 December 2020, the Company has at all times complied with the requirements of the Listing Rules to have at least three independent non-executive Directors representing at least one-third of the Board with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise.

Each of the three independent non-executive Directors has confirmed his independence and the Company considers each of them to be independent in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules.

### **Non-executive Directors and Directors' Re-Election**

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation at least once every three years. The Articles of Association requires that at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

### **Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board is responsible for leadership and control of the Company, oversees the overall operational, management and strategic planning of the Group and provide guidance and formulate business strategies for the overall development of the Group and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors shall have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.



## CORPORATE GOVERNANCE REPORT

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the day-to-day operations and management of the business are delegated to the management.

### Continuous Professional Development of Directors

Directors shall keep abreast of responsibilities as a Director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading material on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The Directors confirmed that they have complied with code provision A.6.5 on directors' training. During the year, each of the Directors attended a training session on 11 June 2020 in relation to the relevant requirements of the Listing Rules and duties of directors of companies listed in Hong Kong and each of the Directors is fully aware of his/her duties and responsibilities as a director of a listed company in Hong Kong.



### Board Meetings

Notices of not less than fourteen days will be given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings. For other Board meetings, reasonable notice will generally be given. All Board committee meetings require a notice of at least fourteen days to be given, unless such notification is waived by all members of the respective Board committees. The agenda and accompanying Board papers are dispatched to the Directors or Board committee members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or Board committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman prior to the meeting.

Minutes of the Board meetings and Board committee meetings are/will be recorded in sufficient detail to include the matters considered by the Board and the Board committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held.

Code provision A.1.1 of the CG Code stipulates that the board should meet regularly and board meetings should be held at least four times a year at approximately quarterly intervals. The Company was just listed on the Listing Date and no Board meeting was held during the period from the Listing Date to 31 December 2020. Subsequent to the end of 2020 and up to the date of this annual report, two Board meetings were held on 18 March 2021 and 29 March 2021. All Directors attended the Board meetings.

### BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 2 of this annual report.

#### Audit Committee

The Audit Committee was established on 21 October 2020 with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The Audit Committee consists of three members, namely, Mr. Wong Kwok Yin, Ms. Liang Yunxu and Mr. Wang Huimin, all of whom are the independent non-executive Directors. Mr. Wong Kwok Yin is the chairman of the Audit Committee and the independent non-executive Director with the appropriate professional qualifications.



The primary duties of the Audit Committee include, but not limited to (i) review and monitor the financial reporting process, risk management and internal control system, and internal audit functions of the Company; (ii) provide advice and comments to the Board; and (iii) perform other duties and responsibilities as may be assigned by the Board.

The Company was just listed on the Listing Date and no Audit Committee meeting was held during the period from the Listing Date to 31 December 2020. One Audit Committee meeting was held on 29 March 2021 to review the annual financial results and report, major internal audit issues, re-appointment of external auditors, relevant scope of works and the effectiveness of the risk management and internal control systems of the Group. All members of the Audit Committee attended the meeting.

### Remuneration Committee

The Remuneration Committee was established on 21 October 2020 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and paragraph B.1 of the CG Code. The Remuneration Committee consists of three members, namely, Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Pang Bo. Ms. Liang Yunxu is the chairman of the Remuneration Committee.

The primary duties of the Remuneration Committee include, but not limited to (i) establishing, reviewing and providing advices to the Board on the policy and structure concerning remuneration of the Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; and (iii) reviewing and approving the management's remuneration proposals by reference to corporate goals and objectives resolved by the Directors from time to time.

The Company was just listed on the Listing Date and no Remuneration Committee meeting was held during the period from the Listing Date to 31 December 2020.

### Nomination Committee

The Nomination Committee was established on 21 October 2020 with written terms of reference in compliance with paragraph A.5 of the CG Code. The Nomination Committee consists of three members, namely Mr. Zhu Hongge, Mr. Wong Kwok Yin and Ms. Liang Yunxu. Mr. Zhu Hongge is the chairman of the Nomination Committee.

The primary duties of the Nomination Committee include, but not limited to (i) review the structure, size and composition of the Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of the Board; (ii) identify, select or make recommendations to the Board on the selection of individuals nominated for directorship, and ensure the diversity of the Board members; (iii) assess the independence of the independent non-executive directors; and (iv) make recommendations to the Board on relevant matters relating to the appointment, re-appointment and removal of the Directors and succession planning for the Directors.

The Company was just listed on the Listing Date and no Nomination Committee meeting was held during the period from the Listing Date to 31 December 2020.



## CORPORATE GOVERNANCE REPORT



### Board Diversity Policy

The Company recognises the benefits of having a diversified Board. The Company has adopted a board diversity policy with the aim of achieving an appropriate level of diversity among Board members according to the circumstances of the Group from time to time. In summary, the board diversity policy sets out that when considering the nomination and appointment of a Director, with the assistance of the Nomination Committee, the Board would consider a range of diversity of perspectives, including but not limited to the skills, knowledge, professional experience and qualifications, cultural and educational background, age, gender and the potential contributions that the candidate is expected to bring to the Board, in order to better serve the needs and development of the Company. All Board appointments will be based on merits and candidates will be considered against objective criteria, having due regard to the benefits of diversity to the Board.

The Nomination Committee is responsible for reviewing the board diversity policy from time to time to ensure its continued effectiveness. At present, the Nomination Committee considered that the Board is sufficiently diverse, and the Board has not set any measurable objectives.

### REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision B.1.5 of the CG Code, the remuneration of the members of the senior management by band for the year ended 31 December 2020 is set out below:

Remuneration Band (RMB)	Number of Person
300,000 – 650,000	4
650,001 – 1,000,000	1



### CORPORATE GOVERNANCE FUNCTIONS

The Board, with the assistance from the Audit Committee, is responsible for performing the functions set out in the code provision D.3.1 of the CG Code, including:

- developing and reviewing the Company’s corporate governance policies and practices;
- reviewing and monitoring training and continuous professional development of Directors and senior management;
- reviewing and monitoring the Company’s policies and practices on compliance with legal and regulatory requirements;
- developing, reviewing and monitoring the code of conduct and compliance manual applicable to employees and directors; and
- reviewing the Company’s compliance with the CG Code and the disclosure in this Corporate Governance Report.

For the year ended 31 December 2020, the Board has performed the above duties.

### DIRECTOR NOMINATION CRITERIA AND PROCEDURES

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would assess the candidates on criteria such as qualifications, skills, knowledge, experience, independence and other relevant criteria necessary to complement the corporate strategy and achieve Board diversity. The recommendations of the Nomination Committee will then be put to the Board for decision.

### RISK MANAGEMENT AND INTERNAL CONTROLS

The Company exposed to various risks during its operations. The Company has established risk management systems with relevant policies, procedures and programs to provide reasonable assurance for achieving objectives such as effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

The Company’s risk assessment is mainly carried out through five basic procedures, including the establishment of risk management concepts and risk acceptance, target setting, risk identification, risk analysis and risk countermeasures. The Company will weigh risks and benefits based on the results of risk analysis, combined with the causes and tolerance of risks, and choose risk response plans: avoiding risks, accepting risks, reducing risks or sharing risks. The Company will prepare risk management plans targeting various risks or each category of material risks, according to the risk response strategies. The plan generally includes the specific objectives of risk resolution, the required organisational leadership, the management and business processes involved, the required conditions and means and other resources, the specific response measures to be taken before, during and after the risk event, and risk management tools.



The Company's branches are the first line of defense for risk management, which are the executive agencies of risk management operations, responsible for the construction, implementation and maintenance of the risk management system, and strictly carry out corresponding work in accordance with the requirements of the Company. The Company's functional management departments and the legal department (risk control function) are the second line of defense for risk management. The internal audit department (risk control function), as the central management department for risk management and internal control, is responsible for formulating risk management strategies and plans, compiling risk management and internal control work plans, organising and promoting the development of risk management and internal control work, preparation of annual risk management report, inspection and evaluation of the development of risk management and internal control of subsidiaries, follow-up of the Company's risk management measures for high-risk businesses and important risks, and timely report to the Company's risk management committee. The Company's internal audit department (internal audit function) is the third line of defense for risk management, which independently supervises, evaluates and audits the Company's operation and management.

The Company has formulated reasonable and effective internal control measures, including:

- (i) Establish an authorisation system for internal control positions. For each position involved in internal control, clearly stipulate the authorised objects, conditions, scope and amount of authorisation, and no organisation or individual shall make risky decisions beyond authorisation;
- (ii) Establish an internal control reporting system. Clearly stipulate the reporter and the receiver, the time, content, frequency, transmission route of the report, the department and personnel responsible for processing the report;
- (iii) Establish an internal control permitted system. For important matters involved in internal control, clearly stipulate the permitted procedures, conditions, scope and quota, necessary documents, and the departments and personnel authorised to approve and their corresponding responsibilities;
- (iv) Establish an internal control responsibility system. In accordance with the principle of unification of rights, obligations and responsibilities, clearly stipulate the responsibilities and rewards and punishment systems of relevant departments and business units, positions and personnel;
- (v) Establish an internal control audit and inspection system. Combined with the relevant requirements, methods, standards and procedures of internal control, clearly stipulate the object, content, method of audit and inspection, and the department responsible for audit and inspection.

The risk management system and internal control measures are designed to manage rather than eliminate the risk of failing to achieve business objectives, and can only provide reasonable but not absolute protection against material misstatements or losses.



## CORPORATE GOVERNANCE REPORT

The Board is responsible for overseeing and managing the risks associated with the business, maintaining adequate and effective risk management and internal control systems of the Company on an ongoing basis and reviewing their effectiveness at least annually. The Board, through the Audit Committee, has conducted a review of, and is satisfied with the effectiveness of the risk management and internal control systems of the Company, including the adequacy of resources, staff qualifications and experience, training programs and budget of the Company's accounting and financial reporting function. The Board considers that such systems are effective and adequate as a whole.

### DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2020. The senior management of the Company has provided such explanation and information to the Board as necessary to enable the Board to carry out an informed assessment of the financial information and position of the Company in order to put forward such information to the Board for approval.

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 46 to 50 of this annual report.

### AUDITOR'S REMUNERATION

The remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company, for its audit services and non-audit services provided for the year ended 31 December 2020 is summarised as follows:

Service Category	Fees Paid/Payable <i>RMB'000</i>
Audit services	2,280
Non-audit services	100
<b>Total</b>	<b>2,380</b>

The above non-audit services include agreed-upon procedure work performed on results announcement and continuing connected transactions.

The auditor was also the reporting accountant for the Listing and provided other non-audit services in relation to the Listing. A total of RMB5.0 million has been paid and payable for its services in connection with the issue and listing of shares of the Company which has been included in share issuance costs and listing expenses as appropriate.

## CORPORATE GOVERNANCE REPORT



### COMPANY SECRETARY

Mr. Chan Yu Hin is the company secretary of the Company, and he is responsible for overseeing the finance, accounting and company secretarial matters of the Group and ensuring that Board policy and procedures and applicable laws, rules and regulations are followed. Details of biography of the company secretary of the Company are set out in the section headed “Directors and Senior Management” of this annual report. Mr. Chan has complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules during the year ended 31 December 2020.

