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銀城生活服務有限公司
**YINCHENG LIFE SERVICE CO., LTD.**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1922)**

# ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021

## RESULTS HIGHLIGHTS

- Revenue in 2021 was approximately RMB1,351.3 million, representing an increase of approximately 40.5% as compared to approximately RMB962.0 million in 2020.
- Gross profit in 2021 was approximately RMB219.2 million, representing an increase of approximately 35.0% as compared to approximately RMB162.4 million in 2020. Gross profit margin in 2021 was approximately 16.2%.
- Profit in 2021 was approximately RMB94.8 million, representing an increase of approximately 35.0% as compared to approximately RMB70.2 million in 2020. Net profit margin in 2021 was approximately 7.0%.
- Profit attributable to owners of the Company in 2021 was approximately RMB88.7 million, representing an increase of approximately 31.8% as compared to approximately RMB67.3 million in 2020 (disregarding the deduction of management fee of approximately RMB3.0 million arising from share incentives, the actual profit attributable to owners of the Company in 2021 amounted to approximately RMB91.7 million, representing an increase of approximately 36.3% as compared to approximately RMB67.3 million in 2020).
- Earnings per share attributable to ordinary equity holders of the Company in 2021 was RMB0.33 per share (2020: RMB0.25 per share).
- As at 31 December 2021, the contracted GFA of the Group's property management services was approximately 61.9 million sq.m., representing an increase of approximately 44.6% as compared to approximately 42.8 million sq.m. as at 31 December 2020.
- As at 31 December 2021, the GFA under management of the Group's property management services was approximately 58.8 million sq.m., representing an increase of approximately 50.4% as compared to approximately 39.1 million sq.m. as at 31 December 2020.
- As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately RMB538.1 million (2020: approximately RMB566.9 million).
- The Board recommended the payment of a final dividend of HK$1.26 (equivalent to RMB1.03) per ten ordinary shares of the Company for the year ended 31 December 2021 (2020: HK$0.92 per ten ordinary shares of the Company).

The board of directors (the "**Board**") of Yincheng Life Service CO., Ltd. (the "**Company**") is pleased to announce the preliminary annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021 with comparative figures for the year ended 31 December 2020. The annual results have been prepared in accordance with the International Financial Reporting Standards (the "**IFRSs**"). In addition, the annual results have also been reviewed by the audit committee of the Company (the "**Audit Committee**").

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*Year ended 31 December 2021*

| | *Notes* | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| **REVENUE** | *5* | **1,351,329** | 962,017 |
| Cost of sales | | **(1,132,083)** | (799,632) |
| **GROSS PROFIT** | | **219,246** | 162,385 |
| Other income and gains | | **12,584** | 15,139 |
| Selling and distribution expenses | | **(5,810)** | (5,355) |
| Administrative expenses | | **(73,391)** | (60,594) |
| Loss on disposal of investment property | | **(3,577)** | – |
| Fair value gains on investment properties | | **1,026** | 988 |
| Impairment losses on financial assets, net | | **(11,233)** | (3,803) |
| Finance costs | | **(9,975)** | (9,955) |
| Other expenses | | **(661)** | (272) |
| Share of profits and losses of: | | | |
| Associates | | **(560)** | 86 |
| Joint ventures | | **1,403** | 200 |
| **PROFIT BEFORE TAX** | | **129,052** | 98,819 |
| Income tax expense | *6* | **(34,254)** | (28,604) |
| **PROFIT FOR THE YEAR** | | **94,798** | 70,215 |
| Profit attributable to: | | | |
| Owners of the parent | | **88,694** | 67,286 |
| Non-controlling interests | | **6,104** | 2,929 |
| | | **94,798** | 70,215 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | *8* | | |
| Basic *(RMB)* | | **0.33** | 0.25 |
| Diluted *(RMB)* | | **0.33** | 0.25 |

| | 2021 | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **OTHER COMPREHENSIVE INCOME** | | |
| *Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:* | | |
| Income tax relating to disposal of revaluated investment property | **314** | – |
| Exchange differences: | | |
| Exchange differences on translation of foreign operations | **(2,127)** | (6,149) |
| Net other comprehensive income that will not be reclassified to profit or loss in the subsequent periods | **(1,813)** | (6,149) |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR** | **(1,813)** | (6,149) |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **92,985** | 64,066 |
| Total comprehensive income attributable to: | | |
| Owners of the parent | **86,881** | 61,137 |
| Non-controlling interests | **6,104** | 2,929 |
| | **92,985** | 64,066 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*31 December 2021*

| | Notes | 2021 RMB'000 | 2020 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **75,198** | 23,803 |
| Investment properties | | **32,971** | 29,919 |
| Right-of-use assets | | **5,054** | 1,459 |
| Goodwill | | **27,411** | 26,179 |
| Intangible assets | | **22,399** | 25,977 |
| Investment in associates | | **3,855** | 2,965 |
| Investment in joint ventures | | **4,273** | 2,870 |
| Deferred tax assets | | **10,072** | 6,007 |
| Total non-current assets | | **181,233** | 119,179 |
| **CURRENT ASSETS** | | | |
| Inventories | | **3,547** | 4,903 |
| Trade receivables | *9* | **231,037** | 127,836 |
| Due from related companies | | **103,355** | 95,383 |
| Prepayments, deposits and other receivables | | **76,714** | 61,724 |
| Financial assets at fair value through profit or loss | | **–** | 5,112 |
| Pledged deposits | | **1,344** | – |
| Cash and cash equivalents | | **538,131** | 566,915 |
| Total current assets | | **954,128** | 861,873 |

| | Notes | **2021** *RMB'000* | 2020 *RMB'000* |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | *10* | **44,514** | 24,203 |
| Other payables, deposits received and accruals | | **247,002** | 194,661 |
| Contract liabilities | | **295,835** | 233,982 |
| Due to related companies | | **17,121** | 16,074 |
| Interest-bearing bank borrowings | | **209,000** | 280,000 |
| Lease liabilities | | **6,984** | 1,469 |
| Tax payable | | **16,565** | 10,634 |
| Total current liabilities | | **837,021** | 761,023 |
| **NET CURRENT ASSETS** | | **117,107** | 100,850 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **298,340** | 220,029 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **9,640** | 38 |
| Deferred tax liabilities | | **9,864** | 10,520 |
| Due to a non-controlling shareholder of a subsidiary | | **5,900** | 13,900 |
| Total non-current liabilities | | **25,404** | 24,458 |
| **NET ASSETS** | | **272,936** | 195,571 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | *11* | **2,387** | 2,387 |
| Reserves | | **240,395** | 171,040 |
| | | **242,782** | 173,427 |
| Non-controlling interests | | **30,154** | 22,144 |
| **TOTAL EQUITY** | | **272,936** | 195,571 |

# NOTES TO FINANCIAL STATEMENTS

*31 December 2021*

## 1. CORPORATE AND GROUP INFORMATION

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

The Company is an investment holding company. During the year ended 31 December 2021, the subsidiaries now comprising the Group were involved in the provision of property management services and value-added services.

