

金融街物業股份有限公司

FINANCIAL STREET PROPERTY CO., LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1502

2020 ANNUAL REPORT



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** For identification purpose only*

Corporate Information

EXECUTIVE DIRECTORS

Mr. Sun Jie (*Chairman*)
Ms. Xue Rui

NON-EXECUTIVE DIRECTORS

Mr. Shen Mingsong
Mr. Zhou Peng
Mr. Liang Jianping
Mr. Jiang Rui

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Baocheng
Ms. Tong Yan
Ms. Lu Qing

SUPERVISORS

Mr. Liu Anpeng (*Chairman of the Supervisory Committee*)
Mr. Liu Hongwu (resigned on 7 December 2020)
Ms. Gao Minghui (appointed on 7 December 2020)
Ms. Lyu Min

JOINT COMPANY SECRETARIES

Mr. Chen Xi
Ms. Tong Suet Fong (ACG ACS)
(resigned on 13 August 2020)
Ms. Ho Wing Nga (FCG FCS)
(appointed on 13 August 2020)

AUTHORISED REPRESENTATIVES

Mr. Sun Jie
Ms. Tong Suet Fong (ACG ACS)
(resigned on 13 August 2020)
Ms. Ho Wing Nga (FCG FCS)
(appointed on 13 August 2020)

AUDIT COMMITTEE

Ms. Tong Yan (*Chairman*)
Mr. Jiang Rui
Mr. Song Baocheng

NOMINATION COMMITTEE

Mr. Sun Jie (*Chairman*)
Mr. Song Baocheng
Ms. Tong Yan

REMUNERATION COMMITTEE

Ms. Lu Qing (*Chairman*)
Mr. Shen Mingsong
Mr. Song Baocheng

Corporate Information (Continued)

REGISTERED OFFICE

33 Financial Street
Xicheng District
Beijing
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

24/F, Xihuan Plaza Tower 2
1 Xizhimenwai Avenue
Xicheng District
Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–16, 17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

China Minsheng Bank Beijing Financial Street
Sub-branch
China Merchants Bank Financial Street Sub-branch

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor
22/F, Prince's Building
Central, Hong Kong

LEGAL ADVISERS

as to Hong Kong law:
Guantao & Chow Solicitors and Notaries

COMPLIANCE ADVISER

Guotai Junan Capital Limited

STOCK CODE

1502

COMPANY WEBSITE ADDRESS

www.jrjlife.com

Financial Summary

- Revenue for the year ended 31 December 2020 increased by approximately 13.43% to approximately RMB1,130.88 million from approximately RMB997.01 million for the year ended 31 December 2019.
- Gross profit for the year ended 31 December 2020 increased by approximately 27.47% to approximately RMB244.02 million from approximately RMB191.43 million for the year ended 31 December 2019 and the gross profit margin for the year ended 31 December 2020 increased to approximately 21.58% from approximately 19.20% for the year ended 31 December 2019.
- Profit before income tax of the Group for the year ended 31 December 2020 amounted to approximately RMB156.58 million, and the profit attributable to the owners of the Company amounted to approximately RMB104.44 million, both of which were arrived at after taking into account the unrealised net exchange losses of approximately RMB51.48 million in 2020. (For the year ended 31 December 2019, the profit before income tax of the Group and the profit attributable to the owners of the Company were not subject to exchange losses).
- As at 31 December 2020, cash and cash equivalents were approximately RMB1,378.75 million, representing an increase of approximately 106.98% from approximately RMB666.12 million as at 31 December 2019.
- As at 31 December 2020, the Group's gross floor area ("**GFA**") under management increased by 24.12% to approximately 24.7 million sq.m. from approximately 19.9 million sq.m. as at 31 December 2019.
- The Board recommends the payment of 2020 proposed final dividend of RMB0.154 per Share (before tax) in the form of cash for the year ended 31 December 2020.



Events during the Year

MAY

Financial Street Property ranked 16th in the “2020 Top 100 Property Management Companies in China” selected by the China Index Academy.



JUNE

Financial Street Property held the 19th Work Safety Month event, with the theme of “Eliminating Potential Accidents and Fortifying Security Lines.”



JULY

The H Shares of Financial Street Property were successfully listed on the Hong Kong Stock Exchange with the stock code 1502.HK.



Events during the Year (Continued)

NOVEMBER

Beijing Financial Street Savills Property Management Co., Ltd., a subsidiary of Financial Street Property, and Shenzhen Worldunion Join Wealth Real Estate Management Incorporated jointly established Beijing Financial Street Worldunion Real Estate Management Co., Ltd.*, focusing on providing customers with comprehensive leasing operation services. The establishment of the joint venture has brought new business expansion and development opportunities to the asset operation business of Financial Street Property.



The first reverse road show “Entering Financial Street” theme event after the listing of the H Shares of Financial Street Property was successfully held in Beijing Financial Street. More than 110 investors and analysts in total were invited to participate both online and offline.



Financial Street Hongya Property Services (Chongqing) Co., Ltd.* was jointly established by Financial Street Property and Chongqing Hongya Property Management Service Co., Ltd.*, focusing on providing property management and related services for various properties located in the southwest region surrounding Chengdu-Chongqing.



Events during the Year (Continued)

DECEMBER

The “Rongze Mansion” project operated by the Group was reported by the Chinese official media as a pilot community for waste sorting.



The “Financial Street Community Property Service Center” operated by the Group won the honorary title of “Model Organisation of Beijing” issued by the Beijing Municipal Committee of the Communist Party of China and the People’s Government of Beijing Municipality.



Events during the Year (Continued)

The IZEE catering series brand IZEEBAKE operated by the Group was upgraded to IZEE·BAKED MAGIC, with its bakery category further enriched and diversified, and IZEEBAKE entered the 2.0 era.



The IZEE brand was invited to participate in the 2nd Enterprise Listing Exchange Event in Xicheng District, Beijing.



Events during the Year (Continued)

The project of China Reinsurance Center and the project of Desheng Shangcheng served by the Company were awarded the certificate of Class Two of Standard of Safety Production Standardisation of Property Management Comprehensive Building in Beijing (北京市物業管理綜合樓宇安全生產標準化二級標準).



Class Two Safety Production Certificate –
Project of China Reinsurance Center



Class Two Safety Production Certificate of
Desheng Shangcheng

The project of Financial Street (Yuetan) Center managed by the Company obtained the honorable title of Demonstrating Project of Intelligent Maintenance and Operation Switching Room (智能運維配電室示範工程) issued by Beijing Electric Power Industry Association.



Demonstrating Project of Intelligent
Maintenance and Operation Switching Room
of Yuetan

Major Honors and Awards

The main awards obtained by the Group in 2020 are set out below:



No.	Award Time	Award Name	Awarding Institution
1	May 2020	2020 Top 100 Property Management Companies in China	China Index Academy
2	May 2020	2020 China Office Property Management Exceptional Companies	China Index Academy
3	May 2020	2020 China Top 100 Leading Property Management Companies in Service Quality	China Index Academy
4	May 2020	2020 China Leading Property Management Companies in terms of Characteristic Service – Commercial Properties Management Services	China Index Academy

Major Honors and Awards (Continued)



No.	Award Time	Award Name	Awarding Institution
5	May 2020	China Reinsurance Center – 2020 China Property Management Industry Demonstration Site	China Index Academy
6	May 2020	Jinjia Building – 2020 China Property Management Industry Demonstration Site	China Index Academy
7	September 2020	2020 China Property Management Professional Operation Leading Brand Companies	China Index Academy
8	September 2020	2020 China Property Management Companies in terms of Characteristic Service – Commercial Properties Management Services	China Index Academy



No.	Award Time	Award Name	Awarding Institution
9	September 2020	2020 Leading Office Property Management Companies	China Property Management Research Institution, Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Center
10	September 2020	2020 Top 10 North China Brand Property Management Companies	China Property Management Research Institution, Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Center

Major Honors and Awards (Continued)

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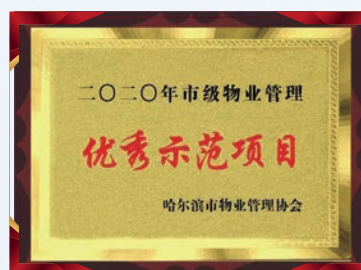


No.	Award Time	Award Name	Awarding Institution
11	September 2020	Top 100 Wechat Public Accounts of National Property Management Industry	National Property Management Industry Media Collaboration Network
12	September 2020	Public Subscription Certificate of Highland Barley Base for Consumption Poverty Alleviation	China Community Poverty Alleviation Alliance

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No.	Award Time	Award Name	Awarding Institution
13	October 2020	Hailun Centre - Shanghai Property Management Excellent Demonstration Site (Non-residential Property)	The Trade Association of Shanghai Property Management
14	November 2020	2020 Harbin Municipal Property Management Excellent Demonstration Site	Harbin Property Management Association

Chairman's Statement

Dear shareholders,

On behalf of Financial Street Property Co., Limited ("**Financial Street Property**" or the "**Company**") and its subsidiaries (collectively the "**Group**" or "**we**"), I am pleased to present the consolidated results of the Group for the year ended 31 December 2020.