### SHAREHOLDER’S RIGHTS

To safeguard Shareholders’ interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

#### Convening an Extraordinary General Meeting (“EGM”) and Putting Forward Proposals

Pursuant to Article 58 of the Articles of Association, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the joint company secretaries of the Company, to require an EGM to be called by the Board for the transaction of any business specified in such requisition, and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

#### Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 1403, 9 Queen’s Road Central, Hong Kong  
(For the attention of the Board of Directors)  
Email: jyfw@jy-fw.cn

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders’ information may be disclosed as required by law.



### COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an ongoing dialogue with Shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet Shareholders and answer their enquiries.

The Company was just listed on the Listing Date and no general meeting was held during the period from the Listing Date to 31 December 2020.

#### Policies Relating to Shareholders

The Company has in place a shareholders' communication policy to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

The Company has adopted a dividend policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the dividend policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval.

### CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution of the sole shareholder of the Company passed on 21 October 2020, the amended and restated Memorandum and Articles of Association were adopted on 21 October 2020 with effect from the Listing Date.

The amended and restated Memorandum and Articles of Association are available on the Company's website and the Stock Exchange's website.

# INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Jiayuan Services Holdings Limited  
(incorporated in Cayman Islands with limited liability)

## OPINION

### What we have audited

The consolidated financial statements of Jiayuan Services Holdings Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 51 to 127, which comprise:

- the consolidated statement of financial position as at 31 December 2020;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### Our opinion

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

### BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

---

*PricewaterhouseCoopers, 22/F, Prince’s Building, Central, Hong Kong*  
*T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com*

## INDEPENDENT AUDITOR'S REPORT

### KEY AUDIT MATTERS

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

Key audit matter identified in our audit is related to assessment of the expected credit losses on trade receivables.

Key audit matter	How our audit addressed the key audit matter
<b>Assessment of the expected credit losses on trade receivables</b>	
Refer to Note 4 "Critical accounting estimates and judgements" and Note 23 "Trade and other receivables" to the consolidated financial statements.	We obtained an understanding of management's internal control and process over the estimation of the ECL on trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty, complexity and subjectivity.
As at 31 December 2020, gross trade receivables amounted to RMB243,213,000, which represented approximately 26% of the total assets of the Group. Management has estimated the expected credit losses ("ECL") on trade receivables and a loss allowance of RMB29,875,000 was made against the gross trade receivables as at 31 December 2020.	We evaluated and tested management's key controls in relation to the estimation of the ECL.
Management estimated the ECL on trade receivables based on estimation about risk of default and expected credit loss rates. Management applied judgements in making the estimation and selecting the inputs used in the ECL calculation, based on the customers' settlement history, financial position of major customers as well as forward looking information.	We assessed the appropriateness of the ECL provisioning methodology adopted by management based on our understanding on the Group's business and credit control process and the credit risk characteristics of the trade receivables.
We considered this area a key audit matter due to the magnitude of the balance of trade receivables as well as the significant judgements and estimates involved in the estimation of the related ECL given the complexity of the methodology and subjectivity of significant assumptions used.	We tested, on a sample basis, the accuracy of ageing analysis of trade receivables by tracing to sales invoices and receipts.
	We challenged the reasonableness of the estimated risk of default and expected credit loss rates by considering past collection information and historical default rates of customers.
	We evaluated the financial position of major customers by checking to relevant information and evaluated the appropriateness of management's assessment of forward looking information with reference to our understanding of the Group's business and industry and external macroeconomic data.
	We checked the mathematical accuracy of the calculation of ECL.
	Based on the above, we considered that the significant judgements and estimates made by management, and the methodology and significant assumptions used in relation to the assessment of the ECL on trade receivables were supportable by available evidence.



## **INDEPENDENT AUDITOR'S REPORT**

### **OTHER INFORMATION**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS**

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

## INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

## INDEPENDENT AUDITOR'S REPORT

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

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

---

The engagement partner on the audit resulting in this independent auditor's report is Cheung Siu Cheong.

PricewaterhouseCoopers  
*Certified Public Accountants*  
Hong Kong, 29 March 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December	
		2020 RMB'000	2019 RMB'000
Revenue	6	615,096	454,891
Cost of services and sales	10	<u>(427,970)</u>	<u>(346,197)</u>
<b>Gross profit</b>		<b>187,126</b>	<b>108,694</b>
Other income and expenses, net	8	4,746	1,715
Other gains and loss, net	9	434	–
Impairment losses on financial assets	3.1	(9,615)	(4,942)
Selling and marketing expenses	10	(10,041)	(7,400)
Administrative expenses	10	(71,042)	(29,313)
Finance costs	13	(119)	(19)
Share of results of investments accounted for using the equity method	20	<u>1,318</u>	<u>(431)</u>
<b>Profit before taxation</b>		<b>102,807</b>	<b>68,304</b>
Income tax expense	14	<u>(32,839)</u>	<u>(18,090)</u>
<b>Profit and total comprehensive income for the year</b>		<b><u>69,968</u></b>	<b><u>50,214</u></b>
<b>Profit and total comprehensive income attributable to:</b>			
– Owners of the Company		65,426	50,214
– Non-controlling interests		<u>4,542</u>	<u>–</u>
		<b><u>69,968</u></b>	<b><u>50,214</u></b>
<b>Earnings per share attributable to owners of the Company</b> (expressed in RMB per share)			
– Basic	15	<u>0.14</u>	<u>0.11</u>
– Diluted	15	<u>0.14</u>	<u>0.11</u>

The notes on pages 56 to 127 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
	Note	2020 RMB'000	2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property and equipment	17	18,847	14,633
Right-of-use assets	18	2,323	2,831
Intangible assets	19	34,186	35,683
Investments accounted for using the equity method	20	1,838	6,524
Deferred income tax assets	29	17,815	11,285
		<u>75,009</u>	<u>70,956</u>
<b>Current assets</b>			
Inventories	22	501	880
Trade and other receivables	23	246,483	738,439
Restricted bank deposits	24	1,219	1,559
Cash and cash equivalents	24	617,771	37,644
		<u>865,974</u>	<u>778,522</u>
<b>Total assets</b>		<u><u>940,983</u></u>	<u><u>849,478</u></u>
<b>EQUITY</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	25	5,128	–
Reserves	26	496,055	151,148
		<u>501,183</u>	<u>151,148</u>
<b>Non-controlling interests</b>	27	<u>17,056</u>	<u>10,157</u>
<b>Total equity</b>		<u>518,239</u>	<u>161,305</u>

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2020	2019
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Lease liabilities		384	1,187
Deferred income tax liabilities	29	4,445	5,207
		4,829	6,394
<b>Current liabilities</b>			
Contract liabilities	7	88,232	77,326
Trade and other payables	28	305,472	576,565
Lease liabilities		1,707	1,336
Current income tax liabilities		22,504	26,552
		417,915	681,779
<b>Total liabilities</b>		<b>422,744</b>	<b>688,173</b>
<b>Total equity and liabilities</b>		<b>940,983</b>	<b>849,478</b>

The notes on pages 56 to 127 are an integral part of these consolidated financial statements.

The consolidated financial statements on pages 51 to 127 were approved by the Board of Directors on 29 March 2021 and were signed on its behalf by:

**Mr. Zhu Hongge**  
*Director*

**Ms. Mu Liyuan**  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company			Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Reserves RMB'000	Total RMB'000		
Balance at 1 January 2020		–	151,148	151,148	10,157	161,305
Comprehensive income						
Profit for the year		–	65,426	65,426	4,542	69,968
Transactions with owners in their capacity as owners:						
Dividends paid	16	–	(170,000)	(170,000)	(3,500)	(173,500)
Capitalisation issuance	25	3,866	(3,866)	–	–	–
Issuance of shares	25	1,262	485,702	486,964	–	486,964
Share issuance costs	26	–	(32,355)	(32,355)	–	(32,355)
Acquisition of a subsidiary	32	–	–	–	5,857	5,857
Total transactions with owners		5,128	279,481	284,609	2,357	286,966
Balance at 31 December 2020		5,128	496,055	501,183	17,056	518,239
Balance at 1 January 2019		–	100,934	100,934	–	100,934
Comprehensive income						
Profit for the year		–	50,214	50,214	–	50,214
Transactions with owners in their capacity as owners:						
Acquisition of a subsidiary		–	–	–	10,157	10,157
Balance at 31 December 2019		–	151,148	151,148	10,157	161,305

The notes on pages 56 to 127 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

		Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
	Note		
<b>Cash flows from operating activities</b>			
Cash generated from operations	30(a)	93,476	68,158
Income tax paid		(44,466)	(16,428)
<b>Net cash generated from operating activities</b>		<b>49,010</b>	<b>51,730</b>
<b>Cash flows from investing activities</b>			
Purchases of property and equipment	17	(9,267)	(9,420)
Purchases of intangible assets	19	(1,856)	–
Acquisition of subsidiaries, net of cash (paid)/acquired	30(d)	(24,665)	6,431
Proceeds from disposals of property and equipment	30(b)	488	953
Repayments from related parties		516,782	216,459
Advances to related parties		(277,097)	(217,625)
Payments for investments in joint ventures		–	(5,355)
Advances to a third party		–	(38,542)
Repayments from a third party		38,542	–
Interest received		241	48
<b>Net cash generated from/(used in) investing activities</b>		<b>243,168</b>	<b>(47,051)</b>
<b>Cash flows from financing activities</b>			
Payments on leases		(2,700)	(402)
Advances from related parties		–	300,000
Acquisition of Zhejiang Jiayuan Services	33(c)(i)	–	(300,000)
Contribution from the then shareholder	33(c)(i)	300,000	–
Repayments to related parties		(300,000)	–
Dividends paid to a shareholder	16	(170,000)	–
Dividends paid to non-controlling interests		(3,500)	–
Proceeds from issuance of new shares	25(d)	486,964	–
Shares issuance costs	26(a)	(21,847)	–
<b>Net cash generated from/(used in) financing activities</b>		<b>288,917</b>	<b>(402)</b>
<b>Net increase in cash and cash equivalents</b>		<b>581,095</b>	<b>4,277</b>
Cash and cash equivalents at beginning of the year		37,644	33,367
Exchange losses on cash and cash equivalents		(968)	–
<b>Cash and cash equivalents at end of the year</b>		<b>617,771</b>	<b>37,644</b>

The notes on pages 56 to 127 are an integral part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION AND REORGANISATION

### 1.1 General information

Jiayuan Services Holdings Limited (the “Company”) was incorporated in the Cayman Islands on 5 March 2020 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 at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. On 9 December 2020, the Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) by way of initial public offering (the “Listing”).

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

The intermediate holding company of the Company is Jiayuan International Group Limited (“Jiayuan International”), an exempted company incorporated in the Cayman Islands with limited liability and its shares are listed on the Stock Exchange. Jiayuan International is ultimately controlled by Mr. Shum Tin Ching (“Mr. Shum”).

These consolidated financial statements for the year ended 31 December 2020 are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on 29 March 2021.