## 2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") (which include all International Financial Reporting Standards, International Accounting Standards ("**IASs**") and Interpretations) issued by the International Accounting Standards Board ("**IASB**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties and financial assets at fair value through profit or loss which have been measured at fair value. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised IFRSs for the first time for the current year's financial statements.

| | |
|---|---|
| Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 | *Interest Rate Benchmark Reform – Phase 2* |
| Amendment to IFRS 16 | *Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)* |

The nature and the impact of the revised IFRSs are described below:

(a) Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of IFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The amendments did not have any significant impact on the financial position and performance of the Group.

(b) Amendment to IFRS 16 issued in March 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The amendment did not have any significant impact on the financial position and performance of the Group.

### 2.3 ISSUED BUT NOT YET EFFECTIVE INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised IFRSs, that have been issued but are not yet effective, in these financial statements.

| | |
|---|---|
| Amendments to IFRS 3 | *Reference to the Conceptual Framework*[1] |
| Amendments to IFRS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| IFRS 17 | *Insurance Contracts*[2] |
| Amendments to IFRS 17 | *Insurance Contracts*[2, 4] |
| Amendments to IAS 1 | *Classification of Liabilities as Current or Non-current*[2] |
| Amendments to IAS 1 and IFRS Practice Statement 2 | *Disclosure of Accounting Policies*[2] |
| Amendments to IAS 8 | *Definition of Accounting Estimates*[2] |
| Amendments to IAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2] |
| Amendments to IAS 16 | *Property, Plant and Equipment: Proceeds before Intended Use*[1] |
| Amendment to IFRS 17 | *Initial Application of IFRS 17 and IFRS 9 – Comparative Information*[2] |
| Amendments to IAS 37 | *Onerous Contracts – Cost of Fulfilling a Contract*[1] |
| *Annual Improvements to IFRS Standards 2018-2020* | *Amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41*[1] |

[1] Effective for annual periods beginning on or after 1 January 2022

[2] Effective for annual periods beginning on or after 1 January 2023

[3] No mandatory effective date yet determined but available for adoption

[4] As a consequence of the amendments to IFRS 17 issued in June 2020, IFRS 4 was amended to extend the temporary exemption that permits insurers to apply IAS 39 rather than IFRS 9 for annual periods beginning before 1 January 2023

Further information about those IFRSs that are expected to be applicable to the Group is described below.

(a) Amendments to IFRS 3 are intended to replace a reference to the previous Framework for the Preparation and Presentation of Financial Statements with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments also add to IFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of IAS 37 or IFRIC 21 if they were incurred separately rather than assumed in a business combination, an entity applying IFRS 3 should refer to IAS 37 or IFRIC 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

(b) Amendments to IFRS 10 and IAS 28 address an inconsistency between the requirements in IFRS 10 and in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to IFRS 10 and IAS 28 was removed by the IASB in December 2015 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

(c) Amendments to IAS 1 Classification of Liabilities as Current or Non-current clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(d) Amendments to IAS 1 Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to IFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to IAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to IFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

(e) Amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(f) Amendments to IAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(g) Amendments to IAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

(h) Amendments to IAS 37 clarify that for the purpose of assessing whether a contract is onerous under IAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

(i) Annual Improvements to IFRS Standards 2018-2020 sets out amendments to IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, and IAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- IFRS 9 Financial Instruments: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- IFRS 16 Leases: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying IFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying IFRS 16.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

### Judgements

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

### *Classification between investment properties and owner-occupied properties*

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

### Estimation uncertainty

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

### *Provision for expected credit losses on trade receivables*

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

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

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

***Leases – Estimating the incremental borrowing rate***

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

***Impairment of non-financial assets (other than goodwill)***

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

***Impairment of goodwill***

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2021 was RMB27,411,000 (2020: RMB26,179,000).

***Estimate of fair value of investment properties***

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

The principal assumptions for the Group's estimation of the fair value include those related to estimated rental values with reference to the current market rents for similar properties in the same location and condition, appropriate capitalisation rates and expected profit margin. The carrying amounts of investment properties at 31 December 2021 were RMB32,971,000 (2020: RMB29,919,000).

***Deferred tax assets***

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

## 4. OPERATING SEGMENT INFORMATION

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

### Geographical information

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

### Information about major customers

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

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue from contracts with customers | **1,350,883** | 961,747 |
| Revenue from other sources | | |
| Gross rental income from investment property operating leases: | | |
| Other lease payments, including fixed payments | **446** | 270 |
| | **1,351,329** | 962,017 |

**Revenue from contracts with customers**

***(a) Disaggregated revenue information:***

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Types of goods or services** | | |
| Property management services | **1,082,123** | 771,917 |
| Value-added services | **268,760** | 189,830 |
| Total revenue from contracts with customers | **1,350,883** | 961,747 |
| **Timing of revenue recognition** | | |
| Recognised over time | **1,287,775** | 927,061 |
| Recognised at a point in time | **63,108** | 34,686 |
| Total revenue from contracts with customers | **1,350,883** | 961,747 |

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Property management services | **211,504** | 178,410 |
| Value-added services | **21,616** | 15,079 |

### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

*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 over time. The Group bills the amount for services provided over time and payment is due upon the issuance of a demand note by the Group.

*Value-added services*

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Other income and gains | | |
| Government grants | **11,094** | 8,116 |
| Interest income | **1,029** | 3,409 |
| Investment income | **295** | 344 |
| Gain on disposal of items of property, plant and equipment | **31** | 25 |
| Others | **135** | 3,245 |
| | **12,584** | 15,139 |

## 6. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the Group's subsidiaries incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiary incorporated in Hong Kong was not liable for income tax as it did not have any assessable profits arising in Hong Kong for the year ended 31 December 2021.

PRC corporate income tax has been provided at the rate of 25% on the taxable profits of the Group's PRC subsidiaries for the year. Some subsidiaries are qualified as small low-profit enterprises and thus the first RMB1,000,000 (2020: RMB1,000,000) of assessable profits of these subsidiaries are taxed at 5% (2020: 5%) and the remaining assessable profits are taxed at 10% (2020: 10%) for the year.

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax: | | |
| PRC corporate income tax | **38,661** | 29,375 |
| Deferred tax | **(4,407)** | (771) |
| Total tax charge for the year | **34,254** | 28,604 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Profit before tax | **129,052** | 98,819 |
| At the statutory income tax rate (25%) | **32,263** | 24,704 |
| Lower tax rate for specific companies enacted by local authorities | **(1,125)** | (536) |
| Adjustments in respect of current tax of previous periods | **(11)** | – |
| Profits and losses attributable to joint ventures and associates | **(95)** | – |
| Expenses not deductible for tax | **1,337** | 1,201 |
| Deductible temporary differences not recognised | **38** | – |
| Withholding taxes on distributable profits of the subsidiaries in the PRC | **676** | 1,062 |
| Tax losses not recognised | **1,171** | 2,173 |
| Tax charge at the Group's effective rate | **34,254** | 28,604 |

## 7. DIVIDENDS

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Proposed final – HKD126 cents (2020: HKD92 cents) per 10 ordinary shares | **27,431** | 20,670 |

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

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 267,152,000 (2020: 267,152,000).