In 2020, China's property management industry continued to face the impact of the COVID-19 ("**COVID-19**") pandemic. Under the strong leadership of the Chinese government, with the introduction of a series of effective policies and the implementation of multi-faceted measures, the prevention and control of the COVID-19 pandemic in China achieved outstanding results, and the property management industry gradually regained a stable development with a steady upward trend for the overall development of the industry.

During the year, the Company firmly adhered to the requirements of the governments at all levels and Financial Street Group, achieved the goal of prevention and control of the pandemic as well as the resumption of work and production, and successfully completed the set tasks. In the meantime, the H Shares of the Company were successfully listed on The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 6 July 2020 (the "**Listing**"), starting a new journey toward accessing global capital markets.

Since its Listing, the Company has been staying true to the original aspiration and forging ahead with determination, and has significantly improved its image and brand recognition amongst the public, customers, government and the media. In the future, the Company's outstanding and leading position in the commercial property management field will be further highlighted and its competitiveness in the market will be further enhanced.

STEADY GROWTH IN BOTH SCALE AND REVENUE

In 2020, the Group's performance has steadily improved, with significant growth in core indicators such as business scale and operating revenue. As at 31 December 2020, the Group's operations covered 13 provinces and municipalities across six regions, namely North China, Southwest China, East China, South China, Northeast China and Central China. It had a total of 173 projects under management and the total GFA under management was approximately 24.72 million sq.m., representing an increase of approximately 24.12% compared with the corresponding period in 2019; the revenue of the Group was RMB1,130.88 million, representing an increase of approximately 13.43% compared with the corresponding period in 2019.

FOCUSING ON QUALITY WITH INCREASING BRAND INFLUENCE

The Group took its efforts to adhere to the vision of "becoming a leader of the commercial property services in China" and has been widely recognised. In 2020, the comprehensive strength of the Group has been steadily enhanced, with its advantages in the field of commercial property services and office property management highlighted. On 13 May 2020, China Index Academy hosted the "Press Conference on Research Results of 2020 Top 100 Property Management Companies in China and the Thirteenth Summit for Top 100 Property Management Entrepreneurs". At the Summit, the Group has been awarded various

Chairman's Statement (Continued)

honours for its outstanding brand including the 2020 Top 100 Property Management Companies of China, the 2020 China Office Buildings Management Leading Companies, the 2020 Top 100 Leading Property Management Companies in Service Quality in China, and the 2020 China Leading Property Management Companies in terms of Characteristic Service – Commercial Properties Management Services. The Group continued to achieve remarkable results and ranked 16th in the 2020 Top 100 Property Management Companies of China issued by China Index Academy, one place higher than in 2019 and continued to maintain a steady upward trend. There is a rapid increase in our brand awareness and industry influence, with continuous improvement in our service philosophy, continuous optimisation of service quality, continuous iteration of service products and a higher industry ranking.

STEADY EXPANSION OF OUR BUSINESS BOTH INTERNALLY AND EXTERNALLY

Based on the operation region reform of our operation mechanism, through continuously deepening and implementing incentives for market expansion, we aim to constantly promote the overall management capabilities and operating performance of each region and the Company and ensure a positive trend for the Group's internal and external interconnected development. With in-depth penetration into the high-end commercial property management market in the Beijing-Tianjin-Hebei Region, the Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta Region, our business landscape has steadily expanded.

In 2020, the Group recorded steady growth in GFA under management and number of the projects developed by Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司) ("**Financial Street Group**"), the controlling shareholder of the Company (the "**Controlling Shareholder**"), and its subsidiaries, associates and joint ventures (excluding the Group, collectively referred to as "**Financial Street Affiliates Group**") and from independent third parties. During the year, the number of projects under management increased by 29 and GFA under management increased by 4.86 million sq.m. As at 31 December 2020, projects under management of the Group amounted to 173, and the GFA under management was 24.72 million sq.m.. While supported by the continuous and stable supply of property projects by Financial Street Affiliates Group, the Group has increased its expansion efforts in the third-party market. Leveraging on its quality commercial and business property management services, the Group is committed to further expanding its market share in the commercial and business property management industry through competitive bidding and joint ventures, particularly in financial management centres and commercial centers in various major regional cities. Strengthening our capabilities and reputation will be beneficial to the Group's long-term healthy development and competitiveness in the market.

DIVERSIFIED DEVELOPMENT WITH A SOUND TREND

We believe that diversified value-added services as well as property management services with high brand value are the cornerstone of our success. Leveraging on our existing services portfolio, we continued to explore new value-added services and products under our brand series to enhance our brand value. At the same time, the Group continued to promote our "IZEE" Brand Series services, and expand the business scale of Catering Series and Service Series to better serve our customers, which also effectively enhanced our brand awareness and reputation. As at 31 December 2020, eight IZEECUP cafés, two IZEE-Mitsuyado,

Chairman's Statement (Continued)

one IZEECHEF and two IZEEBAKE were under the Group's operation. In order to improve our service quality and support our business growth, we increased our investment in research and development regarding the property management services to smart properties and technology-driven properties. We stepped up to integrate our services into our online platform (our WeChat official account) and offline platforms (our "IZEE" Brand Series) to provide high-quality convenient services for owners, tenants and users and facilitate effective interactions with owners and tenants. In addition, we continued to upgrade our technological system, formulate standardised workflow plan, adopt an automatic management system and upgrade our digitalised equipment, which effectively promoted the rapid development in our diversified and intelligent property management and community value-added services.

ACTIVELY FIGHTING AGAINST THE PANDEMIC TO PROMOTE WORK AND PRODUCTION RESUMPTION

In early 2020, the outbreak of COVID-19 pandemic has challenged the service capabilities and operation levels of property management companies. The Group attached great importance to the fight against the COVID-19 pandemic and actively fulfilled its social responsibilities as a state-owned enterprise. In line with the principle of "when a command is issued during the pandemic, it is our responsibility to prevent and control it", we have taken prompt actions to fight against the pandemic, and our projects under management have achieved remarkable results in the fight against the pandemic.

The Group strictly implemented various pandemic prevention measures and formulated the Measures for Prevention and Control of the COVID-19 Pandemic and the Public Health Incident Management Manual, which were commonly implemented in the projects under management. The operation of scientific pandemic prevention and emergency measures were fully recognised and praised by government agencies and leaders at all levels. In the stage of normalised pandemic prevention and control, the Group will always persist in promoting pandemic prevention and control, and resumption of work and production in a planned manner, in accordance with laws and the instructions of governments at all levels, and make careful and practical efforts for pandemic prevention and control, so as to continuously ensure the health and property safety of the owners and promoting the responsibility of state-owned enterprise.