### 1.2 History and Reorganisation of the Group

Prior to the incorporation of the Company and the completion of the reorganisation as described below, the Listing Business was operated through Zhejiang Jiayuan Property Services Group Company Limited (“Zhejiang Jiayuan Services”) and its subsidiaries in the PRC. Zhejiang Jiayuan Services was indirectly owned by Chuangyuan Development Limited (“Chuangyuan Development”), a subsidiary of Chuangyuan Holdings Limited (“Chuangyuan Holdings”), which in turn is indirectly owned by Jiayuan International.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 GENERAL INFORMATION AND REORGANISATION (*Continued*)

#### 1.2 History and Reorganisation of the Group (*Continued*)

##### *Reorganisation*

In preparation for the Listing, a reorganisation (the “Reorganisation”) was undertaken pursuant to which Chuangyuan Development and its subsidiaries, engaged in the Listing Business, were transferred to the Company. The Reorganisation mainly involved the following:

- Upon incorporation of the Company on 5 March 2020, one fully-paid ordinary share was issued to the initial subscriber at par and was transferred to Chuangyuan Holdings, a subsidiary of Jiayuan International, at par on the same day. Upon completion of such transfer, the Company was wholly-owned by Chuangyuan Holdings.
- On 9 April 2020, the Company acquired the entire equity interest in Chuangyuan Development from Chuangyuan Holdings, at a consideration of allotment and issue of 99 ordinary shares of the Company at Hong Kong Dollar (“HKD”) 0.01 each to Chuangyuan Holdings. Upon completion of the shares allotment and issue, Chuangyuan Development became wholly-owned by the Company.

Upon completion of the Reorganisation, the Company became the holding company of Chuangyuan Development and the companies now comprising the Group.

#### 1.3 Public offering and Listing

On 9 December 2020, upon the Listing, the Company issued 150,000,000 new ordinary shares with par value of HKD0.01 each at HKD3.86 per share to public (the “Public Offering”), and raised gross proceeds of HKD579,000,000 (equivalent to approximately RMB486,964,000).

On 6 January 2021, the Company issued 11,709,000 ordinary shares with par value of HKD0.01 each at HKD3.86 per share to public pursuant to an over-allotment option granted in conjunction with the Public Offering. Gross proceeds from the issue were HKD45,197,000 (equivalent to approximately RMB37,513,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

#### 2.1 Basis of preparation

The principal accounting policies applied in the preparation of the consolidated financial statements are in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) as set out below. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgments in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgments or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### 2.1.1 New and revised standards

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2020. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) New and amended standards and interpretations not yet adopted

The below new or revised accounting standards, amendments and interpretations to existing standards have been published but are not yet effective in current year and have not been early adopted by the Group.

		Effective for the financial year beginning on or after
Amendments to HKFRS 16	COVID-19 Related Rent Concessions	1 June 2020
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase Two	1 January 2021
Accounting Guideline 5 (Revised)	Merger accounting for common control combinations	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to HKAS 16	Proceeds before Intended Use	1 January 2022
Amendments to HKAS 37	Cost of Fulfilling a Contract	1 January 2022
Annual improvements	Annual Improvements 2018-2020 Cycle	1 January 2022
HKFRS 17	Insurance Contract	1 January 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-Current	1 January 2023
HK Interpretation 5 (2020)	Presentation of financial statements – classification by the borrower of a term loan that contains a repayment on demand clause	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.1 Basis of preparation *(Continued)*

##### 2.1.1 New and revised standards *(Continued)*

(b) New and amended standards and interpretations not yet adopted *(Continued)*

The Group has already commenced an assessment of the impact of these new or revised standards, amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

#### 2.2 Principles of consolidation and equity accounting

##### 2.2.1 Subsidiaries

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

##### 2.2.2 Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Principles of consolidation and equity accounting *(Continued)*

##### *2.2.3 Joint arrangements*

Investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method of accounting after initially being recognised at cost.

##### *2.2.4 Equity method*

Under the equity method of accounting, interests in joint ventures and associates are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of joint ventures and associates in profit or loss, and the Group's share of movements in other comprehensive income of joint ventures and associates in other comprehensive income. When the Group's share of losses in a joint venture and associates equals or exceeds its interests in the joint ventures and associates (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures and associates), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures and associates. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture and associates is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and associates and its carrying value and recognises the amount adjacent to 'share of results of investments accounted for the equity method' in consolidated statement of comprehensive income.

Unrealised gains on transactions between the Group and its joint ventures and associates are eliminated to the extent of the Group's interests in the joint ventures and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures and associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.2 Principles of consolidation and equity accounting *(Continued)*

##### *2.2.5 Changes in ownership interests in subsidiaries, joint ventures and associates*

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.3 Business combinations

##### *2.3.1 Non-common control business combinations*

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in consolidated statement of comprehensive income as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred income tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 Income Taxes and HKAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date (see the accounting policy below); and
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in the consolidated statement of comprehensive income as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.3 Business combinations *(Continued)*

##### *2.3.2 Merger accounting for business combination involving businesses under common control*

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The combined statement of comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter. The consolidated financial statements include the entities that were managed by management of the Listing Business during the years presented. These activities were combined with all intra-group balances and transactions eliminated within the Group.

##### *2.3.3 Acquisition of a subsidiary not constituting a business*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to the financial assets/financial liabilities at the respective fair value, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

#### 2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker (“CODM”), who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that make strategic decisions. The Group’s customers include property owners, property developers, residents and tenants (collectively “Customers”) and they are all located in the PRC. No geographical segment of Customers is disclosed.

#### 2.6 Foreign currency translation

##### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements are presented in RMB, which is the Company’s functional and presentation currency.

##### *(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses are presented in the consolidated statement of comprehensive income within ‘other gains and loss’.

##### *(c) Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.7 Leases

##### *The Group as a lessee*

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Payments associated with short-term leases of equipment and vehicles and leases of low value assets are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income. Short-term leases are leases with a lease term of 12 months or less.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

The Group's right-of-use assets consist of various leases for properties.

Right-of-use assets resulted from lease payments are stated at cost less accumulated depreciation and accumulated impairment losses. Cost represents consideration paid for the rights to use the land and other direct related costs from the date when the respective rights were granted. Depreciation of lease payments is calculated on a straight-line basis over the lease terms as stated in the relevant land certificates granted for usage by the Group in the PRC and is charged to the consolidated statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.8 Property and equipment

Property and equipment are stated at historical cost less depreciation and any impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation on property and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Buildings	20 years
Office equipment	3-5 years
Motor vehicles	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and loss on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "Other gains and loss" in the consolidated statement of comprehensive income.

#### 2.9 Intangible assets

##### *(a) Goodwill*

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.9 Intangible assets *(Continued)*

##### *(b) Property management contracts*

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date. The property management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected useful lives of the contracts. The Group determined the property management contracts to have useful lives of 3-6 years based on the historical renewal pattern and the best estimation of the Group.

##### *(c) Software*

Acquired software are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of 10 years.

#### 2.10 Impairment of non-financial assets

Assets that have an indefinite useful life or intangible assets not ready to use are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

#### 2.11 Financial assets

##### *(i) Classification*

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- Those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.11 Financial assets *(Continued)*

##### *(i) Classification (Continued)*

For assets measured at fair value, gains and loss will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

##### *(ii) Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

##### *(iii) Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the consolidated statement of comprehensive income.

#### ***Debt instruments***

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in the consolidated statement of comprehensive income when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.11 Financial assets *(Continued)*

##### *(iii) Measurement (Continued)*

##### ***Debt instruments (Continued)***

- Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income ("OCI"). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in the consolidated statement of comprehensive income. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to the consolidated statement of comprehensive income and recognised in 'Other gains and loss'. Interest income from these financial assets is included in other income using the effective interest rate method.
- Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or financial assets at fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in consolidated statement of comprehensive income and presented net in 'Other gains and loss' in the period in which it arises.

##### ***Equity instruments***

The Group subsequently measures all equity investments at fair value. The Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to the consolidated statement of comprehensive income. Dividends from such investments continue to be recognised in 'other income' when the Group's right to receive payments is established.

##### *(iv) Impairment*

The Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and fair value through OCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. See Note 3.1.2 for further details.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

#### 2.13 Inventories

Inventories comprise goods and consumables which are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

#### 2.14 Trade and other receivables

Trade receivables are amounts due from Customers for services provided and goods sold in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 2.11 for further information about the Group's accounting for trade receivables and other receivables and Note 3.1.2 for a description of the Group's impairment policies.

#### 2.15 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

#### 2.16 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

#### 2.18 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred income tax assets and liabilities attributable to temporary differences and to unused tax losses. Current and deferred income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

##### *(a) Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantially enacted at the end of the reporting period in the jurisdictions where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.18 Current and deferred income tax *(Continued)*

##### *(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the companies are able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.19 Employee benefits

##### *(a) Pension obligations*

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

##### *(b) Housing funds, medical insurances and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurances. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.20 Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provisions due to passage of time is recognised as interest expense.

#### 2.21 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the consolidated financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent asset is not recognised but is disclosed in the notes to the consolidated financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.22 Revenue recognition

The Group provides property management services, value-added services to property developers and community value-added services. Revenue is recognised in the accounting period in which the services are rendered or goods are delivered, and the collectability of related consideration is reasonably assured.

When either party to a contract has performed, the Group presents the contract in the consolidated statement of financial position as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer. Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets under "contract assets" and subsequently amortised when the related revenue is recognised.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the services are provided to the customer, the Group presents the amount as a contract liability when the payment is received or a receivable is recorded (whichever is earlier).

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

##### *(a) Property management services*

The Group bills a fixed amount for services provided on a regular basis and recognises as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primary responsible for providing the property management services to Customers, the Group recognises the fee received or receivable from Customers as its revenue. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by pre-determined percentage of the total property management fee or amounts received or receivable from Customers, as its revenue as an agent for arranging and monitoring the services.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### 2.22 Revenue recognition *(Continued)*

*(b) Value-added services to property developers*

Value-added services to property developers mainly includes consultancy services to property developers and cleaning, greening, repair and maintenance services to property developers at the property pre-delivery stage. The Group agrees the price for each service with the Customers upfront and issue the monthly bill to the Customers which varies based on the actual level of service completed in that month.

*(c) Community value-added services*

These include home living services, community area services such as catering services and sales of goods (mainly groceries and home appliances) to Customers. For provision of home living services, revenue is recognised when the related services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered. For provision of community area services such as sales of goods and catering, revenue is recognised when the Group has delivered the goods and catering to the Customers.

#### 2.23 Interest income

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

#### 2.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statement of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

#### 2.25 Dividend distribution

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### 3.1.1 Market risk

###### (i) Foreign exchange risk

The Group collects all of its revenue in RMB and most of the expenditures are also denominated in RMB.

The Group has foreign currency deposits, hence exposure to exchange rate fluctuations arises. The Group currently does not have a foreign currency hedging policy. However, the management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arises.

As at 31 December 2020, the Group has cash and cash equivalent denominated in foreign currencies, which expose the Group to foreign currency risk which mainly concentrated on the exposure to Hong Kong dollars ("HKD").

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are as follows:

	As at 31 December,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cash and cash equivalents denominated in HKD	<u>465,040</u>	<u>–</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### 3.1.1 Market risk *(Continued)*

###### *(i) Foreign exchange risk (Continued)*

The following table details the Group's sensitivity to a 5% increase and decrease in RMB against the relevant foreign currencies. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represent management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes the Group's cash and cash equivalent in the foreign currency at the end of the reporting period.