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2021 (2020: Nil) in respect of a dilution as the impact of the share option outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

## 9. TRADE RECEIVABLES

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Trade receivables | **253,051** | 142,272 |
| Impairment | **(22,014)** | (14,436) |
| | **231,037** | 127,836 |

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

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **215,156** | 121,065 |
| Over 1 year and within 2 years | **11,819** | 5,875 |
| Over 2 years and within 3 years | **3,494** | 896 |
| Over 3 years | **568** | – |
| | **231,037** | 127,836 |

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| At the beginning of the year | **14,436** | 11,831 |
| Impairment losses | **7,578** | 2,605 |
| At the end of the year | **22,014** | 14,436 |

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

## 10. TRADE PAYABLES

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

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **40,825** | 23,370 |
| Over 1 year | **3,689** | 833 |
| | **44,514** | 24,203 |

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

## 11. SHARE CAPITAL

| | **2021** | 2020 |
|---|---|---|
| | ***HK$'000*** | *HK$'000* |
| **Authorised:** | | |
| 2,000,000,000 (2020: 2,000,000,000) ordinary shares of HK$0.01 each | **20,000** | 20,000 |

| | **2021** | 2020 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| **Issued and fully paid:** | | |
| 267,152,000 (2020: 267,152,000) ordinary shares of HK$0.01 each | **2,387** | 2,387 |

## CHAIRMAN'S STATEMENT

Dear Shareholders,

The pine tree stands proudly and leisurely on the cliff in the deepening dusk regardless of the riotous clouds sweeping past swiftly. In 2021, the property management industry in the PRC has been facing great changes, in particular, the changes in the real estate industry fostered the property management services to return to the way of marketisation. Tapping into businesses with substance and returning to rationalisation has become the consensus in the industry. At the same time, more than 50 listed companies engaging in property management also witnessed several rounds of ups and downs. Externally, we made changes in response to changes, while internally, we remained the same that we clearly understood the position of Yincheng Life Service and our strengths and weaknesses, maintained our focus in Nanjing and intensively developed our business in the Yangtze River Delta, adopted the centralised regional development strategy, and adhered to the operation principle of "operation is the key, reputation comes first".

The social value of property management is proven. With the implementation of the "Circular on Strengthening and Improving the Administration of Residential Property" (《關於加強和改進住宅物業管理工作的通知》) jointly promulgated by ten governmental authorities, including the Ministry of Housing and Urban-Rural Development, at the beginning of 2021, supportive administrative policies have been gradually rolled out to support the establishment of property owners associations, the expansion of property management coverage and the enhancement of value-added services such as home-based elderly care so as to encourage property management companies to support the redevelopment of old urban areas, which will help the industry to develop towards a healthier and more sustainable path with higher service quality. Year 2021 marks the start of the 14th Five-Year Plan. Property management was formally included in the Outline of the 14th Five-Year Plan issued by the State Council, which pinpointed the need to, under the guiding principle of uplifting convenience and improving service experience, foster the upgrade to high-quality and diversified life-catering services. It also clearly stated the need to accelerate the development of property management service industries, improve the supply of public utilities basic services industries as well as expand the supply of various services covering a full life-cycle. This will drive the property management industry to return to the basics of service and enhance service awareness and brand awareness, which promotes the further upgrade of the mode of "property management services + life services". Along with the implementation of more detailed provisions issued by governmental authorities of all levels, such as the "Development Plan of Property Management of the "14th Five-Year Plan" of Jiangsu province" (《江蘇省"十四五"物業服務發展規劃》), the standardisation of property management services, the establishment of credit system, the implementation of a star rating mechanism, the orderly competition in the industry and the survival of the fittest will enable high-quality property management companies with strength and recognition from property owners to stand out and maintain organic growth.

Looking forward to 2022, with regards to our overall strategies, being the largest property management service provider in Nanjing and one of the top-3 in Jiangsu Province, our Group will continue to give full play to our advantages in terms of professionalism and marketisation, so as to venture forward in highflying aspirations and siege. For our operation and management, my message to the management team is to "stay true to our roots" and "be innovative". "Stay true to our roots" has three persistence: insist to be customer-focused to provide high-quality products and high-quality services; insist to be problem-oriented to improve deficiencies discovered in our services; and insist on the win-win principle covering our customers, employees, partners, social responsibilities and shareholders, as a company will not enjoy sustainable and stable development without win-win cooperation. "Be innovative" means along with the extension of the range of services our Group, not only do we need to have continual adjustment and optimisation of organisation, we also need to strive for excellence in operation and management, which is the intended meaning of "operation is the key". In the future, our Group will proactively explore and discover new sectors and provide services like community elderly care and others. Being fully concentrated and well prepared, our Group is confident in creating a path for development with Yincheng's characteristics notwithstanding the immense changes of the industry.

**XIE Chenguang**
*Chairman*

## PRESIDENT'S STATEMENT

Dear Board of Directors and Shareholders,

I am pleased to present the results of Yincheng Life Service CO., Ltd. for the financial year ended 31 December 2021 and share the outlook of the Company in the coming year with you.

### A Three-year Plan to Gain Greater Success

2021 was the beginning year of the Group's new three-year plan. Thanks to the dedication and hard work of all our staff, we achieved the annual target of the size of GFA under management in advance in the third quarter and the proportion of the GFA under management from third-party developers further increased to a record high. Various operational metrics continued to improve. Our management team is highly motivated, and our talented teams have been expanding in a steady and orderly manner. Our income and profitability both reached the targets set at the beginning of the year and we maintained a stable dividend payout ratio to share with our shareholders, so as to fulfil the commitment of the Group in our long-term value by outstanding results.

### Income and net profit increased by approximately 40.5% and 35.0% respectively

For the year ended 31 December 2021 (the "**Period under Review**"), the Group recorded an operating income of approximately RMB1,351.3 million (2020: approximately RMB962.0 million), representing a year-on-year increase of approximately 40.5%. Net profit amounted to approximately RMB94.8 million (2020: approximately RMB70.2 million), representing a year-on-year increase of approximately 35.0%. Gross profit margin and net profit margin were approximately 16.2% and 7.0% respectively. Among which, income from the provision of property management services amounted to approximately RMB1,082.1 million, representing a year-on-year increase of approximately 40.2%, and income from provision of value-added services amounted to approximately RMB268.8 million, representing a year-on-year increase of approximately 41.6%.

### GFA under management increased by approximately 50% and the proportion of third-party projects reached nearly 90%

As at 31 December 2021, the contracted GFA and GFA under management were approximately 61.9 million sq.m. and 58.8 million sq.m., representing a year-on-year increase of approximately 44.6% and 50.4%, respectively, far exceeding the growth target of 35% set by the Group at the beginning of the year. In particular, among the GFA under management of approximately 20 million sq.m. which were newly expanded during the year, more than 91% came from third-party property developers, therefore, the proportion of the overall GFA under management of the Group which was derived from third-party projects increased to a high level of approximately 89.8% and the majority of which came from second-hand projects (i.e. the contracts secured from the property owners' associations in the market by the Group actively). For second-hand projects, the whole process, ranging from securing, improving and fulfilling the Group's service standards of realising profits and improving gross profit margin, presented a big challenge to the integrated capability of property management enterprises. Thanks to the Group's business model featuring detailed management, modularisation and professionalisation as well as the persistence and commitment of our staff to providing quality services, the Group managed to stand out from the intense market competition and satisfied all the requirements of demanding customers. This demonstrated that property owners' trust in our brand of "Yincheng Life", their recognition of our works and the willingness to offer an opportunity to the Group to be the long-term property management partners of property owners, so as to preserve and add value to the properties.