LOOKING FORWARD TO THE FUTURE WITH EXPECTATION OF A PROSPEROUS AND LONG-LASTING DEVELOPMENT

In 2021, in terms of business development, relying on the vast property service market in China and leveraging upon advantages of our strong brand reputation and experience in the business office area, the Group will develop more business partners, continue to expand our business and provide its customers with a wide range of diversified property management services and value-added services. Meanwhile, with our strong brand awareness, rich industry experience and professional management expertise, we will increase our market share through mergers and acquisitions to facilitate the continuous growth of our business scale.

Chairman's Statement (Continued)

In 2021, in terms of value-added business, the Group will fully exploit technology-endowed capabilities and conceptually innovative core elements of modern property management and operation, continuously enrich our business portfolio, expand our business services, asset management and customisation services based on the customers' needs, continue to develop the "IZEE" Brand Series, explore a complex development model of diversification, multi-industry chain, and continue to expand upstream and downstream business areas, so as to enhance customer experience and satisfaction while developing more businesses and creating greater value in value-added business areas.

In 2021, in terms of technology application, the Group will continue to promote the construction and application of the central monitoring data platform system, and integrate the operating system and the financial management system by opening up the data of the business subsystems and in combination with the intelligent AI equipment, we will continue to improve customer service experience, reduce operating costs, improve internal management efficiency, and strengthen the innovation capabilities and market competitiveness of the enterprise through technology-endowed capabilities and innovation.

In 2021, in terms of social welfare, the Group will continue to carry forward the public spirit of a state-owned enterprise, its social responsibilities as a state-owned enterprise, and make contributions in the protracted fight against the COVID-19 pandemic. The Group will implement normalised pandemic prevention and control to be organically integrated with resumption of work and production. It will promote service quality improvement with a multi-pronged/multi-angled approach. It will continuously advance its data-driven deployment. It will spare no effort to protect the health and safety of customers, with careful and comprehensive prevention and control measures.

In 2021, in terms of corporate governance, the Group will in strict accordance with the requirements of laws, regulations and regulatory standards of Mainland China and Hong Kong, strengthen the scientific management system of the Company, and promote standardised corporate governance, strengthen risk prevention and control, so as to ensure compliant operations. The successful listing of the H shares of the Company (the "**H Shares**") on the Stock Exchange is not only a glorious past in the history of our development but also a new starting point for further superb achievements in the future. We will continue to harness the power conferred upon by capital, research and analyze market trends and pay attention to industry trends. As a superb listed company with standardised operations, outstanding business reputation and determined to forge ahead, we will satisfy investors with exceptional performance.

Looking back at 2020, we have the perseverance and determination to pursue our dreams, as well as the courage and passion to strive for success; the boldness to strive for progress under pressure, as well as the brilliance to challenge a new height bravely. In any case, the Company has been moving forward with confidence and determination on the exploration road full of difficulties, growing steadily and becoming stronger in the capital market. In 2021, we will work hard together to chase our dreams and move forward with commitment. Although the road is endless and filled with barriers, we will strive hard to achieve our goals and sail our dreams in the Year of Ox.

Sun Jie

Chairman and general manager

Beijing, the PRC, 25 March 2021

Management Discussion and Analysis

BUSINESS REVIEW

Overview

As one of the leading comprehensive property management service providers for commercial and business properties (especially office buildings) in China, the Group focuses on mid- to high-end properties. The Group has been providing property management services for over 26 years since 1994, and since then has expanded the property management business across six regions (namely North China, Southwest China, East China, South China, Northeast China and Central China), covering a wide range of properties and providing property owners and residents with tailored quality services through a one-stop service platform to enhance their quality of life and satisfaction.

The Group mainly provides (A) property management and related services, mainly including (i) customer services, (ii) security services, (iii) cleaning and gardening services, (iv) engineering, repair and maintenance services, (v) carpark management services, and (vi) other related services; and (B) catering services.

In 2020, the whole service industry was confronted with challenges in the face of the sudden COVID-19 pandemic worldwide, but the property management industry has experienced rigid demand for its services in this captive market. By adhering to diversified innovation and focusing on the needs of developing our main business, the Group has faced its challenges, continued to optimize its management and control and enhance overall market strength, improved our all-round operational capabilities and strengthened our core competitiveness.

In 2020, in terms of management effectiveness, the Group has, based on the fact that our multiple projects under management in Beijing obtained the qualification of “Class II safety production standardisation for property management of integrated buildings”, strengthened safety management and control, and after drawing on our experience in execution, initiated multi-dimensional advisory services and interactive assessments in business architecture and safety control, and thus won the recognition of several business headquarters customers. The Group has implemented the project of the category “two-wheel drive” to promote the establishment of “centralised data control platform” and “customer service platform” through a “one-stop, intelligent and flat” rapid service response management process, thereby achieving dual improvement of owner experience along with management efficiency and effectiveness.

In 2020, in terms of business expansion, aside from the support offered by Financial Street Affiliates Group and the efforts to strengthen the expansion of market-oriented third-party projects, the Group has further expanded its business footprint. In December 2020, the Company established joint ventures of Beijing Financial Street Worldunion Real Estate Management Co., Ltd.* (“**Financial Street Worldunion**”) and Financial Street Hongya Property Services (Chongqing) Co., Ltd.* (the “**Financial Street Hongya**”) with Shenzhen Worldunion Join Wealth Real Estate Management Incorporated (深圳世聯君匯不動產運營管理股份有限公司) and Chongqing Hongya Property Management Service Co., Ltd.* (重慶泓亞物業管理服務有限公司), respectively. Financial Street Worldunion aims to provide systematic and comprehensive leasing operation services to customers and to build a business operation platform of mutual sharing, interdependence and sustainable growth. It will effectively develop the asset operation business of the Company, thereby

Management Discussion and Analysis (Continued)

presenting the Company with new growth opportunities. Financial Street Hongya focuses on a full set of products and services from consultancy, property management to property operation in the field of commercial office properties, combining the concepts of culture, smart technology and environmental waste classification with property management. The establishment of Financial Street Hongya will help the Company to further develop the vibrant property management market in the Chengdu-Chongqing Urban Agglomeration, and to further develop the extent of the local market.

The Group's representative projects newly acquired in 2020 are summarised as follows:

THE SPRINGS (尚浦領世) F1D

The SPRINGS (尚浦領世) F1D project is located in the north of the Wujiaochang municipal sub-center in Shanghai. The project is mainly for office and commercial purposes, Phase I of which has a total floor area of approximately 136,000 square meters, and is one of the most famous landmark buildings in Shanghai.

Jifu Building (吉富大廈)

Jifu Building is located in A Area of Shanghai World Expo Park, at the intersection of Bocheng Road and Boqing Road. The project is a complex for office and commercial use, with a total floor area of 58,500 square meters. Jifu Building integrates with the regional layout of the head office of Shanghai World Expo Park which is composed of business facilities, high-end exhibition, travel and leisure and the ecological living environment.



New Actuation Fintech Center (新動力金融科技中心)

New Actuation Fintech Center is situated on Xizhimenwai Avenue, a main road in Xicheng District, Beijing. The project is located at the core area of Beijing Fintech Innovation Demonstration Zone, with a total floor area of approximately 100,000 square meters. It is a landmark building upgrading project at the core area of a state-level fintech demonstration zone in China, and it will be built into a new type of smart building integrating 5G application environment, Internet of Things, Big Data and AI. As a considerable haven harbouring enterprises of “National team”, “Unicorn” and “Vanguard” calibre in the fintech sector, it provides enterprises with high-quality office services.

Management Discussion and Analysis (Continued)



Olympic Stadium Flower City (奧體花城)

Olympic Stadium Flower City is located at the southeast of the intersection of Wangcheng Avenue and Gucheng Road, Luoyang New District, Luoyang, Henan Province, with a planned floor area of 500,000 square meters. It's composed of garden houses, stab-type middle-height and high-rise buildings and ancillary commercial facilities.