	HKD Impact	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Change in profit before taxation for the year	23,252	–

###### *(ii) Interest rate risk*

The Group is exposed to fair value interest rate risk in relation to other receivables from related parties and from a third party. The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances. Management monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arises. The directors of the Company consider that the fair value rate risk and cash flow interest rate risk are insignificant.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### 3.1.2 Credit risk

Credit risks refer to the risk of losses incurred by the inability of debtors or counterparties to fulfil their contractual obligations or by the adverse changes in their credit conditions. The Group is exposed to credit risk in relation to its restricted bank deposits, cash and cash equivalents, and trade and other receivables.

The carrying amounts of trade and other receivables, restricted bank deposits and cash and cash equivalents represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with restricted bank deposits and cash and cash equivalents since they are substantially deposited at state-owned banks and other medium or large-sized listed banks of which the credit rating is high. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The credit risk of trade and other receivables is managed through an internal process. For trade and other receivables, the Group has policies in place to ensure that the services provided to customers with an appropriate credit history. For trade and other receivables, the Group has large number of Customers and there was no concentration of credit risk. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. The Group reviews regularly the recoverable amount of each individual receivable to ensure that the adequate impairment losses are made for irrecoverable amounts.

##### ***(a) Impairment assessments***

The Group formulates the credit losses of restricted bank deposits, cash and cash equivalents, and trade and other receivables using ECL models according to HKFRS 9 requirements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### 3.1.2 Credit risk *(Continued)*

###### ***(a) Impairment assessments (Continued)***

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the Customers' ability to meet its obligations
- actual or expected significant changes in the operating results of individual property developers
- significant changes in the expected performance and behavior of Customers

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### 3.1.2 Credit risk (Continued)

##### (a) Impairment assessments (Continued)

A summary of the assumptions underpinning the Group's ECL model is as follows:

Category	Group definition of category	Basis for recognition of ECL provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are past due or it becomes probable a customer will enter bankruptcy	Lifetime expected losses
Write-off	Interest and/or principal repayments are past due and there is no reasonable expectation of recovery	Asset is written off

The tables below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessments.

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	
			As at 31 December	
			2020 RMB'000	2019 RMB'000
<b>Financial assets at amortised cost</b>				
Restricted bank deposits	Performing	12-month ECL	1,219	1,559
Cash and cash equivalents	Performing	12-month ECL	617,771	37,644
Trade receivables	Performing	Lifetime ECL	243,213	146,279
Other receivables	Performing	12-month ECL	28,374	604,452

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### 3.1.2 Credit risk (Continued)

###### (a) Impairment assessments (Continued)

- (i) Restricted bank deposits and cash and cash equivalents

For restricted bank deposits and cash and cash equivalent, the Group determines the ECL by referring to external credit rating of the related banks. The identified impairment loss was immaterial.

- (ii) Trade receivables

For trade receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by using a provision matrix.

Trade receivables are categorised below:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Due from independent third parties	167,896	109,349
Due from related parties (Note 33)	75,317	36,930
	<u>243,213</u>	<u>146,279</u>

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### 3.1.2 Credit risk (Continued)

##### (a) Impairment assessments (Continued)

##### (ii) Trade receivables (Continued)

Trade receivable due from independent third parties:

To measure the expected credit losses, trade receivables due from independent third parties have been grouped based on shared credit risk characteristics and days past due.

The expected loss rates based on the payment profiles of services over a period of 60 months before the year end date. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of customers to settle the receivables.

The loss allowance provision for the trade receivables due from independent third parties was determined as follows:

	As at 31 December 2020								Total
	0-60 days	61-180 days	181-365 days	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	
Expected loss rate	6.6%	6.6%	6.6%	33.8%	90.2%	98.7%	99.7%	100.0%	
Gross carrying amount (RMB'000)	48,092	40,668	40,215	25,714	4,607	4,251	2,066	2,283	167,896
Loss allowance provision (RMB'000)	<u>3,152</u>	<u>2,665</u>	<u>2,636</u>	<u>8,696</u>	<u>4,155</u>	<u>4,196</u>	<u>2,059</u>	<u>2,283</u>	<u>29,842</u>
	As at 31 December 2019								
	0-60 days	61-180 days	181-365 days	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Expected loss rate	5.8%	5.8%	5.8%	33.3%	88.9%	98.2%	99.4%	100.0%	
Gross carrying amount (RMB'000)	21,175	11,269	53,353	10,615	6,558	3,363	1,703	1,313	109,349
Loss allowance provision (RMB'000)	<u>1,228</u>	<u>654</u>	<u>3,094</u>	<u>3,535</u>	<u>5,829</u>	<u>3,302</u>	<u>1,693</u>	<u>1,313</u>	<u>20,648</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### 3.1.2 Credit risk *(Continued)*

##### **(a) Impairment assessments *(Continued)***

##### (ii) Trade receivables *(Continued)*

Trade receivable due from related parties:

To measure the expected credit losses, trade receivables due from related parties have been grouped based on shared credit risk characteristics. The Group determines the expected credit losses by referring to external credit rating and adjusts the rating to reflect current and forward-looking information on macroeconomic factors affecting the ability of the related parties to settle the receivables. The ECL on trade receivables due from related parties recognised during the year ended 31 December 2020 were RMB33,000 (2019:Nil).

The movements of loss allowances for trade receivables are as follows:

	Due from independent third parties		Due from related parties		Total	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At the beginning of the year	20,648	15,732	-	-	20,648	15,732
Loss allowance recognised	9,194	4,942	33	-	9,227	4,942
Receivables written off as uncollectable	-	(26)	-	-	-	(26)
At the end of the year	<u>29,842</u>	<u>20,648</u>	<u>33</u>	<u>-</u>	<u>29,875</u>	<u>20,648</u>

As at 31 December 2020, the gross carrying amounts of trade receivables were RMB243,213,000 (2019: RMB146,279,000) and thus the maximum exposure losses were RMB213,338,000 (2019: RMB125,631,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### 3.1.2 Credit risk (Continued)

###### (a) Impairment assessments (Continued)

###### (iii) Other receivables

For other receivables, for the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

The Group applies the HKFRS 9 three-stage approach to measuring ECL. Other receivable comprises: deposits and payments made on behalf of Customers, amount due from related parties, advances to a third party and others. Impairment on other receivables is measured as 12-month expected credit losses, depending on whether there has been a significant increase in credit risk of receivable has occurred since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit loss.

The movements of loss allowances for other receivables are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
At the beginning of the year	–	–
Loss allowance recognised	388	–
At the end of the year	388	–

As at 31 December 2020, the gross carrying amounts of other receivables were RMB28,374,000 (2019: RMB604,452,000) and thus the maximum exposure losses were RMB27,986,000 (2019: RMB604,452,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT *(Continued)*

#### 3.1 Financial risk factors *(Continued)*

##### 3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

The table below analyses the Group's financial liabilities into relevant maturity grouping based on the remaining period to the contractual maturity date.

	On demand or less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at 31 December 2020					
Trade and other payables (excluding payroll and taxes payable)	205,155	-	-	205,155	205,155
Lease liabilities	1,707	380	94	2,181	2,091
	<u>206,862</u>	<u>380</u>	<u>94</u>	<u>207,336</u>	<u>207,246</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 3 FINANCIAL RISK MANAGEMENT (Continued)

#### 3.1 Financial risk factors (Continued)

##### 3.1.3 Liquidity risk (Continued)

	On demand or less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Total undiscounted cash flows <i>RMB'000</i>	Carrying amount <i>RMB'000</i>
As at 31 December 2019					
Trade and other payables (excluding payroll and taxes payable)	497,941	–	–	497,941	497,941
Lease liabilities	1,336	1,279	–	2,615	2,523
	<u>499,277</u>	<u>1,279</u>	<u>–</u>	<u>500,556</u>	<u>500,464</u>

#### 3.2 Fair value estimation

The carrying amounts of the Group's financial assets and liabilities approximate their fair values due to the short maturities of these assets and liabilities.

#### 3.3 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder, issue new shares, or request contributions from owners.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings less cash and cash equivalents and restricted bank deposits. Total capital is calculated as 'Total equity' shown in the consolidated statement of financial position. As at 31 December 2020 and 2019, the Group has a net cash position.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

#### (a) ECL on trade receivables

The Group makes allowances on trade receivables based on estimation about risk of default and expected credit loss rates. The Group applied judgements in making the estimation and selecting the inputs used in the ECL calculation, based on the Group's customers' settlement history and financial position as well as forward looking information including industry and external macroeconomic data.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and the related loss allowances in the period in which such estimate is changed. For details of the key assumptions and inputs used, see Note 3.1.2.

#### (b) Goodwill impairment assessment

Management assessed the impairment of goodwill by determining the recoverable amounts of the CGU to which goodwill has been allocated based on value-in-use calculation. Significant judgements and estimates involved in the goodwill impairment assessment include the adoption of valuation method and the use of key assumptions in the valuation. The recoverable amount of goodwill is estimated annually to evaluate whether or not there is any impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The details of the key assumptions used are set out in Note 19.

#### (c) Current and deferred income tax

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

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC. CODM reviews the operating results of the business as one operating segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC and all of the Group's revenue were derived in the PRC during the years.

As at 31 December 2020 and 2019, all of the non-current assets were located in the PRC.

### 6 REVENUE

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Types of services:</b>		
Property management services	507,595	365,635
Value-added services to property developers	72,783	67,499
Community value-added services	34,718	21,757
	<u>615,096</u>	<u>454,891</u>
<b>Revenue is recognised:</b>		
– Over time	606,104	447,204
– At a point in time	8,992	7,687
	<u>615,096</u>	<u>454,891</u>

For the year ended 31 December 2020, revenue from the companies controlled and jointly controlled by Mr. Shum contributed 13% (2019: 17%) of the Group's revenue. Other than these companies, none of the Group's Customers contributed 10% or more of the Group's revenue during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 7 CONTRACTS WITH CUSTOMERS

#### (a) Contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Contract liabilities	<u>88,232</u>	<u>77,326</u>

Contract liabilities of the Group mainly arise from the advance payments made by Customers while the underlying services are yet to be provided. Such liabilities increased as a result of the growth of the Group's business.

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year:		
Property management services	<u>77,326</u>	<u>44,182</u>

#### (b) Unsatisfied performance obligations

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the Customer of the Group's performance to date, on a regular basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these type of contracts. The majority of the property management service contracts do not have a fixed term. The term of the contracts for value-added services to property developers is generally set to expire when the counterparties notify the Group that the services are no long required.