**The presence of Nanjing's project increased and the development of non-Nanjing areas grew rapidly at approximately 84.6%**

During the Period under Review, the Group insisted on having a centralised regional development strategy. While having increased our presence in cities, we strived for a stable growth with high quality. The Group has solidified its leading position in Nanjing by actively implementing the strategy of "increasing its presence in Nanjing, expanding the market in the southern part of Jiangsu Province and exploring the market in Huaihai district" on one hand and securing footholds in more markets with promising potential on the other hand. During the Period under Review, the Group pioneered to cities like Nantong to further expand its presence.

With respect to Nanjing as our base market, as at 31 December 2021, the Group managed a total of 643 projects in Nanjing and the GFA under management was approximately 35 million sq.m., representing a year-on-year increase of approximately 33.2%. The wide presence of Nanjing's projects facilitated the Group to use dense network resources of projects, not only to enhance operational efficiency and increase value created per headcount of employees by better cost control, but also to introduce traffic for the Groups' various community value-added services and non-community value-added services, such as electric scooter battery swap, so as to bring considerable and sustainable revenue to the Group. During the Period under Review, the development of regions other than Nanjing secured commendable results, of which the newly-added GFA under management exceeded 10 million sq.m. and the total GFA under management reached approximately 24 million sq.m., representing a year-on-year increase of approximately 84.6% and accounting for approximately 40.5% of the Group's total GFA under management. This has once again verified the Group's ability to replicate its success in Nanjing to other regions.

**Adopted a two-pronged strategy of "keep existing clients" and "gain new clients" and dual-driven by residential and non-residential projects**

The two-pronged strategy of "keep existing clients" and "gain new clients" ensured the stability and orderly growth of our businesses. For keeping existing clients, leveraging the Group's quality services and sound operation capability, the renewal rate of existing clients of the Group remained at a high level at approximately 93%. General customer satisfaction was approximately 88%.The integrated collection rate of our residential properties customers was approximately 91.0% and the pre-collection rate (i.e. pre-payment of management fees for the coming year in the current year) reached approximately 41.1%.

For gaining new clients, the Group secured new contracts through four channels, including direct engagement by customers, winning public tenders, acquisition of property management companies and projects referred from the parent group. During the Period under Review, the Group had a net increase of 468 new projects under management, the proportion of new projects secured through the above four channels was approximately 62%, 29%, 5% and 4%, respectively.

For residential properties, the Group was honoured to participate in urban renewal management and newly expanded the product line of old urban areas projects, which 281 engagements were received from such projects. Being one of the first batch of pilot cities of urban renewal across the country in 2021, Nanjing started the renovation of old communities. The measures included highlighting the importance of reconstruction of common areas at residential communities, promoting the addition of elevators to existing residential buildings, and providing proactive supports for residents to withdraw housing provident funds for the renovation of old communities, etc. This could not only bring stable property management fee income to the Group, but also bring about a large customer base, which was beneficial for the penetration of the Group's community value-added services in the future. Besides, Jingdian Technology, a professional company of the Group, also gave full play of its advantages and obtained a number of elevator installation and maintenance projects for such communities, which broadened the income stream of the Group.

For non-residential properties, the Group secured a number of projects in sub-sectors like hospitals, debut venues, industrial parks and transportation facilities, and accumulated extensive management experience therefrom. During the year, the Group expanded into the management of commercial complex and was contracted for 6 projects. During the Period under Review, the GFA under management of non-residential projects only accounted for approximately 21%, but the proportion of property management income contributed by them already reached approximately 48.1%, representing the enormous potential of non-residential projects, and this will be one of the Group's key areas of development.

**Value-added services are diverse and new services are on the right track**

With maintaining customer satisfaction being our core, the Group is determined to provide value-added services only where there is a strong demand from customers, of which successful examples include fitness training (which has already expanded to services like team building, training and summer camps), pick-up lockers and electric vehicle charging. Among which, the newly-added group catering and decoration services have been on the right track after operating for one year, which together contributed approximately RMB50.0 million to the revenue during the Period under Review. Benefitting from the wide presence of our projects in Nanjing, the new electric scooter battery swap service of the Group has been developing rapidly. As at 31 December 2021, the Group has built more than 500 smart battery swapping stations with more than 10,000 registered riders, which contributed approximately RMB10.0 million to the revenue during the Period under Review. In the meantime, the Group launched home-based elderly care services in response to the favourable "property+ elderly care" policy and the needs of property owners, and has become a pilot entity in Nanjing.

**Looking forward to the future and move forward steadily**

For years, the Group insisted on our way of marketisation. Despite all the hardships, the management firmly believes that industry competition in the future will be focused on the existing markets. Evidencing from the adjustments and promotion of property management policies in recent two years, we are pleased to see that it has become a trend for property management companies to provide high-quality services in exchange for market-oriented revenue as returns to achieve "matching quality and price". After years of attempts and practices, the Group has established a comprehensive and unique external expansion and operation model and become a "second-hand property management expert". We are confident that we will continue to stand out in the broad market and gain more market share.

A good start has already laid down a solid foundation. Looking forward, the Group will endeavour to achieve our three-year goals according to our existing strategies. In terms of business development, the Group will still continue to focus on market expansion and also identify high-quality merger and acquisition targets that can bring along real synergies as and when appropriate, so as to expand our scale or enrich our business lines. While increasing our presence in Nanjing, we will further develop the Yangtze River Delta areas, so as to develop economies of scale and brand impact in regions outside Nanjing. In terms of residential projects, we will also explore diversified value-added services to enhance the residents' well-being and loyalty, while different types of "Industry+" services for non-residential projects are sought to be offered to non-residential customers in order to provide protection for customers and allow them to realise greater business value. With the rapid increase in the number of projects, the Group has established a comprehensive talent training and incentive system, so as to reserve high-quality talents for sustainable development in the future.

The Group believes that, by adhering to the concept of "operation is the key, reputation comes first", establishing presence in the Yangtze River Delta to give full play to the strategic advantages of regional centralisation and adopting a multi-pronged management approach, the Group will be able to seize the favourable policy and market opportunities, thus maintaining sustainable and stable development and delivering long-term returns to the shareholders of the Company.

**LI Chunling**
*President*

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

The Group is an established property management service provider in the PRC with over 20 years of industry experience that engages in the provision of diversified property management services and value-added services. As at 31 December 2021, the Group's property management services covered 21 PRC cities, of which 17 cities are in the Yangtze River Delta Megalopolis, with the gross floor area ("**GFA**") under management reaching approximately 58.8 million sq.m. The Group managed 837 properties, including 525 residential properties and 312 non-residential properties, serving over 500,000 households which covers over 1,550,000 million people as at 31 December 2021.