Management Discussion and Analysis (Continued)

In addition, in 2020, the Group also expanded its market-oriented projects including but not limited to the following:

1. after being engaged for property management of the headquarters building of the Guiyang Branch of China Minsheng Banking Corp., Ltd., the Group further deepened its cooperation with China Minsheng Bank, additionally providing services for its 9 sub-branches and 24 small and micro sub-branches;
2. in terms of public properties and educational properties in non-commercial properties, it provided property services for an elite international 12-year school in Shaoxing, Zhejiang Province;
3. leveraging upon its state-owned enterprise background, the Group initiated in-depth business development cooperation with State Grid and other state-owned enterprises in “water, power and heat supply, and property management” services;
4. with rich experience in serving financial enterprises, the Group initiated business development cooperation with the headquarters of a large state-owned bank and the headquarters of a state-owned financial enterprise with regard to the provision of consulting services for office buildings, thus expanding the scope of business services of the Group in several respects.

Property Management and Related Services

As at 31 December 2020, the Group's property management and related services covered 13 provinces and municipalities across six regions in China (including North China, Southwest China, East China, South China, Northeast China and Central China), with a total GFA under management of approximately 24.72 million sq.m. and a total of 173 properties under management.

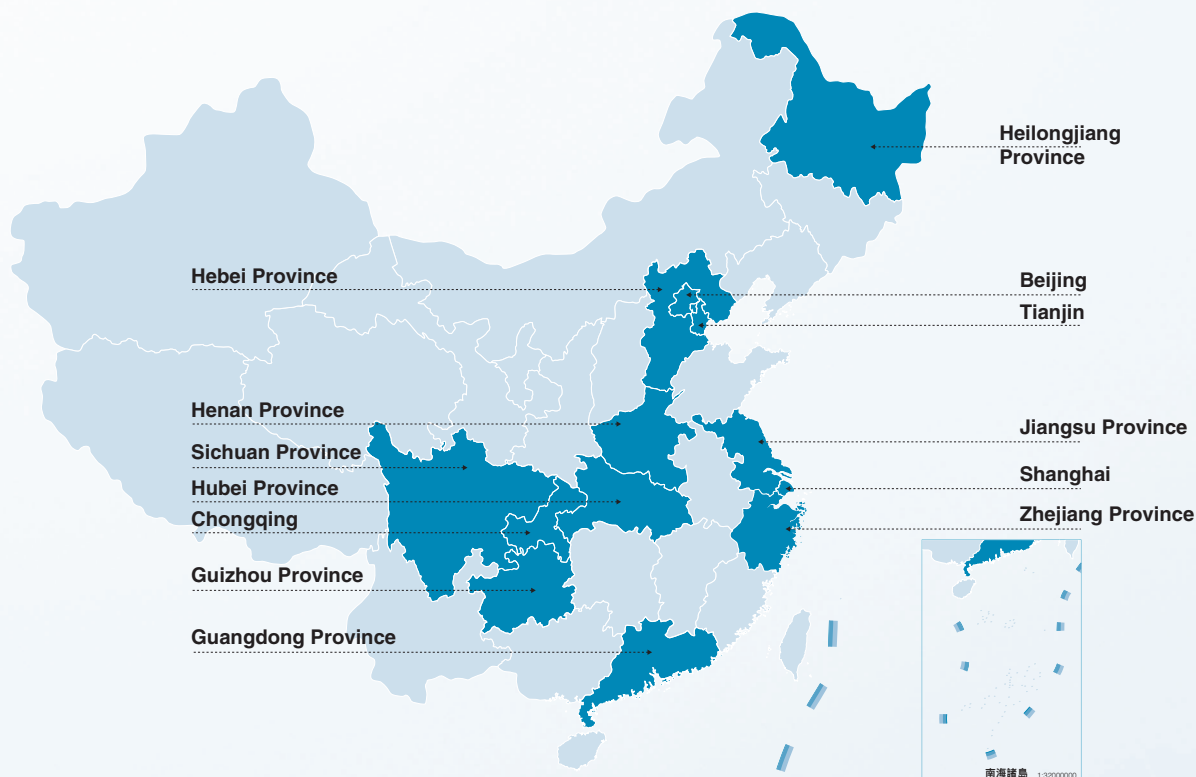
The table below sets forth (i) the contracted GFA; (ii) the GFA under management; and (iii) the number of properties under management, as at the dates indicated:

	As at 31 December 2020	As at 31 December 2019
Contracted GFA ('000 sq.m.)	28,104	21,369
GFA under management ('000 sq.m.)	24,719	19,857
Number of properties under management	173	144

Management Discussion and Analysis (Continued)

Geographic Coverage

The following map shows the geographic coverage of the properties under management of the Group as at 31 December 2020:



The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by regions as at the dates indicated:

	As at 31 December 2020		As at 31 December 2019	
	GFA ('000 sq.m.)	Number of projects	GFA ('000 sq.m.)	Number of projects
North China	10,871	88	9,659	78
Southwest China	4,879	29	3,494	23
East China	3,967	22	3,070	15
South China	3,346	27	3,349	24
Northeast China	282	4	281	3
Central China	1,374.91	3	4	1
Total	24,719	173	19,857	144

Management Discussion and Analysis (Continued)

Notes:

North China Region includes Beijing, Tianjin and Hebei Province

Southwest China Region includes Chongqing, Sichuan Province and Guizhou Province

East China Region includes Shanghai, Jiangsu Province and Zhejiang Province

South China Region includes Guangdong Province

Northeast China Region includes Heilongjiang Province

Central China Region includes Hubei Province and Henan Province

Types of Properties Under Management

The Group managed a diversified portfolio of properties covering commercial and business properties, including office buildings, complexes, retail buildings and hotel; and non-commercial properties, including residential properties, public properties, hospitals, educational properties and others. Regarding the property management services, the Group employs the lump-sum basis and commission basis as the two revenue models under which property management fees are charged. On a lump-sum basis, the Group records all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. On a commission basis, the Group essentially acts as the agent of the property owners and therefore records only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. By adopting these two revenue models, the Group is able to cover the expenses incurred in connection with providing property management services.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by type of properties as at the dates indicated:

	As at 31 December 2020			As at 31 December 2019		
	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management	GFA under management ('000 sq.m.)	Percentage %	Number of properties under management
Office building	6,636	26.8	51	6,375	32.1	49
Complexes	1,011	4.1	4	1,011	5.1	4
Retail buildings and hotel	625	2.5	3	625	3.1	3
Residential properties	12,007	48.6	61	8,875	44.7	49
Public properties, hospitals, educational properties and others	4,440	18.0	54	2,971	15.0	39
Total	24,719	100	173	19,857	100	144

Management Discussion and Analysis (Continued)

The table below sets forth the breakdowns of the GFA under management by revenue models as at the dates indicated:

	As at 31 December 2020		As at 31 December 2019	
	GFA under management	Percentage	GFA under management	Percentage
	('000 sq.m.)	%	('000 sq.m.)	%
Property management services (lump-sum basis)	21,419	86.6	16,434	82.8
Property management services (commission basis)	3,300	13.4	3,423	17.2
Total	24,719	100	19,857	100

It is important to note that on a commission basis, the Group recorded only a pre-determined percentage of the property management fees or service costs, which generally ranged from 5.0% to 8.0%, as set out in the property management service contracts as revenue, while all the property management fees are recorded as revenue on a lump-sum basis.

Nature of the Property Developers Served

The properties under the Group's management were mainly developed by Financial Street Affiliates Group, while the rest were developed by independent third-party property developers. As at 31 December 2020, the Group also won all public tenders for properties developed by the Financial Street Affiliates Group. At the same time, the Group increased cooperation with properties developed by independent third-party property developers in 2020. The Group's GFA under management from properties developed by independent third-party property developers was approximately 8.2 million sq.m. as at 31 December 2020, representing an increase of approximately 23.16% from approximately 6.7 million sq.m. as at 31 December 2019. Further, the number of projects also increased from 46 as at 31 December 2019 to 56 as at 31 December 2020.