For other value-added services, they are rendered in a short period of time and there is no material unsatisfied performance obligation at the end of the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 8 OTHER INCOME AND EXPENSES, NET

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Government grants	3,660	592
Value-added tax refund	2,161	1,134
Car park handling fee income	487	1,454
Interest income		
– on bank deposits	66	48
– on amounts due from related parties	51	124
– on advances to a third party	–	1,192
Late fees and penalties	(2,096)	(3,235)
Others	417	406
	<u>4,746</u>	<u>1,715</u>

### 9 OTHER GAINS AND LOSS, NET

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Exchange gain	350	–
Gain on deemed disposal of interests in a joint venture (Note 32)	92	–
Loss on disposals of property and equipment	(8)	–
	<u>434</u>	<u>–</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 10 EXPENSES BY NATURE

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Employee benefit expenses (Note 11)	332,884	273,747
Maintenance expenses	39,945	30,833
Cleaning and security expenses	28,337	17,403
Listing expenses	27,085	–
Utilities expenses	26,562	22,219
Depreciation and amortisation charges	11,118	2,908
Office and communication expenses	9,837	7,584
Advertising and promotion expenses	6,210	3,777
Travelling and entertainment expenses	5,280	4,525
Taxes and surcharges	4,205	3,480
Greening and gardening expenses	3,892	5,526
Bank charges	3,432	1,245
Cost of inventories sold	3,259	3,758
Auditor's remuneration		
– Annual audit services	2,280	–
– Non audit services	100	–
Housekeeping and catering	1,170	1,689
Professional service fees	1,152	1,119
Short-term lease expenses	1,143	463
Other expenses	1,162	2,634
	509,053	382,910
Total cost of services and sales, selling and marketing expenses and administrative expenses	509,053	382,910

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 11 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Wages, salaries and bonuses	286,187	216,729
Social insurance and housing provident fund contributions	27,358	39,869
Other benefits	19,339	17,149
	<u>332,884</u>	<u>273,747</u>

All employees of subsidiaries in the PRC participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the government authorities. Except for the contributions made to these social insurance plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the contributions that should be borne by the companies within the Group as required by the above social insurance plans are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

During the year ended 31 December 2020, a government policy was published to deduct or exempt the payment of certain social insurance contributions as a result of regulatory supportive policies during Novel Coronavirus epidemic.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 DIRECTORS' EMOLUMENTS

#### (a) Directors' emoluments

The remuneration of each director and chief executive officer of the Company is set out below:

	Salaries and other allowances <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Social insurance and housing provident fund contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2020				
<b>Executive directors</b>				
Mr. Zhu Hongge	1,177	555	24	1,756
Ms. Mu Liyuan	294	127	24	445
<b>Non-executive directors</b>				
Mr. Huang Fuqing	-	-	-	-
Mr. Pang Bo	-	-	-	-
<b>Independent non-executive directors</b>				
Ms. Liang Yunxu	17	-	-	17
Mr. Wang Huimin	17	-	-	17
Mr. Wong Kwok Yin	17	-	-	17
	<u>1,522</u>	<u>682</u>	<u>48</u>	<u>2,252</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 DIRECTORS' EMOLUMENTS (Continued)

#### (a) Directors' emoluments (Continued)

	Salaries and other allowances <i>RMB'000</i>	Discretionary bonuses <i>RMB'000</i>	Social insurance and housing provident fund contributions <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2019				
<b>Executive directors</b>				
Mr. Zhu Hongge	822	383	44	1,249
Ms. Mu Liyuan	225	69	22	316
<b>Non-executive directors</b>				
Mr. Huang Fuqing	–	–	–	–
Mr. Pang Bo	–	–	–	–
<b>Independent non-executive directors</b>				
Ms. Liang Yunxu	–	–	–	–
Mr. Wang Huimin	–	–	–	–
Mr. Wong Kwok Yin	–	–	–	–
	<u>1,047</u>	<u>452</u>	<u>66</u>	<u>1,565</u>

- (i) Mr. Zhu Hongge and Ms. Mu Liyuan were appointed as executive directors of the Company on 11 June 2020.
- (ii) Mr. Huang Fuqing and Mr. Pang Bo were appointed as non-executive directors of the Company on 11 June 2020. During the year ended 31 December 2020, they received emoluments from the companies controlled by Mr. Shum for services provided to the Group. No apportionment has been made as the directors of the Company are of the opinion that it is impracticable to apportion the amounts between their services to the companies controlled by Mr. Shum and the Group.
- (iii) Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin were appointed as independent non-executive directors of the Company on 21 October 2020.
- (iv) Mr. Zhu Hongge is also the chief executive officer of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 DIRECTORS' EMOLUMENTS *(Continued)*

#### (b) Directors' retirement benefits and termination benefits

No retirement benefits were paid to or receivable by any directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking for the year ended 31 December 2020 (2019: Nil).

No payment was made to the directors as compensation for early termination of appointment for the year ended 31 December 2020 (2019: Nil).

None of the directors of the Company waived any emoluments for the year ended 31 December 2020 (2019: Nil).

#### (c) Consideration provided to third parties for joining the Group or for making available director's services

No emoluments were paid by the Group to the directors as an inducement to joint, or upon joining the Group, or as compensation for loss of office for the year ended 31 December 2020 (2019: Nil).

#### (d) Information about loans, quasi-loans and other dealings in favour of the director, controlled bodies corporate by and controlled entities with such director

Save as disclosed in Note 33, there were no other loans, quasi-loans and other dealings in favour of the directors, controlled bodies corporate by and connected entities with such directors for the year ended 31 December 2020 (2019: Nil).

#### (e) Director's material interests in transactions, arrangements or contracts

Save as disclosed in Note 33, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the years or at any time for the year ended 31 December 2020 (2019: Nil).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 12 DIRECTORS' EMOLUMENTS (Continued)

#### (f) Five highest paid individuals

The five individuals with the highest emoluments in the Group include 1 director during the year (2019: 2 directors). The emoluments payable to the remaining 4 individuals for the year (2019: 3 individuals) are as follows:

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Salaries and other allowances	1,727	687
Discretionary bonuses	446	221
Social insurance and housing provident fund contributions	88	99
	<u>2,261</u>	<u>1,007</u>

The emoluments of those individuals fell within the following bands:

	Year ended 31 December	
	2020	2019
	Number of individuals	
Nil to HKD1,000,000	<u>4</u>	<u>3</u>

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

### 13 FINANCE COSTS

	Year ended 31 December	
	2020 RMB'000	2019 RMB'000
Interest expense on lease liabilities	<u>119</u>	<u>19</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 14 INCOME TAX EXPENSE

	Year ended 31 December	
	2020 <i>RMB' 000</i>	2019 <i>RMB' 000</i>
Current income tax	40,191	21,721
Deferred income tax	<u>(7,352)</u>	<u>(3,631)</u>
	<u><b>32,839</b></u>	<u><b>18,090</b></u>

(a) Corporate income tax

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

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2019: Nil).

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rates (i.e. ranging from 5% to 25%) on the estimated assessable profits for the year on the existing legislation, interpretations and practices in respect thereof.

(b) The income tax expense for the year can be reconciled to the profit before tax as follows:

	Year ended 31 December	
	2020 <i>RMB' 000</i>	2019 <i>RMB' 000</i>
Profit before income tax	<u>102,807</u>	<u>68,304</u>
Tax calculated at applicable corporate income tax rate of 25%	25,702	17,076
Effects of different tax rates applicable to different subsidiaries of the Group	(480)	(195)
Tax losses not recognised as deferred tax assets	744	–
Effects of share of results of investments accounted for using equity method	(330)	108
Expenses not deductible for taxation	<u>7,203</u>	<u>1,101</u>
	<u><b>32,839</b></u>	<u><b>18,090</b></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 15 EARNINGS PER SHARE – BASIC AND DILUTED

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year. The number of ordinary shares used for such purpose is based on the assumption that the Reorganisation and the capitalisation issuance of shares as detailed in Note 25, have been in effect on 1 January 2019.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB' 000)	65,426	50,214
Weighted average number of ordinary shares in issue (in thousands)	459,452	450,000
Basic earnings per share (RMB)	<u>0.14</u>	<u>0.11</u>

#### (b) Diluted earnings per share

The calculation of the diluted earnings per share amount is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year ended 31 December 2020 adjusted by the potential additional shares to be issued for the over-allotment option granted (Note 36).

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (RMB' 000)	65,426	50,214
Weighted average number of ordinary shares in issue (in thousands)	459,452	450,000
Shares to be issued for over-allotment option (in thousands)	6	–
	<u>459,458</u>	<u>450,000</u>
Diluted earnings per share (RMB)	<u>0.14</u>	<u>0.11</u>

### 16 DIVIDENDS

Prior to the Listing, a dividend of RMB1,700,000 per share, totally RMB170,000,000, was declared on 20 October 2020 and paid by the Company to Chuangyuan Holdings before 31 December 2020.

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2020 of HKD64 cents per ten ordinary shares, in an aggregate amount of approximately HKD39,150,000, approximately RMB32,968,000 (2019: Nil), taking into account 611,709,000 (2019: Nil) ordinary shares in issue at the reporting date, has been proposed by the Board of Directors on 29 March 2021 and is subject to the approval by the shareholders of the Company in the forthcoming annual general meeting. The final dividend proposed has not been recognised as a liability in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 17 PROPERTY AND EQUIPMENT

	Buildings <i>RMB'000</i>	Office equipment <i>RMB'000</i>	Motor vehicles <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2020</b>				
Opening net book amount	1,478	10,432	2,723	14,633
Acquisition of a subsidiary (Note 32)	–	295	15	310
Additions	357	8,287	623	9,267
Disposals	–	(466)	(30)	(496)
Depreciation	(52)	(3,859)	(956)	(4,867)
	<u>1,783</u>	<u>14,689</u>	<u>2,375</u>	<u>18,847</u>
Closing net book amount				
<b>At 31 December 2020</b>				
Cost	2,476	26,596	4,587	33,659
Accumulated depreciation	(693)	(11,907)	(2,212)	(14,812)
	<u>1,783</u>	<u>14,689</u>	<u>2,375</u>	<u>18,847</u>
Net book amount				
<b>Year ended 31 December 2019</b>				
Opening net book amount	758	5,869	1,303	7,930
Acquisition of subsidiaries	–	553	16	569
Additions	925	6,187	2,308	9,420
Disposals	–	(341)	(612)	(953)
Depreciation	(205)	(1,836)	(292)	(2,333)
	<u>1,478</u>	<u>10,432</u>	<u>2,723</u>	<u>14,633</u>
Closing net book amount				
<b>At 31 December 2019</b>				
Cost	2,119	18,849	3,977	24,945
Accumulated depreciation	(641)	(8,417)	(1,254)	(10,312)
	<u>1,478</u>	<u>10,432</u>	<u>2,723</u>	<u>14,633</u>
Net book amount				

Depreciation was charged to the “Administrative expenses” in the consolidated statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 18 RIGHT-OF-USE ASSETS

The following tables show the movements of right-of-use assets during the year:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Cost:</b>		
At the beginning of the year	3,089	1,166
Additions	2,150	2,709
Write-off upon expiration	(420)	(786)
	<u>4,819</u>	<u>3,089</u>
<b>Accumulated depreciation:</b>		
At the beginning of the year	258	667
Charge for the year	2,658	377
Write-off upon expiration	(420)	(786)
	<u>2,496</u>	<u>258</u>
<b>Net book value at the end of the year</b>	<u>2,323</u>	<u>2,831</u>

The Group leases various offices and parking lots. Rental contracts are typically made for fixed periods of 4 months to 36 months. Payments associate with short-term leases with a lease term of 12 months or less are recognised on a straight-line basis as an expense in the consolidated statement of comprehensive income.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor.