The Group's business covers a wide spectrum of properties, including residential properties and 11 types of non-residential properties. The Group operates its business along two main business lines, namely the provision of (i) property management services; and (ii) value-added services. Leveraging on the Group's business scale, operational efficiency, excellent service quality, development potential and social responsibility, the Group obtained various awards in 2021 including ranking the 18th among the China Top 100 Property Management Companies* (中國物業服務百強企業), ranking the 3rd among the Top 50 Property Management Companies of Jiangsu Province (江蘇省物業服務行業綜合實力五十強企業) and ranking the 1st again in the Nanjing Property Management Industry Credit Handbook Directory (南京市物業管理行業信用手冊名錄).

The Group adheres to its business motto of "Operation is the Key, Reputation Comes First (運營為王、口碑至上)" and service concept of "Living+ (生活+)" and "Industry+ (產業+)", and has adopted the special business model of "Service alignment, Business modularisation, Modules specialisation and Management digitalisation (服務網格化、業務模塊化、模塊專業化、管理數據化)" to serve and create value for its customers with quality property management services.

### Property Management Services

The Group provides a wide range of property management services that comprises security services, cleaning services, car park management, repair and maintenance of specialised elevators, escalators and mechanical car park equipment, gardening and landscaping services, daily repair and maintenance of equipment and machinery and ancillary customer services.

***The contracted GFA and GFA under management***

As at 31 December 2021, the Group's contracted GFA was approximately 61.9 million sq.m., representing an increase of approximately 44.6% as compared to its contracted GFA at approximately 42.8 million sq.m. as at 31 December 2020. The increase was mainly attributable to an increase in the number of projects undertaken by the Group from its new customers and existing customers leveraging on the Group's solid reputation, customers' recognition and market strength.

As at 31 December 2021, the Group's GFA under management was approximately 58.8 million sq. m., representing an increase of approximately 50.4% as compared to its GFA under management at approximately 39.1 million sq.m. as at 31 December 2020. The increase was mainly attributable to the Group's solid and high quality services and market reputation which enables the Group to have a competitive advantage in the industry, leading to it being able to secure the engagement as the property management service provider for properties that are pending delivery to the owners during its preliminary stage from property developers and completed properties from property owners' associations and property developers by replacing the then existing property management service providers.

In view of the Group's strong market expansion capabilities, the number of new contracted projects undertaken from property owners' associations accounted for a larger proportion as compared to those undertaken from property developers, and such contracted projects have quickly become the Group's projects under management a few months after the Group has been engaged as the property management service provider. As such, the Group's contracted GFA and GFA under management in 2021 were similar.

The Group had 837 managed properties as at 31 December 2021, representing an increase of approximately 126.8% or 468 managed properties as compared to its 369 managed properties as at 31 December 2020.

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

| | **As at 31 December** | | *Increase/* |
|---|---|---|---|
| | **2020** | **2021** | *(decrease)* |
| Contracted GFA*(Note)* *('000 sq.m.)* | 42,768 | 61,944 | *44.8%* |
| GFA under management*(Note)* *('000 sq.m.)* | 39,144 | 58,761 | *50.1%* |
| Number of contracted properties | 392 | 863 | *120.2%* |
| Number of managed properties | 369 | 837 | *126.8%* |

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

### *Geographic Coverage*

The Group has grown from a local property management service provider in Nanjing to one of the leading property management service providers in both Nanjing and the Jiangsu Province. As at 31 December 2021, our property management services covered 21 PRC cities, of which 17 cities are in the Yangtze River Delta Megalopolis. The Group has actively expanded its business to cities outside Nanjing and have made rapid progress, in particular in Sunan and Huaihai districts. As at 31 December 2021, the GFA under management in districts outside Nanjing had a huge increase by approximately 84.6%, reaching approximately 40.5% of the Group's total GFA under management, and representing an increase of 7.6 percentage points as compared to the proportion of approximately 32.9% of the Group's total GFA under management as at 31 December 2020.

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

| | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | | |
| | **GFA under management** (Note 1) *('000 sq.m.)* | **Number of managed properties** | **GFA under management** (Note 1) *('000 sq.m.)* | ***Increase*** *%* | **Number of managed properties** *('000 sq.m.)* | ***Increase*** *%* |
| Nanjing | 26,257 | 277 | 34,969 | *33.2* | 643 (Note2) | *132.1* |
| % | *67.1* | | *59.5* | | | |
| Districts outside Nanjing | 12,887 | 92 | 23,792 | *84.6* | 194 | *110.9* |
| % | *32.9* | | *40.5* | | | |
| **Total** | **39,144** | **369** | **58,761** | *50.1* | **837** | *126.8* |

*Notes:*

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

2. This includes 281 old urban districts that were newly added.

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

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2021 | |
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Nanjing | 638,316 | 82.7 | 822,914 | 76.0 |
| Districts outside Nanjing | 133,601 | 17.3 | 259,209 | 24.0 |
| Total | **771,917** | **100.0** | **1,082,123** | **100.0** |

***Types of Property Management Services***

The Group provides property management services in respect of both residential and non-residential properties. As at 31 December 2021, the non-residential properties managed by the Group comprised 11 types of properties, namely government facilities, financial institutions, property sales offices, medical institutions, commercial complex, parks, transportation facilities, industrial parks, mixed-use properties, schools and office buildings.

While the provision of property management services in respect of residential properties is the foundation of the Group's revenue generation and scale expansion, the Group is actively seeking to improve its brand awareness in the non-residential sector by diversifying its services offerings to include other types of non-residential properties, optimising its project portfolio and adjusting its business structure. The Group's provision of property management services in respect of non-residential properties has grown rapidly and reached a total of 312 projects as at 31 December 2021, representing an increase of approximately 50.7% as compared to that as at 31 December 2020.

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

| | As at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2020 | | 2021 | | | |
| | GFA under management (Note 1) | Number of managed properties | GFA under management (Note 1) | *Increase* | Number of managed properties | *Increase* |
| | *('000 sq.m.)* | | *('000 sq.m.)* | *%* | | *%* |
| Residential properties | 30,621 | 162 | 46,406 | *51.5* | 525 | *224.1* (Note 2) |
| Non-residential properties | 8,523 | 207 | 12,355 | *45.0* | 312 | *50.7* |
| **Total** | **39,144** | **369** | **58,761** | *50.1* | **837** | *126.8* |

*Notes:*

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

2. The increase in the number of managed residential properties includes the newly added 281 old urban districts. If such old urban districts were not taken into account, there were 244 managed residential properties as at 31 December 2021, representing an increase of approximately 50.6% as compared to that as at 31 December 2020.

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

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2020 | | 2021 | | |
| | Revenue | Gross profit margin | Revenue | *Increase* | Gross profit margin |
| | *RMB'000* | *%* | *RMB'000* | *%* | *%* |
| Residential properties | 397,856 | 7.1 | 561,395 | *41.1* | 7.0 |
| % | *51.5* | | *51.9* | | |
| Non-residential properties | 374,061 | 14.4 | 520,728 | *39.2* | 13.1 |
| % | *48.5* | | *48.1* | | |
| **Total** | **771,917** | **10.6** | **1,082,123** | ***40.2*** | **10.0** |

### ***Revenue Model***

For the year ended 31 December 2021, all of the Group's property management fees were charged on a lump sum basis.