Management Discussion and Analysis (Continued)

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management of the Group by property developers as at the dates indicated:

	As at 31 December 2020		As at 31 December 2019	
	GFA under management (‘000 sq.m.)	Number of projects	GFA under management (‘000 sq.m.)	Number of projects
Properties developed by Financial Street Affiliates Group	16,507	117	13,189	98
Properties developed by independent third-party property developers	8,212	56	6,668	46
Total	24,719	173	19,857	144

Catering Services

As at 31 December 2020, the Group operates cafés, restaurants and bakeries under the “IZEE” catering series, namely IZEECUP, IZEE-Mitsuyado, IZEECHEF and IZEEBAKE. Eight IZEECUP cafés, two IZEE-Mitsuyado restaurants, one IZEECHEF restaurant and two IZEEBAKE bakeries were under the Group’s operation as at 31 December 2020.

FUTURE OUTLOOK

In terms of business development, relying on the vast property service market in China and leveraging our great brand reputation and experience in the business office area, the Group will expand our presence, provide diversified services and increase our market share through including but not limited to mergers and acquisitions and establishment of joint ventures in 2021.

In terms of value-added services, the Group will continuously enrich our operating business portfolio, expand our business services, asset management and customisation services, continue to develop the IZEE brand series and develop more business and create greater value in value-added business areas in 2021.

In terms of technology application, the Group will continue to carry forward the establishment of the central monitoring data platform system and promote its application, integrate the operating system and financing management system, and continue to improve the customer services experience so as to reduce the operating cost, improve the efficiency of internal management, and enhance the enterprise’s innovation ability and market competitiveness.

In terms of social welfare, the Group will continue to carry forward the public spirit of a state-owned enterprise, its social responsibilities as a state-owned enterprise, make contributions in the protracted fight against the COVID-19 pandemic, and spare no effort to protect the health and safety of customers.

Management Discussion and Analysis (Continued)

In terms of corporate governance, the Group will in strict accordance with the requirements of laws, regulations and regulatory standards of Mainland China and Hong Kong, continue to strengthen the scientific management system of the Company, and promote standardised corporate governance, strengthen risk prevention and control, so as to ensure compliant operations.

FINANCIAL REVIEW

Revenue

The Group derived revenue mainly from: (i) property management and related services; (ii) catering services. Revenue increased by approximately 13.43% from approximately RMB997.01 million for the year ended 31 December 2019 to approximately RMB1,130.88 million for the year ended 31 December 2020.

The following table sets forth the breakdown of revenue by our services provided for the periods indicated:

	For the year ended 31 December					
	2020		2019		Changes	
	RMB'000	Percentage %	RMB'000	Percentage %	RMB'000	Percentage %
Property management and related services:						
Property management services	825,802	73.0	776,915	77.9	48,887	6.3
Value-added services	276,587	24.5	196,336	19.7	80,251	40.9
Rental services	6,768	0.6	5,948	0.6	820	13.8
Catering services	21,722	1.9	17,815	1.8	3,907	21.9
Total	1,130,879	100.0	997,014	100.0	133,865	13.4

- Revenue generated from our property management and related services mainly includes: (i) customer services; (ii) security services; (iii) cleaning and gardening services; (iv) engineering, repair and maintenance services; (v) carpark management services; and (vi) other related services, which increased from approximately RMB979.20 million for the year ended 31 December 2019 to approximately RMB1,109.16 million for the year ended 31 December 2020, representing an increase of approximately 13.27%, among which, the increase in property management income was mainly attributable to the increase in the GFA under management arising from the rapid increase in the projects undertaken by the Group. The increase in the revenue from value-added services was mainly due to greater customer retention and the steady improvement of various operating businesses.
- Revenue generated from our catering services: our revenue from catering services increased from approximately RMB17.82 million for the year ended 31 December 2019 to approximately RMB21.72 million for the year ended 31 December 2020.

Management Discussion and Analysis (Continued)

Cost of Sales and Services

The Group's cost of sales and services mainly consists of (i) subcontracting costs; (ii) employee benefit expenses; (iii) utilities; (iv) raw material and components used in property management and related services; (v) cost of raw material and consumables for catering services; and (vi) other expenses. The Group's cost of sales and services increased by approximately 10.09% from approximately RMB805.59 million for the year ended 31 December 2019 to approximately RMB886.86 million for the year ended 31 December 2020. The growth rate of the cost of sales was lower than the growth rate of revenue, primarily due to the decline in costs as a result of continuous and effective cost management and control.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 27.47% from approximately RMB191.43 million for the year ended 31 December 2019 to approximately RMB244.02 million for the year ended 31 December 2020. The overall gross profit margin of the Group for the year ended 31 December 2020 was approximately 21.58%, which increased steadily as compared to the overall gross profit margin of 19.20% for the year ended 31 December 2019. The table below sets forth the Group's gross profit and gross profit margin by type of service for the periods indicated:

	2020		As at 31 December 2019		Changes	
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Amount	
	RMB'000	%	RMB'000	%	RMB'000	%
Property management and related services	245,724	22.2	194,310	19.8	51,414	2.4
Commercial and business properties	187,855	26.6	159,423	24.6	28,432	2
Non-commercial properties	57,869	14.4	34,887	10.5	22,982	3.9
Catering services	(1,707)	(7.9)	(2,881)	(16.2)	1,174	8.3
Total	244,017	21.6	191,429	19.2	52,588	2.4

Administrative Expenses

Administrative expenses of the Group increased by approximately 9.73% from approximately RMB54.42 million for the year ended 31 December 2019 to approximately RMB59.71 million for the year ended 31 December 2020, primarily due to the increase in listing expenses incurred from the Listing in the third quarter of 2020.

Management Discussion and Analysis (Continued)

Income Tax Expenses

Income tax expenses of the Group increased by approximately 6.32% from approximately RMB38.47 million for the year ended 31 December 2019 to approximately RMB40.90 million for the year ended 31 December 2020, primarily due to an increase in profit before income tax from RMB151.88 million for the year ended 31 December 2019 to approximately RMB156.58 million for the year ended 31 December 2020.

Profit for the Year

For the year ended 31 December 2020, the Group's final profit amounted to approximately RMB115.68 million, profit before income tax amounted to approximately RMB156.58 million, and profit attributable to the owners of the Company amounted to approximately RMB104.44 million, all of which were arrived at after taking into account the unrealised net exchange losses of approximately RMB51.48 million in 2020.

Note: For the year ended 31 December 2019, the Company's H Shares were not listed and all profits and losses were denominated in RMB. Therefore, the profit for the year, profit before income tax and profit attributable to the owners of the Company in 2019 were not subject to exchange losses. The exchange losses incurred by the Group for the year ended 31 December 2020 of approximately RMB51.48 million were normal unrealised exchange losses on the proceeds denominated in HKD of the Company arising from the Listing of the Company's H Shares under the impact of the continuous appreciation of RMB.

Total Comprehensive Income for the Year

Total comprehensive income of the Group increased from approximately RMB113.00 million for the year ended 31 December 2019 to approximately RMB115.22 million for the year ended 31 December 2020, representing an increase of approximately 1.97%.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2020, the Group's cash and bank balances were approximately RMB1,437.93 million, representing an increase of approximately RMB724.89 million from approximately RMB713.04 million as at 31 December 2019.

The Group's financial situation remained stable. The balance of net current assets of the Group was approximately RMB1,631.36 million as at 31 December 2020, as compared to approximately RMB873.09 million as at 31 December 2019, representing an increase of 86.85%. The increase in the current assets of the Group was mainly due to the proceeds raised from the Listing. As at 31 December 2020, the Group's current ratio (current assets/current liabilities) was approximately 2.68 (31 December 2019: approximately 1.63).

As at 31 December 2020, the Group did not have any borrowings or bank loans (for the year ended 31 December 2019: nil).

Management Discussion and Analysis (Continued)

TRADE AND OTHER RECEIVABLES

Trade receivables mainly arise from property management and related services. Trade receivables of the Group increased by approximately RMB30.88 million from approximately RMB116.03 million as at 31 December 2019 to approximately RMB146.91 million as at 31 December 2020, primarily due to the increase in trade receivables as a result of the expansion of business of the Company.