Depreciation of right-of-use assets was charged to the "Administrative expenses" in the consolidated statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 INTANGIBLE ASSETS

	Property management contracts <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Software <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2020</b>				
Opening net book amount	20,824	14,859	–	35,683
Acquisition of a subsidiary (Note 32)	240	–	–	240
Additions	–	–	1,856	1,856
Amortisation	<u>(3,517)</u>	<u>–</u>	<u>(76)</u>	<u>(3,593)</u>
Closing net book amount	<u>17,547</u>	<u>14,859</u>	<u>1,780</u>	<u>34,186</u>
<b>At 31 December 2020</b>				
Cost	21,274	14,859	1,856	37,989
Accumulated amortisation	<u>(3,727)</u>	<u>–</u>	<u>(76)</u>	<u>(3,803)</u>
Net book amount	<u>17,547</u>	<u>14,859</u>	<u>1,780</u>	<u>34,186</u>
<b>Year ended 31 December 2019</b>				
Opening net book amount	746	–	–	746
Acquisition of subsidiaries	20,276	14,859	–	35,135
Amortisation	<u>(198)</u>	<u>–</u>	<u>–</u>	<u>(198)</u>
Closing net book amount	<u>20,824</u>	<u>14,859</u>	<u>–</u>	<u>35,683</u>
<b>At 31 December 2019</b>				
Cost	21,034	14,859	–	35,893
Accumulated amortisation	<u>(210)</u>	<u>–</u>	<u>–</u>	<u>(210)</u>
Net book amount	<u>20,824</u>	<u>14,859</u>	<u>–</u>	<u>35,683</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 19 INTANGIBLE ASSETS *(Continued)*

#### Impairment tests for goodwill

Goodwill of RMB14,859,000 arising from the acquisition of Hunan Huaguan Property Services Company Limited (“Hunan Huaguan”) has been allocated to the CGU of Hunan Huaguan for impairment testing. Management performed an impairment assessment on the goodwill at every period end. The recoverable amount of this subsidiary is determined based on value-in-use calculation.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	As at 31 December	
	2020	2019
Revenue growth rates during the projection period	1.0%-20.1%	1.4%-20.0%
Gross profit margins during the projection period	19.9%-22.4%	20.3%-21.3%
Terminal growth rate	2.6%	3.0%
Pre-tax discount rate	26.5%	27.3%

Based on management’s assessment on the recoverable amount of Hunan Huaguan, no impairment provision for the goodwill was considered necessary as at 31 December 2020 and 2019. As at 31 December 2020, the recoverable amount calculated based on value-in-use calculation exceeded the carrying value by RMB579,000 (2019: Nil).

Management of the Group believes that any reasonably possible change in key assumptions of the value-in-use calculation would not cause the carrying amount to exceed the recoverable amount of the CGU of Hunan Huaguan. The possibility of the negative impact of variation in the key assumptions, including revenue growth rates, gross profit margins, terminal growth rate and pre-tax discount rate, for goodwill impairment is considered low.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interests in joint ventures (a)	229	4,924
Interests in an associate (b)	1,609	1,600
	<u>1,838</u>	<u>6,524</u>

#### (a) Interests in joint ventures

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	4,924	–
Additions	–	5,355
Transfer to a subsidiary (Note 32)	(6,004)	–
Share of results	1,309	(431)
	<u>229</u>	<u>4,924</u>

Set out below are the details of the joint ventures:

	Place of incorporation and operation	Principal activities	Proportion of equity interests held by the Group As at 31 December	
			2020	2019
Zhejiang Xingjia Property Services Company Limited (浙江星佳物業服務有限公司) (“Zhejiang Xingjia”) (i)	the PRC	Property management	51%	51%
Chongqing Jiabao Property Services Company Limited (重慶佳寶物業服務有限公司) (“Chongqing Jiabao”)	the PRC	Property management	–	51%

\* The English names of the above entities represent the best efforts made by the management of the Company in translating their Chinese names as they do not have official English names.

(i) According to the Articles of Association of Zhejiang Xingjia, all significant and relevant matters of the entity require unanimous consent by all shareholders. Zhejiang Xingjia is therefore accounted for as joint venture of the Group.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 20 INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD *(Continued)*

#### (a) Interests in joint ventures *(Continued)*

The directors of the Company consider that none of the joint ventures were significant to the Group and thus the individual financial information of the joint ventures was not disclosed.

As at 31 December 2020 and 2019, there were no significant contingent liabilities and commitments relating to the Group's interests in the joint ventures.

#### (b) Interests in an associate

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At the beginning of the year	1,600	–
Acquisition of an associate	–	1,600
Share of results	9	–
	<hr/>	<hr/>
At the end of the year	<b>1,609</b>	<b>1,600</b>

Set out below are the details of the associate:

	Place of incorporation and operation	Principal activities	Proportion of equity interests held by the Group As at 31 December	
			2020	2019
Hunan Beileide Property Service Company Limited (湖南貝雷德物業管理有限公司) ("Hunan Beileide") (i)	the PRC	Property management	8%	8%

\* The English name of the above entity represent the best efforts made by the management of the Company in translating its Chinese names as it does not have official English name.

(i) Hunan Beileide is accounted for as an associate of the Group due to representation in the board of directors.

The directors of the Company consider that the associate was not significant to the Group and thus the financial information of the associate was not disclosed.

As at 31 December 2020 and 2019, there were no significant contingent liabilities and commitments relating to the Group's interests in the associate.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 21 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Financial assets at amortised cost:</b>		
Trade and other receivables (excluding prepayments)	241,324	730,083
Restricted bank deposits	1,219	1,559
Cash and cash equivalents	<u>617,771</u>	<u>37,644</u>
	<u><b>860,314</b></u>	<u><b>769,286</b></u>

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
<b>Financial liabilities at amortised cost:</b>		
Trade and other payables (excluding payroll and taxes payable)	205,155	497,941
Lease liabilities	<u>2,091</u>	<u>2,523</u>
	<u><b>207,246</b></u>	<u><b>500,464</b></u>

### 22 INVENTORIES

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Goods and consumables	<u>501</u>	<u>880</u>

Inventories recognised as expenses charged to the consolidated statement of comprehensive income during the year amounted to RMB3,259,000 (2019: RMB3,758,000).

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables (a)	213,338	125,631
Other receivables (b)	27,986	604,452
Prepayments	5,159	8,356
	<u>246,483</u>	<u>738,439</u>
Trade and other receivables, net	<u>246,483</u>	<u>738,439</u>

#### (a) Trade receivables

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	243,213	146,279
Less: allowance for impairment (Note 3.1.2)	<u>(29,875)</u>	<u>(20,648)</u>
	<u>213,338</u>	<u>125,631</u>

No credit term is granted to Customers. The ageing analysis of the trade receivables based on invoice date was as follows:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0-60 days	72,868	37,120
61-180 days	51,933	22,623
181-365 days	62,387	62,470
1-2 years	42,304	10,923
2-3 years	4,915	6,764
3-4 years	4,457	3,363
4-5 years	2,066	1,703
More than 5 years	<u>2,283</u>	<u>1,313</u>
	<u>243,213</u>	<u>146,279</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 23 TRADE AND OTHER RECEIVABLES *(Continued)*

(b) Other receivables

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Other receivables		
– Deposits and payments made on behalf of Customers	23,329	19,370
– Amounts due from related parties	–	544,009
– Advances to a third party (i)	–	38,542
– Others	5,045	2,531
	28,374	604,452
Less: allowance for impairment (Note 3.1.2)	(388)	–
	27,986	604,452

(i) The advances to a third party were interest-bearing at a rate of 4.35% per annum and were repaid in January 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 24 RESTRICTED BANK DEPOSITS AND CASH AND CASH EQUIVALENTS

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cash at banks and on hand	618,990	39,203
Less: Restricted bank deposits (b)	<u>(1,219)</u>	<u>(1,559)</u>
Cash and cash equivalents	<u>617,771</u>	<u>37,644</u>
Cash at banks and on hand are denominated in:		
HKD	465,040	–
RMB	<u>153,950</u>	<u>39,203</u>
	<u>618,990</u>	<u>39,203</u>

(a) The above bank balances carry interest at variable rates with an average interest rate of 0.3% (2019: 0.3%) per annum.

(b) Renovation guarantee deposits received from Customers were deposited in restricted bank accounts according to the requirements of the local government authorities.

### 25 SHARE CAPITAL

	Number of ordinary shares	Nominal value of shares <i>HKD'000</i>	Equivalent nominal value of shares <i>RMB'000</i>
<b>Authorised</b>			
At 5 March 2020 (date of incorporation) (a)	39,000,000	390	348
Increase in authorised share capital (a)	<u>1,961,000,000</u>	<u>19,610</u>	<u>16,847</u>
At 31 December 2020	<u>2,000,000,000</u>	<u>20,000</u>	<u>17,195</u>
<b>Issued and fully paid</b>			
Issued on the date of incorporation (b)	1	–	–
Issued in connection with Reorganisation (c)	99	–	–
Issued upon Listing (d)	150,000,000	1,500	1,262
Issued in connection with Capitalisation (e)	<u>449,999,900</u>	<u>4,500</u>	<u>3,866</u>
At 31 December 2020	<u>600,000,000</u>	<u>6,000</u>	<u>5,128</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 25 SHARE CAPITAL *(Continued)*

- (a) The Company was incorporated in the Cayman Islands on 5 March 2020 with authorised and issued share capital of HKD390,000 divided into 39,000,000 ordinary shares of HKD0.01 each. According to the resolutions of the sole shareholder passed on 21 October 2020, the authorised share capital of the Company was increased from HKD390,000 to HKD20,000,000 divided into 2,000,000,000 shares by the creation of an additional 1,961,000,000 shares.
- (b) Upon incorporation of the Company, one share was issued and allotted to an initial subscriber who is an independent third party, which was then transferred to Chuangyuan Holdings on the same date.
- (c) Pursuant to the Reorganisation (Note 1.2), on 9 April 2020, the Company acquired 100% of the issued shares of Chuangyuan Development from Chuangyuan Holdings. In consideration of such acquisition, the Company issued and allotted 99 shares to Chuangyuan Holdings on the same date.
- (d) On 9 December 2020, upon Listing, the Company issued 150,000,000 new ordinary shares in its initial public offering at the price of HKD3.86 per share, and raised gross proceeds of approximately HKD579,000,000 (equivalent to approximately RMB486,964,000). The amount in excess of nominal value of share capital issued of RMB 485,702,000 was credited to share premium account (Note 26).
- (e) According to the resolutions of the sole shareholder passed on 21 October 2020 and with the share premium amount of the Company being credited as a result of the issue of shares pursuant to the Listing, the Company capitalised HKD4,499,999 standing to the credit of the share premium account of the Company by applying such sum in paying up in full at par 449,999,900 shares for issue and allotment to Chuangyuan Holdings (the “Capitalisation”).



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 26 RESERVES

	Share premium <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Statutory reserves <i>RMB'000</i>	Others reserves <i>RMB'000</i>	Total <i>RMB'000</i>
At 1 January 2020	–	74,089	14,845	62,214	151,148
Profit for the year	–	65,426	–	–	65,426
Appropriation of statutory reserves	–	(10,955)	10,955	–	–
Dividends paid	–	–	–	(170,000)	(170,000)
Capitalisation issue (Note 25)	(3,866)	–	–	–	(3,866)
Issue of new shares upon Listing (Note 25)	485,702	–	–	–	485,702
Share issuance costs (a)	<u>(32,355)</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>(32,355)</u>
<b>At 31 December 2020</b>	<b><u>449,481</u></b>	<b><u>128,560</u></b>	<b><u>25,800</u></b>	<b><u>(107,786)</u></b>	<b><u>496,055</u></b>
At 1 January 2019	–	29,173	9,547	62,214	100,934
Profit for the year	–	50,214	–	–	50,214
Appropriation of statutory reserves	–	<u>(5,298)</u>	<u>5,298</u>	–	–
<b>At 31 December 2019</b>	<b><u>–</u></b>	<b><u>74,089</u></b>	<b><u>14,845</u></b>	<b><u>62,214</u></b>	<b><u>151,148</u></b>

(a) Share issuance costs mainly include share underwriting commissions, lawyers' fees, reporting accountant's fee and other related costs associated with the issue of shares.