### ***Project Sources***

The Group is known for its market-oriented model and has strong external expansion capabilities. As at 31 December 2021, over 89.8% of the Group's GFA under management were obtained from the market, either from property owners associations or independent third party property developers. At the same time, the Group has also been providing property management services to Yincheng International Holding Co., Ltd. and Yincheng Real Estate Group Co., Ltd.* (銀城地產集團股份有限公司) and each of their subsidiaries (collectively, "**Yincheng Group**"), and has been generating stable income from such property projects at their preliminary stage.

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

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | 2020 | | 2021 | | |
| | GFA (Note) | Number | GFA (Note) | *Increase* | Number |
| | *('000 sq.m.)* | | *('000 sq.m.)* | *%* | |
| Projects from independent third parties | 34,895 | 343 | 52,759 | *51.2* | 807 |
| *%* | *89.1* | | *89.8* | | |
| Projects from Yincheng Group | 4,249 | 26 | 6,002 | *41.3* | 30 |
| *%* | *10.9* | | *10.2* | | |
| Total | 39,144 | 369 | 58,761 | *50.1* | 837 |

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

The table below sets out the breakdown of revenue generated from the Group's property management services by project sources for the periods indicated:

| | For the year ended 31 December | | |
|---|---|---|---|
| | **2020** | **2021** | |
| | **Revenue** | **Revenue** | |
| | *RMB'000* | *RMB'000* | *Increase* |
| Projects from independent third parties | 689,322 | 974,472 | *41.4* |
| % | *89.3* | *90.1* | |
| Projects from Yincheng Group | 82,595 | 107,651 | *30.3* |
| % | *10.7* | 9.9 | |
| Total | 771,917 | 1,082,123 | *40.2* |

## Value-added Services

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

The Group's value-added services mainly include (i) common area value-added services; and (ii) community convenience services. The Group's common area value-added services include rental of advertising space and the provision of management services of the community's common area and spaces. The Group's community convenience services refer to the comprehensive and diversified convenience services provided by the Group in response to the owners' needs, including but not limited to rental of gym and membership services, the use of express delivery cabinets, home renovation, housekeeping, home and elderly care, charging of electric vehicles and operation of staff canteens for non-residential properties owners. In recent years, the Group has introduced other value-added services through intensive project deployment to provide services to owners in the communities managed by the Group and residents living in the surrounding communities, including the rider battery swap service the Group currently provides.

For the year ended 31 December 2021, the Group's revenue generated from the provision of value-added services amounted to approximately RMB268.8 million, representing an increase of approximately 41.6% as compared to that of RMB189.8 million for the year ended 31 December 2020. Such increase was mainly attributable to an increase in the number of projects undertaken by the Group and the diversification of the scope of services provided by the Group following its continuous business development.

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

| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | 2020 | | 2021 | | |
| | Revenue | Gross profit margin | Revenue | *Increase* | Gross profit margin |
| | *RMB'000* | *%* | *RMB'000* | *%* | *%* |
| Value-added services | | | | | |
| (i) Common area value-added service | 142,108 | 49.6 | 199,102 | *40.1* | 46.6 |
| (ii) Community convenience services | 47,722 | 20.0 | 69,658 | *46.0* | 26.3 |
| **Total** | **189,830** | **42.2** | **268,760** | *41.6* | **41.3** |

## Impact on the COVID-19 Pandemic

The outbreak of COVID-19 pandemic has brought great challenges to the property management industry in 2021, but has also highlighted the value and contribution of the industry to the society. Notwithstanding the increase in costs incurred in purchasing pandemic prevention materials, there was no material adverse impact of the COVID-19 pandemic on the Group's operations, financial performance and financial position.

In response to the needs of property owners and residents and for their convenience during the COVID-19 pandemic, the Group launched a number of new value-added services in 2021. As a result of the increasing demand for these services during the COVID-19 pandemic, the Group had in fact generated more revenue in its provision of value-added services as compared to 2020.

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

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

## FINANCIAL REVIEW

### Revenue

The Group's revenue increased by approximately 40.5% from approximately RMB962.0 million for the year ended 31 December 2020 to approximately RMB1,351.3 million for the year ended 31 December 2021 as a result of (i) an increase in the number of residential and non-residential projects undertaken by the Group which led to an increase in the income from the provision of property management services; (ii) the diversification of the scope of value-added services provided by the Group following its continuous business development and (iii) the revenue received by the Group after completion of the acquisition of 51% equity interest in Nanjing Huiren HengAn Property Management Co., Ltd.*（南京匯仁恒安物業管理有限公司）in March 2020, which only has a 9-month combined effect on the revenue for the year ended 31 December 2020 but a 12-month combined effect on the revenue for the year ended 31 December 2021.

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

| | For the year ended 31 December | | | |
|---|---|---|---|---|
| | 2020 | | 2021 | |
| | *RMB'000* | *%* | *RMB'000* | *%* |
| Property management services | 771,917 | 80.24 | 1,082,123 | 80.08 |
| Value-added services | 189,830 | 19.73 | 268,760 | 19.89 |
| Others *(Note)* | 270 | 0.03 | 446 | 0.03 |
| **Total** | **962,017** | **100.00** | **1,351,329** | **100.00** |

*Note:* Representing gross rental income from investment property operating leases

Revenue from the provision of property management services increased by approximately 40.1% from approximately RMB771.9 million for the year ended 31 December 2020 to approximately RMB1,082.1 million for the year ended 31 December 2021. Such increase was primarily due to the continuous increase in (i) the Group's GFA under management in residential properties projects; and (ii) the number of non-residential properties projects undertaken by the Group.

Revenue from the provision of value-added services increased by approximately 41.6% from approximately RMB189.8 million for the year ended 31 December 2020 to approximately RMB268.8 million for the year ended 31 December 2021. Such increase was primarily due to an increase in (i) the number of projects under management; (ii) increase in value-added services provided to the projects under management due to the optimisation of the property management environment; and (iii) the diversification of the scope of services provided by the Group.

## Cost of Sales

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

The Group's cost of sales increased by approximately 41.6% from approximately RMB799.6 million for the year ended 31 December 2020 to approximately RMB1,132.1 million for the year ended 31 December 2021, primarily due to an increase in the number of staff and subcontracting costs as a result of the expansion of the Group's business.

## Gross Profit and Gross Profit Margin

As a result of the foregoing, the Group's gross profit increased by approximately 35.0% from approximately RMB162.4 million for the year ended 31 December 2020 to approximately RMB219.3 million for the year ended 31 December 2021. The gross profit margin decreased slightly from approximately 16.9% for the year ended 31 December 2020 to approximately 16.2% for the year ended 31 December 2021. Such decrease was primarily due to (i) the absence of policies and measures in 2021 to reduce taxes and fees as implemented by the State Taxation Administration in 2020 due to the impact of the COVID-19; and (ii) the fact that the social security base and minimum wage level in the Jiangsu Province has increased since July 2021, resulting in an increase in the expenses of social insurance payable by the Group.