Other receivables mainly include payments and deposits paid on behalf of owners, tenants and property developers. Total other receivables of the Group were approximately 33.86 million as at 31 December 2020.

TRADE AND OTHER PAYABLES

Trade payables mainly represent amount payable to suppliers and subcontractors, including for purchase of materials. As at 31 December 2020, our balance of trade payables amounted to approximately RMB85.57 million, representing an increase as compared with approximately RMB80.82 million as at 31 December 2019, which was mainly due to the increase of the cost in security guards, cleaning, engineering and materials supply caused by the expansion of the Company's business scale, for which payments had not become due, thereby resulting in corresponding increase in its balance.

Payroll and welfare payables mainly refer to salary and insurance. As at 31 December 2020, the payroll and welfare payables of the Group were approximately RMB67.49 million, representing an increase of 32.70% compared with approximately RMB50.86 million as at 31 December 2019, mainly due to an increase in the number of staff as a result of the increased number of projects undertaken by us and the non-payment of the additional bonuses accrued.

Other payables and accruals mainly include payments and deposits collected on behalf of owners, tenants and property developers. Other payables increased by approximately 10.88% from approximately RMB293.57 million as at 31 December 2019 to approximately RMB325.51 million as at 31 December 2020, primarily due to an increase in payments on behalf of property owners, tenants and property developers as a result of an increase in the number of projects under our management.

USE OF PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Stock Exchange on 6 July 2020 (the "**Listing Date**"). The Company issued 90,000,000 H Shares, and subsequently issued 13,500,000 H Shares on 29 July 2020 as a result of the full exercise of the over-allotment option. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing (the "**Net Proceeds**") amounted to approximately HK\$710.48 million (equivalent to approximately RMB648.36 million). The unutilised Net Proceeds have been placed as interest-bearing deposits with licensed banks in Mainland China and Hong Kong. As at 31 December 2020, such Net Proceeds have been utilised and will continue to be utilised in accordance with the allocation method proposed in the prospectus of the Company dated 19 June 2020 (the "**Prospectus**").

Management Discussion and Analysis (Continued)

The analysis on the utilisation of the Net Proceeds from the Listing Date to 31 December 2020 is as follows:

	Planned use of the Net Proceeds as stated in the Prospectus and the use of additional Net Proceeds after taking into account the full exercise of the over-allotment option on 29 July 2020		Actual use of Net Proceeds up to 31 December 2020	Unutilised Net Proceeds as at 31 December 2020
	<i>% of total amount</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Pursuing strategic acquisitions and investment opportunities and establishing new branches and subsidiaries to expand the Group's business scale	60%	389.02	0.15	388.87
Developing the Group's value-added services business	20%	129.66	4.45	125.21
Establishing and upgrading IT and intelligent facilities systems	10%	64.84	0.96	63.88
The Group's working capital and general corporate purposes	10%	64.84	0	64.84
Total	100%	648.36	5.56	642.80

For the detailed breakdown and description of the proceeds and the expected timetable for the use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at the date of this report, the directors of the Company ("**Directors**") were not aware of any material change to the planned use of the Net Proceeds. The unutilised Net Proceeds and its subsequent planned term of use will be applied in a manner consistent with that mentioned in the Prospectus. The planned term of use in the Prospectus was determined according to the optimal estimation and assumption for the future market conditions and industrial development made by the Company in preparing the Prospectus, while the proceeds were applied according to the actual development of the Group's business and the industry.

PLEDGE OF ASSETS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

For the year ended 31 December 2020, the Group did not have any material acquisitions or disposals of assets (for the year ended 31 December 2019: nil).

Management Discussion and Analysis (Continued)

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

For the year ended 31 December 2020, the Group did not have any significant investment, and there was no plan for any material investment or addition of capital assets as at the date of this report.

LIABILITIES TO ASSETS RATIO

Liabilities to assets ratio is calculated based on our total liabilities as at the end of the relevant period divided by our total assets as at the end of such period. As at 31 December 2020, our liabilities to assets ratio was 0.37. As at 31 December 2019, our liabilities to assets ratio was 0.59.

Note 1: Gearing ratio is calculated by dividing the total amount of loan as at the corresponding date by the total amount of equity as at the same date. As at 31 December 2020 and 31 December 2019, the Group had no interest-bearing loan, therefore the gearing ratio does not apply.

CONTINGENT LIABILITIES

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

FOREIGN EXCHANGE RISK

The Group's businesses are principally conducted in RMB, which is the functional currency of the Group. Foreign currency transactions primarily include the proceeds from the Listing and payment of professional fees denominated in HKD. As at 31 December 2020, major non-RMB assets were cash and cash equivalents of HK\$745.43 million (equivalent to approximately RMB627.32 million). Exchange rate fluctuations for RMB against foreign currencies may have an impact on the Group's results of operations.

For the year ended 31 December 2020, the Group did not enter into any forward contract to hedge its exposure to foreign exchange risk, and will continue to monitor foreign exchange risk (for the year ended 31 December 2019: nil).

EMPLOYEES AND BENEFITS POLICIES

As at 31 December 2020, the Group had 4,123 employees (31 December 2019: 4,048 employees). Employee remuneration is determined based on employee performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programs, and will make necessary adjustments in order to be in line with remuneration levels within industry norms. In addition to basic salaries, employees may be granted discretionary bonus based on individual performance. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their productivity.

Management Discussion and Analysis (Continued)

OTHER INFORMATION

Events after the Reporting Period

Save as disclosed above, no other significant events of the Group occurred after the reporting period.

Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Company

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



Biographies of Directors, Supervisors and Senior Management

BIOGRAPHIES OF DIRECTORS

Mr. Sun Jie (孫杰), aged 47, is our executive Director, chairman, general manager and the chairman of the nomination committee of our Company (the “**Nomination Committee**”). He is primarily responsible for leading the overall operations of our Company and making major operational decisions, overseeing the day-to-day affairs of the board of Directors of the Company (the “**Board**”) and supervising the implementation of Board resolutions and development of strategies of our Group.

Mr. Sun has over 23 years of experience in property management and hotel management. Mr. Sun joined our Group in January 1997 and since then has been working in various positions within Financial Street Affiliates Group, including as deputy manager of the food and beverage division (餐飲部副經理) in our Company from January to August 1997, then from August 1997 to June 2008, as manager of the food and beverage division (餐飲部經理), assistant general manager, and deputy general manager and then general manager in Beijing Shuncheng Hotel (北京順成飯店), where he was responsible for overseeing its management and operations. Mr. Sun successively served as deputy general manager and executive deputy general manager of Beijing Financial Street Assets Management Co., Ltd. (北京金融街資產管理有限公司), a company engaged in, among others, commercial property development and management business, from January 2011 to January 2014, when he was involved in its overall management of operations and assets management. Mr. Sun was appointed as general manager of our Company in January 2014 and as our chairman in November 2017.

Mr. Sun obtained his degree of Executive Master of Business Administration (EMBA) from The Hong Kong University of Science and Technology (香港科技大學) in May 2013. Mr. Sun has been the deputy secretary-general of Beijing Property Management Association (北京物業管理行業協會) since July 2017 and has been an executive council member of China Property Management Institute (中國物業管理協會常務理事) since July 2019. He was honoured as one of the 2017–2018 Beijing Outstanding Entrepreneurs (2017–2018年北京優秀企業家) jointly by Beijing Enterprise Confederation (北京企業聯合會) and Beijing Enterprise Directors Association (北京市企業家協會).

In addition to his role as chairman, Mr. Sun also holds the title of general manager of our Company.

Mr. Sun's positions in our Company's subsidiaries or associates are as follows: the chairman of the board of directors of Beijing Financial Street Savills Property Management Co., Ltd. (北京金融街第一太平戴維斯物業管理有限公司); the chairman of the board of directors of Beijing Financial Street Savills Jingnan Property Management Co., Ltd. (北京金融街第一太平戴維斯京南物業管理有限公司); the vice chairman of the board of directors of Chongqing Jiangbeizui Property Service Co., Ltd. (重慶市江北嘴物業服務有限公司); and a director of Huai'an Guolian Financial Centre Property Service Co., Ltd. (淮安市國聯金融中心物業服務有限公司).