### 27 NON-CONTROLLING INTERESTS

There is no subsidiary with material non-controlling interests during the years ended 31 December 2020 and 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 28 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade payables (a)	23,822	15,981
Other payables		
– Utility and other payables (b)	40,810	43,960
– Owners' maintenance fund (c)	37,836	32,764
– Deposits received	69,320	58,302
– Consideration payable for business combinations	285	27,753
– Amounts due to related parties	–	304,200
– Listing expenses and share issuance costs payable	18,743	–
– Payroll payable	87,515	69,150
– Other taxes payables	12,802	9,474
– Others	14,339	14,981
	281,650	560,584
	305,472	576,565

(a) The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
0-60 days	17,307	10,722
61-180 days	1,710	2,142
181-365 days	1,760	662
more than 1 year	3,045	2,455
	23,822	15,981
	23,822	15,981

(b) The amounts represented receipts from Customers to settle their utility bills and other charges on their behalf.

(c) The amounts represented various proceeds received on behalf of the property owners.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 DEFERRED INCOME TAX

	As at 31 December	
	2020 RMB'000	2019 RMB'000
Deferred income tax assets:		
– to be recovered within 12 months	12,468	7,367
– to be recovered over 12 months	5,347	3,918
	<u>17,815</u>	<u>11,285</u>
Deferred income tax liabilities:		
– to be recovered within 12 months	889	879
– to be recovered over 12 months	3,556	4,328
	<u>4,445</u>	<u>5,207</u>

The movements in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, were as follows:

Deferred income tax assets:

	Allowance for impairment of financial assets RMB'000	Accrued expenses RMB'000	Others RMB'000	Total RMB'000
At 1 January 2020	5,136	6,037	112	11,285
Credited to the consolidated statement of comprehensive income	<u>2,282</u>	<u>2,358</u>	<u>1,890</u>	<u>6,530</u>
At 31 December 2020	<u>7,418</u>	<u>8,395</u>	<u>2,002</u>	<u>17,815</u>
At 1 January 2019	3,926	3,299	467	7,692
Acquisition of a subsidiary	–	–	11	11
Credited/(charged) to the consolidated statement of comprehensive income	<u>1,210</u>	<u>2,738</u>	<u>(366)</u>	<u>3,582</u>
At 31 December 2019	<u>5,136</u>	<u>6,037</u>	<u>112</u>	<u>11,285</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 29 DEFERRED INCOME TAX *(Continued)*

Deferred income tax liabilities:

	Fair value gain from business combinations <i>RMB'000</i>
At 1 January 2020	5,207
Acquisition of a subsidiary (Note 32)	60
Credited to the consolidated statement of comprehensive income	<u>(822)</u>
At 31 December 2020	<u><u>4,445</u></u>
At 1 January 2019	186
Acquisition of subsidiaries	5,070
Credited to the consolidated statement of comprehensive income	<u>(49)</u>
At 31 December 2019	<u>5,207</u>

Under the income tax laws in the PRC, withholding tax is imposed on dividend declared in respect of profit earned by the PRC subsidiaries. As at 31 December 2020, the retained earnings of the Group's PRC subsidiaries and not yet remitted to their overseas holding companies incorporated outside PRC, for which no deferred income tax liabilities had been provided, were approximately RMB128,560,000 (2019: RMB74,089,000). Such earnings are expected to be retained by the PRC subsidiaries for reinvestment purposes and would not be remitted to their overseas holding companies in the foreseeable future based on management's estimation of overseas funding requirements.

Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefits through future taxable profits is probable. For the year ended 31 December 2020, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB3,441,000 (2019: nil) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of five years.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 CASH FLOW INFORMATION

#### (a) Cash generated from operations

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Profit before taxation	<u>102,807</u>	<u>68,304</u>
<b>Profit before taxation</b>		
Adjustments for		
– Depreciation of property and equipment	4,867	2,333
– Depreciation of right-of use assets	2,658	377
– Amortisation of intangible assets	3,593	198
– Impairment loss of financial assets	9,615	4,942
– Interest income (Note 8)	(117)	(1,364)
– Finance cost (Note 13)	119	19
– Share of results of investments accounted for using the equity method (Note 20)	(1,318)	431
– Gain on deemed disposal of interests in a joint venture	(92)	–
– Exchange losses	968	–
Changes in working capital (excluding the effects of acquisition of subsidiaries):		
– Decrease/(increase)in restricted bank deposits	340	(208)
– Decrease/(increase)in inventories	379	(586)
– Increase in trade and other receivables	(88,900)	(68,243)
– Increase in contract liabilities	10,906	18,456
– Increase in trade and other payables	47,651	43,499
Cash generated from operations	<u><u>93,476</u></u>	<u><u>68,158</u></u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 CASH FLOW INFORMATION *(Continued)*

#### (b) Disposal of property and equipment

In the consolidated statement of cash flows, proceeds from disposals of property and equipment comprise:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Net book amount (Note 17)	496	953
Loss on disposals	(8)	–
	488	953
Proceeds from disposals	488	953

#### (c) Net debt

This section sets out an analysis of net debt and the movements in liabilities from financing activities:

	Lease liabilities <i>RMB'000</i>	Payable for acquisition included in amounts due to related parties <i>RMB'000</i>	Other amounts due to related parties <i>RMB'000</i>	Total <i>RMB'000</i>
Net debt as at 1 January 2020	2,523	4,200	300,000	306,723
Cash flows	(2,700)	–	(300,000)	(302,700)
Non-cash				
– Interest expenses	119	–	–	119
– Acquisition of lease contracts	2,149	–	–	2,149
– Offsetting against other receivables	–	(4,200)	–	(4,200)
	2,091	–	–	2,091
Net debt as at 31 December 2020	2,091	–	–	2,091
Net debt as at 1 January 2019	501	300,000	–	300,501
Cash flows	(402)	(300,000)	300,000	(402)
Non-cash				
– Interest expenses	19	–	–	19
– Acquisition of a subsidiary	2,405	4,200	–	6,605
	2,523	4,200	300,000	306,723
Net debt as at 31 December 2019	2,523	4,200	300,000	306,723

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 30 CASH FLOW INFORMATION *(Continued)*

(d) The net cash (paid for)/acquired from acquisition of subsidiaries represent

	Year ended 31 December	
	2020	2019
Settlement of consideration payable	(27,468)	(8,603)
Cash flow on business combination (Note 32)	<u>2,803</u>	<u>15,034</u>
Cash (paid)/acquired	<u>(24,665)</u>	<u>6,431</u>

### 31 COMMITMENTS

#### Operating lease commitments

The Group's lease commitments under non-cancellable short-term and low-value operating leases are as follows:

	As at 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
No later than 1 year	<u>552</u>	<u>261</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 BUSINESS COMBINATIONS

Before 30 December 2020, the Group held 51% equity interests in Chongqing Jiabao and according to the Articles of Association of Chongqing Jiabao, all significant and relevant matters of Chongqing Jiabao require unanimous consent by all shareholders. Chongqing Jiabao was thus accounted for as a joint venture of the Group.

As at 30 December 2020, the Group and Chongqing Baodi Industrial Development Co., Ltd (重慶寶地實業發展有限公司), the other shareholder of Chongqing Jiabao, revised the Articles of Association of Chongqing Jiabao resulting that the Group obtained control of Chongqing Jiabao. The transaction was treated as a business combination of subsidiary. Details of the consideration and the financial information of Chongqing Jiabao as at the acquisition date are as follows:

	<i>RMB'000</i>
<b>Purchase consideration</b>	
– Fair value of investments in a joint venture held before business combination	<u>6,096</u>
<b>Total recognised amounts of identifiable assets acquired and liabilities assumed</b>	
Property and equipment	310
Intangible assets – property management contracts	240
Trade and other receivables	11,310
Cash and cash equivalent	2,803
Trade and other payables	(2,423)
Current income tax liabilities	(227)
Deferred tax liabilities	<u>(60)</u>
 Total identifiable net assets	 11,953
Non-controlling interests	<u>(5,857)</u>
	<u>6,096</u>
 Cash flows on business combination, net of cash acquired	
– cash considerations	–
– cash and cash equivalents in the subsidiary acquired	<u>2,803</u>
 Net cash inflow on acquisition	 <u>2,803</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 32 BUSINESS COMBINATIONS *(Continued)*

Valuation was performed by an independent valuer to determine the fair value of the identified property management contracts at the acquisition date. The valuation method used is the multi-period excess earnings method. The key assumptions applied in determining the fair value of property management contracts at the date of acquisition are disclosed as follows:

Gross profit margin	13.9%
Post-tax discount rate	17.7%

The acquired business contributed total revenues of nil and net profit of nil to the Group for the period from their respective acquisition date to 31 December 2020. Had this business been consolidated from 1 January 2020, the statement of comprehensive income of the Group would show proforma revenue and profit for the year ended 31 December 2020 of RMB635,911,000 and RMB69,968,000 respectively.

Upon completion of the transaction on 30 December 2020, the difference between the fair value and the carrying amount of investment in Chongqing Jiabao of RMB92,000 was recognised in other gains (Note 9).

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS

Apart from those related party transactions disclosed elsewhere in the consolidated financial statements, the following transactions were carried out with related parties:

#### (a) Transactions with related parties

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Entities controlled by Mr. Shum		
– Provision of property management services	12,970	10,775
– Provision of value-added services to property developers	67,152	65,568
– Payment on leases	151	99
Entities jointly controlled by Mr. Shum		
– Provision of property management services	305	–
– Provision of value-added services to property developers	2,379	1,155
Key management of the Group		
– Interest received	51	124
Entity has significant influence over a subsidiary of the Company		
– Provision of value-added services to property developer	592	–
– Provision of property management services	1,779	–

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS *(Continued)*

#### (a) Transactions with related parties *(Continued)*

- (i) The prices for the above service and other transactions were determined in accordance with the terms mutually agreed by the contract parties.
- (ii) On 20 January 2020, the Group entered into lease agreements for leasing of office premises with Jiaxing Jiayuan Square Commercial Management Company Limited, which was controlled by Mr. Shum. The leasing term was from 1 January 2020 to 31 December 2022. The total contract amount was approximately RMB500,000.