## Other Income and Gains

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

The Group's other income and gains decreased by approximately 16.6% from approximately RMB15.1 million for the year ended 31 December 2020 to approximately RMB12.6 million for the year ended 31 December 2021, primarily due to a decrease in interests income during the year.

## Selling and Distribution Expenses

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

The Group's selling and distribution expenses increased by approximately 7.4% from approximately RMB5.4 million for the year ended 31 December 2020 to approximately RMB5.8 million for the year ended 31 December 2021, primarily due to a continuous increase in the Group's business expansion.

**Administrative Expenses**

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

The Group's administrative expenses increased by approximately 21.1% from approximately RMB60.6 million for the year ended 31 December 2020 to approximately RMB73.4 million for the year ended 31 December 2021, primarily due to an increase in staff costs as a result of the Group's business expansion.

**Loss on Disposal of Investment Property**

The Group's loss on disposal of investment property increased by 100% from nil for the year ended 31 December 2020 to approximately RMB3.6 million for the year ended 31 December 2021, primarily due to the loss incurred in disposing of an investment property.

**Impairment Losses on Financial Assets, Net**

The Group's impairment losses on financial assets, net increased by approximately 194.7% from approximately RMB3.8 million for the year ended 31 December 2020 to approximately RMB11.2 million for the year ended 31 December 2021, primarily due to a significant increase in the amount of accounts receivable due to the Group's expansion of business, which has led to the accrual of impairment losses.

**Finance Costs**

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

The Group's finance costs remained relatively stable at approximately RMB10.0 million for the years ended 31 December 2020 and 2021.

**Share of Profits and Losses of Associates**

The Group's share of profits and losses of associates decreased by approximately 751.2% from having a profit of approximately RMB86,000 for the year ended 31 December 2020 to having a loss of approximately RMB560,000 for the year ended 31 December 2021, primarily due to the losses recorded from two newly established associated companies, namely Nanjing Yincheng Hui Technology Network Co. Ltd.*（南京銀城匯科技網絡有限公司）and Taizhou Runze Life Service Co., Ltd.*（泰州潤澤生活服務有限公司） as both of their businesses are still in the early investment and development stage.

**Share of Profits and Losses of Joint Ventures**

The Group's share of profits and losses of joint ventures increased by approximately 600% from approximately RMB0.2 million for the year ended 31 December 2020 to approximately RMB1.4 million for the year ended 31 December 2021, primarily due to the profits generated as a result of the business growth of the joint ventures.

**Income Tax Expense**

The Group's income tax refers to PRC enterprises income tax at a tax rate of 25% on taxable profits of its subsidiaries incorporated in the PRC. Some subsidiaries of the Group are qualified as small-low-profit enterprises and thus are subject to a preferential tax rate of 5% to 10% for the year ended 31 December 2021.

The Group's income tax expense increased by approximately 19.9% from approximately RMB28.6 million for the year ended 31 December 2020 to approximately RMB34.3 million for the year ended 31 December 2021, primarily due to an increase in the profit before tax.

**Profit for the Year**

As a result of the foregoing, the Group's profit increased by approximately 35.0% from approximately RMB70.2 million for the year ended 31 December 2020 to approximately RMB94.8 million for the year ended 31 December 2021. Profits attributable to owners of the Company for the year ended 31 December 2021 amounted to approximately RMB88.7 million, representing an increase of approximately 31.8% as compared to the corresponding period in 2020. The net profit margin was approximately 7.0% for the year ended 31 December 2021, down 0.3 percentage points from approximately 7.3% in the corresponding period in 2020. While the net profit margin decreased slightly, it was still at a normal level. The decrease is due to the decrease in gross profit margin and the increase in the impairment loss of financial assets.

* *For identification purpose only*

## Liquidity, Reserves and Capital Structure

The Group adopts a prudent funding and treasury policy and maintained a healthy financial position during the year ended 31 December 2021. The Group's current assets amounted to approximately RMB954.1 million as at 31 December 2021, representing an increase of approximately 10.7% as compared to that of approximately RMB861.9 million as at 31 December 2020. The Group's cash and cash equivalents amounted to approximately RMB538.1 million as at 31 December 2021, representing a decrease of approximately 5.1% as compared to that of RMB566.9 million as at 31 December 2020, primarily due to the decrease in short-term loans of approximately RMB70 million.

The Group's total equity amounted to approximately RMB272.9 million as at 31 December 2021, representing an increase of approximately 39.5% as compared to that of approximately RMB195.6 million as at 31 December 2020. Such increase was mainly due to an increase in the profit of approximately RMB94.8 million during the year and the distribution of dividends of approximately RMB20.0 million.

## Property, Plant and Equipment

The Group's property, plant and equipment amounted to approximately RMB75.2 million as at 31 December 2021, representing an increase of approximately 216.0% as compared to that of approximately RMB23.8 million as at 31 December 2020. This was primarily due to (i) the purchase of office buildings by the Group during the year for daily office use in light of the Group's business expansion and increase in the number of staff; (ii) an increase in office equipment, electronic devices and other devices and leasehold improvements as a result of the expansion in the Group's business; and (iii) the renovation of the existing business equipment and venues during the year.

## Trade Receivables

The Group's trade receivables primarily consist of receivables for its property management services and value-added services from its customers. The Group's trade receivables amounted to approximately RMB231.0 million as at 31 December 2021, representing an increase of approximately 80.8% as compared to that of approximately RMB127.8 million as at 31 December 2020. This was primarily due to (i) the increase in the Group's revenue in 2021; and (ii) the fact that the Group agreed to extend the repayment date for part of the payments for certain non-residential customers in light of the impact of the COVID-19 and the long-term cooperative relationship with these customers. The Group is confident to receive these outstanding payments in the first half of 2022.

**Prepayments, Deposits and Other Receivables**

The Group's prepayments, deposits and other receivables amounted to approximately RMB76.7 million as at 31 December 2021, representing an increase of approximately 24.3% as compared to that of approximately RMB61.7 million as at 31 December 2020. This was mainly due to an increase in other deposits including bid bond and performance bond as a result of an increase in the number of property management projects undertaken by the Group.

**Trade Payables**

The Group's trade payables primarily consist of payables to suppliers and subcontractors. The Group's trade payables amounted to approximately RMB44.5 million as at 31 December 2021, representing an increase of approximately 83.9% as compared to that of approximately RMB24.2 million as at 31 December 2020. This was mainly due to an increase in the number of property management projects undertaken by the Group.

**Other Payables, Deposits Received and Accruals**

The Group's other payables, deposits received and accruals amounted to approximately RMB247.0 million as at 31 December 2021, representing an increase of approximately 26.9% as compared to that of approximately RMB194.7 million as at 31 December 2020. This was mainly due to (i) an increase in the collection and remittance of public expenses resulted from the increase in the number of property management projects undertaken by the Group; and (ii) an increase in the remuneration payable to staff as a result of the increase in the number of staff brought by the business expansion of the Group.