Mr. Sun's positions in the subsidiaries of the Controlling Shareholders of our Company are as follows: the chairman of the board of directors of Beijing Huarong Real Estate Agency Co., Ltd. (北京華融房地產經紀有限公司); and the general manager of Beijing Jinhao Real Estate Development Co., Ltd. (北京金昊房地產開發有限公司) and its executive director.

Mr. Sun is a director of Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司), a substantial Shareholder of our Company.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Xue Rui (薛蕊), aged 48, is the executive Director and the executive deputy general manager (常務副總經理) of our Company. She is responsible for assisting our chairman and general manager to oversee the overall operations and management of our Company. Ms. Xue joined our Company in August 2014 as assistant general manager and was promoted to deputy general manager in May 2016 and then to executive deputy general manager in May 2018.

Ms. Xue has over 13 years of managerial experience in the hospitality industry. Before joining our Company, Ms. Xue worked at Operation Centre Xidan Grand Mercure Hotel (金融街資本運營中心西單美爵酒店) from May 2007 to January 2012, where her last position was assistant general manager. She worked at Beijing Financial Street Ritz-Carlton Property Co., Ltd. (北京金融街利茲置業有限公司) from February 2012 to July 2014, where she held the position of owner's representative.

Ms. Xue graduated from Tourism College of Beijing Union University (北京聯合大學旅遊學院) and completed a three-year junior college programme in hotel management in July 1998 and graduated from Institute of Finance and Commerce Management Beijing (北京市財貿管理幹部學院) with a bachelor's degree in business administration in July 2005.

Ms. Xue's positions in our Company's subsidiaries are as follows: executive director and manager of Beijing Jinxi Lilin Health Management Co., Ltd. (北京金禧麗鄰健康管理有限責任公司), chairman of Financial Street Hongya Property Services (Chongqing) Co., Ltd., director of Beijing Financial Street New City Property Management Co., Ltd.; and director of Beijing Financial Street Savills Property Management Co., Ltd. (北京金融街第一太平戴維斯物業管理有限公司).

Ms. Xue is a director (vice chairman) of Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司), a substantial Shareholder of our Company.

Mr. Shen Mingsong (沈明松), aged 47, is a non-executive Director and a member of the remuneration committee of our Company (the "**Remuneration Committee**"). He is primarily responsible for providing advice on strategic development, policy formulation, and major operational decisions of our Group.

Mr. Shen has over 25 years of experience in the real estate development business. He worked as an assistant engineer at China Aeronautical Project and Design Institute (中國航空工業規劃設計研究院) (currently known as China Aviation Planning and Design Institute (Group) Co., Ltd. (中國航空規劃設計研究總院有限公司)), which carried out business in construction engineering in various fields including civil buildings and infrastructure, from August 1995 to June 1998. He then worked as a civil engineer of the engineering department in Beijing Zhongbaoxin Real Estate Development Limited (北京中保信房地產開發有限公司) ("**Zhongbaoxin**", the predecessor of China Life Real Estate Investment Management Company Limited, the renaming of which occurred in November 2011), a real estate developer, from August 1998 to February 2002, and later as deputy manager of the engineering department in Beijing Yahua Real Estate Development Co., Ltd. (北京亞華房地產開發有限責任公司), a real estate developer, from February 2002 to August 2005. Mr. Shen was a manager of the engineering department in Zhongbaoxin from August 2005 to October 2007 and has been working as its deputy general manager since October 2007. Mr. Shen joined our Company in August 2019 and has been serving as a Director ever since. Currently, Mr. Shen is also the manager and the executive director of Shanghai Dingshan Investment Management Co., Ltd. (上海頂山投資管理有限公司), a company engaging in, among others, investment management, chairman of the board of directors of Beijing Ningmengshu Restaurant Co., Ltd. (北京檸檬樹餐飲有限公司) and Anhui Jiuhua Hotel Co., Ltd. (安徽省九華山莊有限公司), a director of China Life Merrill Gardens (Suzhou) Retirement and Health Management Co., Ltd. (國壽魅力花園(蘇州)養老養生管理有限公司) and China Life (Sanya) Health Investment Co., Ltd. (國壽(三亞)健康投資有限公司), and the person-in-charge of the Shenzhen branch of China Life Real Estate Investment Management Company Limited (國壽不動產投資管理有限公司深圳分公司).

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Shen graduated from Department of Civil Engineering of Tsinghua University (清華大學) in July 1995 with a bachelor's degree in engineering.

Mr. Zhou Peng (周鵬), aged 43, is a non-executive Director. He is primarily responsible for providing advice on strategic development, policy formulation, and major operational decisions of our Group.

Mr. Zhou has over 24 years of experience in business administration. In July 1996, he joined Xicheng District Clothings Co., Ltd. (西城區服裝公司), which was renamed Beijing Huali Jiahe Industry Co., Ltd. (北京華利佳合實業有限公司) ("**Huali Jiahe**") in July 2001. Huali Jiahe is a company engaging in hotel management, property investment and business management and a subsidiary of Financial Street Group. Mr. Zhou successively served as clerk (科員) of the manager's office, deputy section chief (副科長) of computer information department, section chief (科長) of computer information department and deputy general manager, and was promoted to general manager of Huali Jiahe in January 2017. Mr. Zhou was appointed a Director in July 2018. Currently, he is also a director of Huali Jiahe.

Mr. Zhou graduated from the Renmin University of China (中國人民大學) in June 2000, majoring in business and economic management, and graduated from the Party School of the Beijing Municipal Committee of the Communist Party of China ("**CPC**") (中共北京市委黨校) with a part-time postgraduate degree in economic management in July 2011.

Mr. Liang Jianping (梁建平), aged 39, is a non-executive Director. He is primarily responsible for providing advice on strategic development, policy formulation, and major operational decisions of our Group.

Mr. Liang has over 14 years of managerial experience. From 2006 to 2015, he served at Beijing Xicheng District Committee of CPC (中共北京市西城區委員會), where his last position was section chief (科長). Mr. Liang joined Beijing Financial Street Investment (Group) Co., Ltd. in January 2015 and has been serving as its director of general office (辦公室主任) and its labour union (機關工會主席) since then. Since August 2020, Mr. Liang has served as the executive deputy director of Beijing Financial Street Investment (Group) Co., Ltd. He was appointed as a Director in November 2017.

Mr. Liang graduated from the Renmin University of China (中國人民大學) with a bachelor's degree in law in July 2004.

Mr. Jiang Rui (姜銳), aged 43, is a non-executive Director and a member of the audit committee of our Company (the "**Audit Committee**"). He is primarily responsible for providing advice on strategic development, policy formulation and major operational decisions of our Group.

Mr. Jiang has over 13 years of managerial experience. Mr. Jiang joined Financial Street Affiliates Group in September 2007 and has successively held various positions including deputy general manager of the corporate development department in Financial Street Holdings Co., Ltd. (金融街控股股份有限公司), deputy general manager at Financial Street (Tianjin) Estate Co., Ltd. (金融街(天津)置業有限公司) and deputy general manager of the real estate division of Beijing Financial Street Investment (Group) Co., Ltd. He was appointed as a Director in February 2014. Currently, Mr. Jiang is also deputy general manager of the strategic development department (戰略發展部副總經理) of Beijing Financial Street Investment (Group) Co., Ltd. and a director of Beijing Finance Street Investment and Management Co., Ltd. (北京金融街投資管理有限公司), a wholly-owned subsidiary of Beijing Financial Street Investment (Group) Co., Ltd..

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Jiang graduated from Nankai University (南開大學) with a bachelor's degree in economics in June 1998, specialising in international enterprise management, from ESSEC Business School in Paris, France with a master's degree in November 2004 and completed the preparatory programme for Master of Business Administration at Peking University (北京大學) and was awarded a master's degree in business administration in June 2004.