#### (b) Key management compensation

Key management group includes directors and senior managements of the Group. The compensation paid or payable to key management is shown below:

	Year ended 31 December	
	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
– Salaries, wages and bonuses	4,473	2,481
– Social insurance and housing provident fund contribution	160	176
	4,633	2,657

#### (c) Balances with related parties

During the years ended 31 December 2020 and 2019, certain subsidiaries of Jiayuan International primarily engaged in property development business (“Property Development Companies”) entered into sales contracts with the property buyers, which included sales of properties developed by them and provision of property management services by the Group for a certain period of time. The Property Development Companies collected the contract sum from the property buyers and then transferred the amounts relating to the part of property management services to the Group on a regular basis.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 33 SIGNIFICANT RELATED PARTY TRANSACTIONS (Continued)

#### (c) Balances with related parties (Continued)

Balance with related parties were included in the following items:

	As at 31 December	
	2020 RMB'000	2019 RMB'000
<b>Entities controlled by Mr. Shum</b>		
Trade in nature and included in:		
– Trade receivables	71,900	35,910
– Deposits and payments made on behalf of Customers	3,447	2,502
– Prepayments	–	1,218
– Trade payables	176	242
– Utility and other payables	3,080	244
– Contract liabilities	615	1,233
Non-trade in nature and included in:		
– Amounts due from related parties (i)	–	517,625
– Amounts due to related parties	–	300,000
<b>Entities jointly controlled by Mr. Shum</b>		
Trade in nature and included in:		
– Trade receivables	2,879	1,020
– Utility and other payables	103	–
<b>Key management of the Group</b>		
Non-trade in nature and included in:		
– Amounts due from related parties	–	2,724
<b>Entity jointly controlled by the Group</b>		
Trade in nature and included in:		
– Deposits and payments on behalf of Customers	35	1,045
– Utility and other payables	–	2,792
<b>Entity has significant influence over a subsidiary of the Company</b>		
Trade in nature and included in:		
– Trade receivables	538	–
– Utility and other payables	9	–
Non-trade in nature and included in:		
– Amounts due from related parties	–	23,660
– Amounts due to related parties	–	4,200
– Consideration payable for business combinations	–	26,978

*Notes:*

- (i) In December 2018, Mr. Shum agreed to inject RMB300,000,000 into Chuangyuan Holdings which in turn will inject the same amount into Chuangyuan Development. The amount was included in amounts due from related parties as at 31 December 2019 and received in 2020.
- (ii) Except for the amount due from key management of the Group of RMB2,600,000 which carried an interest at a rate of 4.75% per annum and repayable on demand, the remaining receivables due from related parties as at 31 December 2020 and 2019 are interest-free and repayable on demand.
- (iii) The amounts payable to related parties are interest-free and repayable on demand.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	<i>Note</i>	As at 31 December 2020 <i>RMB'000</i>
<b>ASSETS</b>		
<b>Non-current asset</b>		
Investments in subsidiaries	(a)	100,934
<b>Current assets</b>		
Other receivables	(b)	50,122
Cash and cash equivalents		465,230
		515,352
<b>Total assets</b>		616,286
<b>EQUITY</b>		
Share capital		5,128
Reserves	(c)	572,249
<b>Total equity</b>		577,377
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Other payables		38,909
<b>Total liabilities</b>		38,909
<b>Total equity and liabilities</b>		616,286

The statement of financial position of the Company was approved by the Board of Directors on 29 March 2021 and was signed on its behalf by:

Mr. Zhu Hongge  
*Director*

Ms. Mu Liyuan  
*Director*

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 34 STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(Continued)*

(a) Investments in subsidiaries

Investments in subsidiaries represent the deemed cost of investment in Chuangyuan Development.

(b) Other receivables

Amounts include dividend receivables of RMB50,000,000 and prepayments of RMB122,000.

(c) Reserve movements of the Company

	Share premium <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total <i>RMB'000</i>
At 5 March 2020 (date of incorporation)	–	–	–	–
Surplus arising from issue of share in connection with the Reorganisation (i)	–	100,934	–	100,934
Profit for the period	–	–	191,834	191,834
Dividend paid (Note 16)	–	–	(170,000)	(170,000)
Issue of shares (Note 25)	485,702	–	–	485,702
Capitalisation issue (Note 25)	(3,866)	–	–	(3,866)
Share issuance costs	(32,355)	–	–	(32,355)
	<u>449,481</u>	<u>100,934</u>	<u>21,834</u>	<u>572,249</u>
At 31 December 2020	<u>449,481</u>	<u>100,934</u>	<u>21,834</u>	<u>572,249</u>

(i) Amount represented the difference between the net asset value of the subsidiaries acquired by the Company over the nominal value of the share capital of the Company issued in exchange thereof.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUBSIDIARIES

The following is a list of subsidiaries, all of these are limited liability companies:

Name of subsidiaries	Place of incorporation	Registered/issued share capital	Equity interest attributable to the Group		Principal activities/place of operations
			2020	2019	
Directly held by the Company:					
Chuangyuan Development (創源發展有限公司)	BVI	US\$1	100%	100%	Investment holding in Hong Kong
Indirectly held by the Company:					
Jiayuan Property Management Limited (佳源物業管理有限公司)	Hong Kong	HK\$1	100%	100%	Investment holding in Hong Kong
Zhejiang Heyuan Property Services Co., Ltd (浙江禾源物業服務有限公司)	the PRC	US\$43,592,200	100%	100%	Investment holding in the PRC
Zhejiang Jiayuan Services (浙江佳源物業服務集團有限公司)	the PRC	RMB50,000,000	100%	100%	Property management in the PRC
Anhui Chongyuan Property Management Company Limited (安徽崇源物業管理有限公司)	the PRC	RMB5,000,000	100%	100%	Property management in the PRC
Zhejiang Meiyuan Family Services Company Limited (浙江美源家庭服務有限公司)	the PRC	RMB10,000,000	100%	100%	Community value added services in the PRC
Chongqing Zhongnong Guoxin Property Management Company Limited (重慶中農國信物業管理有限公司)	the PRC	RMB5,000,000	100%	100%	Property management in the PRC
Xinjiang Jiayuan City Property Services Company Limited (新疆佳源都市物業服務有限公司)	the PRC	RMB5,000,000	100%	100%	Property management in the PRC
Hangzhou Minan Property Management Company Limited (杭州民安物業管理有限公司)	the PRC	RMB3,000,000	100%	100%	Property management in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation	Registered/issued share capital	Equity interest attributable to the Group		Principal activities/place of operations
			2020	2019	
Indirectly held by the Company: (Continued)					
Yangzhou Shengyuan Property Services Company Limited (揚州盛源物業服務有限公司)	the PRC	RMB1,000,000	100%	100%	Property management in the PRC
Anhui Jiayuan Property Services Company Limited (安徽佳源物業服務有限公司)	the PRC	RMB5,000,000	100%	100%	Property management in the PRC
Hangzhou Jiayuan Property Services Company Limited (杭州佳源物業服務有限公司)	the PRC	RMB1,000,000	100%	100%	Property management in the PRC
Jiaxing Jiayuan Zhixiang Property Services Company Limited (嘉興佳源智想物業服務有限公司)	the PRC	RMB1,000,000	100%	100%	Property management in the PRC
Jiaxing Xingzhou Property Management Company Limited (嘉興星洲物業管理有限公司)	the PRC	RMB500,000	100%	100%	Property management in the PRC
Hunan Huaguan (湖南華冠物業服務有限公司)	the PRC	RMB5,000,000	65%	65%	Property management in the PRC
Hunan Huaze Property Services Company Limited (“Hunan Huaze”) (湖南華澤物業服務有限公司) (Note (i))	the PRC	RMB5,000,000	41%	41%	Property management in the PRC
Hunan Jiayuan Property Services Company Limited (湖南佳源物業服務有限公司)	the PRC	RMB5,000,000	100%	N/A	Property management in the PRC
Guizhou Huahong Property Services Company Limited (“Guizhou Huahong”) (貴州華弘物業服務有限公司) (Note(ii))	the PRC	RMB5,000,000	46%	N/A	Property management in the PRC
Jilin Jiayuan Central North Property Services Company Limited (吉林佳源中北物業服務有限公司)	the PRC	RMB5,000,000	57%	N/A	Property management in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 35 SUBSIDIARIES (Continued)

Name of subsidiaries	Place of incorporation	Registered/issued share capital	Equity interest attributable to the Group		Principal activities/place of operations
			2020	2019	
Indirectly held by the Company: (Continued)					
Chongqing Jidiyoujia Real Estate Agency Company Limited (重慶及第有佳房地產經紀有限公司)	the PRC	RMB1,000,000	100%	N/A	Community value added services in the PRC
Changsha Jidiyoujia Real Estate Agency Company Limited (長沙及第有佳房地產經紀有限公司)	the PRC	RMB1,000,000	65%	N/A	Community value added services in the PRC
Tongxiang Jiayuan Wenyu Property Services Company Limited (桐鄉佳源文蘊物業服務有限公司)	the PRC	RMB1,000,000	100%	N/A	Property management in the PRC
Chongqing Jiabao (重慶佳寶物業服務有限公司) (Note 32)	the PRC	RMB10,000,000	51%	N/A	Property management in the PRC
Guizhou Jiazhi Property Services Company Limited (貴州佳致物業管理有限公司)	the PRC	RMB10,000,000	51%	N/A	Property management in the PRC
Jiaxing Jiayuan Lvdong Property Services Company Limited (嘉興佳源律動物業服務有限公司)	the PRC	RMB1,000,000	100%	N/A	Property management in the PRC
Xinjiang Jiayuan Caihong Property Services Company Limited (新疆佳源彩紅物業服務有限公司)	the PRC	RMB10,000,000	51%	N/A	Property management in the PRC

\* All subsidiaries are limited liability company.

\* The English names of the above entities represent the best efforts made by the management of the Company in translating their Chinese names when they do not have official English names.

(i) Hunan Huaze is 63% owned by Hunan Huaguan.

(ii) Guizhou Huahong is 70% owned by Hunan Huaguan.

### 36 EVENTS AFTER THE REPORTING PERIOD

On 6 January 2021, the Company issued 11,709,000 ordinary shares with par value of HKD0.01 each at HKD3.86 per share to public pursuant to an over-allotment option granted in conjunction with the Public Offering. Gross proceeds from the issue were HKD45,197,000 (equivalent to approximately RMB37,513,000).



# FINANCIAL SUMMARY

## RESULTS

	Year ended 31 December			
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	<u>209,804</u>	<u>331,258</u>	<u>454,891</u>	<u>615,096</u>
Profit before taxation	25,109	48,542	68,304	102,807
Income tax expense	<u>(6,760)</u>	<u>(12,766)</u>	<u>(18,090)</u>	<u>(32,839)</u>
Profit and total comprehensive income for the year	<u>18,349</u>	<u>35,776</u>	<u>50,214</u>	<u>69,968</u>
Profit and total comprehensive income attributable to:				
– Owners of the Company	18,349	35,776	50,214	65,426
– Non-controlling interests	<u>–</u>	<u>–</u>	<u>–</u>	<u>4,542</u>
	<u>18,349</u>	<u>35,776</u>	<u>50,214</u>	<u>69,968</u>

## ASSETS AND LIABILITIES

	As at 31 December			
	2017 <i>RMB'000</i>	2018 <i>RMB'000</i>	2019 <i>RMB'000</i>	2020 <i>RMB'000</i>
Total assets	176,159	652,326	849,478	940,983
Total liabilities	<u>180,215</u>	<u>551,392</u>	<u>688,173</u>	<u>422,744</u>
Net assets	<u>(4,056)</u>	<u>100,934</u>	<u>161,305</u>	<u>518,239</u>
Equity attributable to owners of the Company	(4,056)	100,934	151,148	501,183
Non-controlling interests	<u>–</u>	<u>–</u>	<u>10,157</u>	<u>17,056</u>
Total equity	<u>(4,056)</u>	<u>100,934</u>	<u>161,305</u>	<u>518,239</u>