**Contract Liabilities**

The Group receives payments from its customers based on billing schedules as provided in the property management agreements. A portion of the payments are usually received in advance of the performance under the contracts which are mainly from property management services. According to the Group's business model, for revenue recognised from the provision of property management services, all such revenue are carried forward from contract liabilities during the year ended 31 December 2021. Most of the Group's contract liabilities are expected to be recognised as revenue within one year as at 31 December 2021.

The Group's contract liabilities amounted to approximately RMB295.8 million as at 31 December 2021, representing an increase of approximately 26.4% as compared to that of approximately RMB234.0 million as at 31 December 2020. This was mainly due to the Group's practice of collecting part of the property management fees for the upcoming year in advance during the previous year, and therefore, the increase in the scale of the Group's projects has led to an increase in the amount of property management fees received in advance.

**Borrowings**

As at 31 December 2021, the Group had interest-bearing bank borrowings of RMB209 million, as compared to RMB280 million as at 31 December 2020. The Group's borrowings are all denominated in RMB.

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

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| **Current:** | | |
| Bank loans – secured | **209,000** | 280,000 |
| **Total** | **209,000** | 280,000 |

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

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***RMB'000*** | *RMB'000* |
| Repayable within one year | **209,000** | 280,000 |

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

| | As at 31 December | |
|---|---|---|
| | **2021** | 2020 |
| | ***%*** | *%* |
| **Current:** | | |
| Bank loans – secured | **4.20-4.35** | 4.35 |

## Financial Risks

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

*Interest Rate Risk*

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

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

*Credit Risk*

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

The carrying amounts of cash and cash equivalents, the fair values of pledged deposits, trade receivables, financial assets included in prepayments, deposits and other receivables, and amounts due from related companies included in the statement of financial position represent the Group's maximum exposure to credit risk in relation to its financial assets as at 31 December 2021.

As at 31 December 2021, all cash and cash equivalents were deposited in high-credit-quality financial institutions without significant credit risk.

*Liquidity Risk*

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

## Foreign Exchange Risk

As all of the Group's businesses are conducted in the PRC, revenue and profits for the year ended 31 December 2021 were denominated in RMB. The major foreign currency source for the Group is the fundraising following the successful listing on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in 2019, all of which were in Hong Kong dollars. As at 31 December 2021, the Group did not have significant foreign currency exposure from its operations. The Group currently has not used derivative financial instruments to hedge its foreign exchange risk. The Group will monitor its foreign currency exposure closely and will consider hedging significant foreign currency exposure should the need arise.

## Gearing Ratio

The Group's gearing ratio is calculated based on net debt divided by total capital plus net debt. The Group includes, within net debt, interest-bearing bank borrowings, amounts due to related companies and lease liabilities, less cash and cash equivalents. The Group's capital represents equity attributable to owners of the Company. As at 31 December 2021, the Group's gearing ratio was not applicable.

## Use of Proceeds from the Listing

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

Set out below is the actual utilisation of the net proceeds as at 31 December 2021, which is consistent with the proposed allocation disclosed in the Prospectus:

| | **Planned use of proceeds in total** *HK$'000* | **Actual use of proceeds as at 31 December 2021** *HK$'000* | **Remaining balance of net proceeds as at 31 December 2021** *HK$'000* | **Expected timeline for utilising the remaining net proceeds** *(Note)* |
|---|---|---|---|---|
| Continue to expand the Group's business by mergers and acquisitions or investments in order to expand its market shares in the property management service industry in the PRC | 78,853 | 40,261 | 38,592 | By 31 December 2022 |
| Invest in intelligent systems to improve the Group's service quality and enhance its customers' experience | 19,713 | 19,713 | – | Not applicable |
| Upgrade the Group's internal information technology system to enhance operational efficiency | 13,142 | 13,142 | – | Not applicable |
| Continue to recruit more technical and managerial talents and, at the same time, provide training to the Group's employees for the expansion of its operations | 6,571 | 6,571 | – | Not applicable |
| General working capital | 13,142 | 13,142 | – | Not applicable |

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

The Group will continue to utilise the remaining net proceeds as shown above and expects to fully utilise such amount by 31 December 2022.

## Pledge of Assets

The Group had no pledge of assets as at 31 December 2021.

## Contingent Liabilities

The Group had no material contingent liabilities or guarantees as at 31 December 2021.

## Significant Investments Held

Save as disclosed in this announcement, the Group did not hold any significant investment during the year ended 31 December 2021.

## Employees and Remuneration Policies

As at 31 December 2021, the Group had a total of 6,930 employees. The Group offers employees competitive remuneration packages that include fees, salaries, allowances and benefits in kind, bonuses and pension scheme contribution, equity-settled and share option scheme and social welfare. The Group contributes to social insurance for its employees, including medical insurance, work-related injury insurance, retirement insurance, maternity insurance, unemployment insurance and housing funds.

## Future Plans for Material Investments and Capital Assets

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

## Material Acquisition and Disposal

During the year ended 31 December 2021 and up to the date of this announcement, the Group did not perform any material acquisition or disposal of subsidiaries and associates.

## Subsequent Events

The Directors are not aware of any material events undertaken by the Group subsequent to 31 December 2021 and up to the date of this announcement.

## OTHER INFORMATION

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## ANNUAL GENERAL MEETING

The annual general meeting of the Company (the "**AGM**") will be held on Wednesday, 1 June 2022, the notice of which will be published and dispatched to the Shareholders as soon as practicable in accordance with the Company's Articles of Association and the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**").

## FINAL DIVIDEND

The Board recommended the payment of final dividend of HK$1.26 per ten ordinary shares (2020: HK$0.92 per ten ordinary shares) of the Company for the year ended 31 December 2021. The final dividend is subject to the approval of the Shareholders at the forthcoming AGM to be held on Wednesday, 1 June 2022 and, subject to the approval by the Shareholders at the AGM, the final dividend is expected to be paid on or about 18 July 2022 to the Shareholders whose names appear on the register of members of the Company on Wednesday, 15 June 2022.

## CLOSURE OF REGISTER OF MEMBERS

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

(a) from Friday, 27 May 2022 to Wednesday, 1 June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Thursday, 26 May 2022; and

(b) from Wednesday, 15 June 2022 to Friday, 17 June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining the Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Tuesday, 14 June 2022.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the corporate governance code (the "**Corporate Governance Code**") contained in Appendix 14 to the Listing Rules as its own code on corporate governance. During the year ended 31 December 2021 and up to the date of this announcement, the Company has complied with the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. All Directors confirmed, after having made specific enquiry with the Company, that they have complied with the Model Code during the year ended 31 December 2021 and up to the date of this announcement.

## REVIEW OF PRELIMINARY ANNOUNCEMENT BY THE AUDIT COMMITTEE

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

The Audit Committee has reviewed and discussed the annual results for the year ended 31 December 2021. The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Group's auditor, Ernst & Young, Certified Public Accountants of Hong Kong ("**Ernst & Young**"), to the amounts set out in the Group's consolidated financial statements for the year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young in this announcement.

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

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

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

Nanjing, China
30 March 2022

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

* *for identification purpose only*