Mr. Song Baocheng (宋寶程) (formerly known as “宋寶成”), aged 54, is an independent non-executive Director and a member of the Nomination Committee, Remuneration Committee and Audit Committee. He is primarily responsible for supervising and providing independent advice to our Board.

Mr. Song is a time-honoured participant with over 19 years' experience in property management industry. Mr. Song is currently a director of Beijing Junying Property Management Co., Ltd. (北京均贏物業管理有限公司) (“**Junying**”) and served as general manager of Junying from June 2001 to June 2012. Junying is a company incorporated in Beijing on 21 June 2001, with its principal business in property management and maintenance of machinery. Junying provides property management service for public projects in Beijing. As a director of Junying, Mr. Song is responsible for strategic planning of its business. Since June 2012, Mr. Song has served as the vice president and secretary-in-general (副會長兼秘書長) of Beijing Property Management Association (北京物業管理行業協會), in charge of the day-to-day operations of the association. Established on 22 October 2008, Beijing Property Management Association is the non-profit organisation for property management enterprises registered in Beijing.

Mr. Song graduated from Harbin Institute of Technology (哈爾濱工業大學) in July 1988 with a bachelor's degree in power engineering, with a specialisation in thermal engineering.

Ms. Tong Yan (佟岩), aged 43, is an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee. She is primarily responsible for supervising and providing independent advice to our Board. Ms. Tong has more than 14 years of experience in economics, finance and accounting. Ms. Tong served as a lecturer in the School of Management and Economics of Beijing Institute of Technology (北京理工大學管理與經濟學院) from July 2006 to June 2011 and a visiting fellow at King's College London from August 2012 to August 2013. She served as an associate professor in the school from July 2011 to June 2016 and was promoted to professor of the school in July 2016.

Ms. Tong graduated from Business School of Renmin University of China (中國人民大學商學院), with a bachelor's degree in economics specialising in accounting in July 2000, a master's degree in management with a specialisation in accounting in July 2003 and a doctor's degree in management in July 2006. Ms. Tong qualified as a certified public accountant (non-practising member) as awarded by the Chinese Institute of Certified Public Accountants in September 2010.

Ms. Tong concurrently serves as an independent director in the following two listed companies registered in the PRC, Offcn Education Technology Co., Ltd. (中公教育科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002607) and principally engaged in education and training and technology development, and Hebei Jinniu Chemical Industry Co., Ltd. (河北金牛化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600722) and principally engaged in manufacture and distribution of chemical products.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Lu Qing (陸晴), aged 49, is an independent non-executive Director and chairman of the Remuneration Committee. She is primarily responsible for supervising and providing independent advice to our Board.

Ms. Lu has over 28 years of experience in finance and accounting. She successively served as business partner and deputy general manager of Peking Certified Public Accountants Co., Ltd. (中勤萬信會計師事務所) from February 1992 to March 2002. From May 2002 to May 2008, she served as chief financial officer of the China operations of Sing Tao News Corporation Limited (星島新聞集團有限公司), a company listed on the Stock Exchange (stock code: 1105) and principally engaged in media operations, and concurrently held various positions including chief financial officer, director and company secretary in some of the Sing Tao group's subsidiaries in China. From January 2013 to November 2015, she served as the head of internal audit of China Regenerative Medicine International Limited (中國再生醫學國際有限公司), a company listed on the Stock Exchange (stock code: 8158) and principally engaged in, among others, production and sales of tissue engineering products and its related by-products. Since October 2015, she has served as chief operation officer of Wonderland International Asset Management Limited (華德國際資產管理有限公司) and director and assistant chief executive officer of Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) successively.

Ms. Lu graduated from Central University of Finance and Economics (中央財經大學) (formerly known as Central Institute of Finance (中央財政金融學院)) in June 1993 with a bachelor's degree in economics specialising in accounting, and graduated from the Peking University (北京大學) in January 2003 with a master's degree in law.

Ms. Lu qualified as a PRC certified public accountant in April 1995, and qualified as a PRC certified tax agent in December 1999. Ms. Lu obtained a Type 9 (asset management) licence granted by the SFC in January 2017 and was designated as a non-practising PRC certified public valuer in October 2017.

In addition, Ms. Lu also serves as a director of SPI Energy Co., Ltd., a company listed on NASDAQ (stock code: SPI) and principally engaged in manufacture and sales of photovoltaic systems.

BIOGRAPHIES OF SUPERVISORS

Mr. Liu Anpeng (劉安鵬), aged 40, is the chairman of the supervisory committee of our Company (the "**Supervisory Committee**"). He is primarily responsible for overseeing the affairs of the Supervisory Committee, and monitoring operation and financial matters, examining periodic reports and supervising the conduct of our Board and senior management. Mr. Liu joined our Company in July 2018 and has been serving as a supervisor of the Company (the "**Supervisor**") ever since.

Mr. Liu joined Financial Street Affiliates Group in July 2007 and has held various positions within Financial Street Affiliates Group, including as a planning manager of Beijing Financial Street Real Estate Consultants Ltd. (北京金融街房地產顧問有限公司), a direct wholly-owned subsidiary of Financial Street Holdings Co., Ltd., from July 2007 to August 2008, and at Financial Street Holdings from August 2008 to December 2012, where his last position was internal control manager. Mr. Liu was the secretary of the board of directors of Beijing Financial Street Assets Management Co., Ltd. (金融街資產管理有限公司) from January 2013 to March 2013. Mr. Liu has been working at Beijing Financial Street Investment (Group) Co., Ltd. since March 2013 and he is currently the deputy director of legal affairs and general manager of its legal department of the Company.

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Liu graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in law in July 2003 and a master's degree in law in June 2007. Mr. Liu qualified as a legal professional as awarded by the Ministry of Justice of the PRC in March 2004 and qualified as a certified public accountant (non-practising member) as awarded by the Chinese Institute of Certified Public Accountants in April 2017.

Ms. Gao Minghui (高明慧), aged 38, is a Supervisor of our Company. She is primarily responsible for monitoring operation and financial matters, examining periodic reports and supervising the conduct of our Board and senior management. Ms. Gao joined the Company in June 2019 as a senior risk manager in the risk and legal affairs center of the Company, and has been a Supervisor since 7 December 2020.

Prior to joining the Company, from July 2010 to September 2011, Ms. Gao worked in Beijing Foresight Innovation Co., Ltd. (北京遠創明德管理諮詢有限公司) as a consultant. From November 2011 to April 2014, she worked at Beijing First Huida Risk Management Application Technology Co., Ltd. (北京第一會達風險管理科技有限公司) with her last position as a consultant in its consulting department. From April 2014 to May 2017, she worked at Beijing Shanhaitian Materials Trading Co., Ltd. (北京山海天物資貿易有限公司) as an audit manager in its risk control department. From May 2017 to May 2019, Ms. Gao worked in China UCAR Group Co., Ltd. (神州優車集團有限公司) as the head of its internal control department, where she was seconded to Luckin Coffee (Beijing). Co., Ltd. (瑞幸咖啡(北京)有限公司) as the optimisation manager of its management optimisation department from June 2018.

Ms. Gao graduated from Beijing Jiaotong University with a bachelor's degree in management in July 2007 specialising in logistics management and from the University of International Business and Economics with a master's degree in economics in July 2010 specialising in quantitative economics. Ms. Gao obtained a securities practitioner qualification (證券從業資格) issued by the Securities Association of China (中國證券業協會) in 2009. She was certified as a Certified Internal Auditor (國際註冊審計師) by the Institute of Internal Auditors (國際內部審計師協會) in December 2016 and received the qualification of intermediate economist (中級經濟師) issued by Beijing Municipal Human Resources and Social Security Bureau (中華人民共和國人力資源和社會保障部) in November 2019.

Ms. Lyu Min (呂敏), aged 31, is an employee representative Supervisor of our Company. She is primarily responsible for monitoring operation and financial matters, examining periodic reports and supervising the conduct of our Board and senior management.

Ms. Lyu joined our Company in July 2017 and has successively served in various positions, including as discipline inspection and supervisory officer and as commissioner of discipline inspection office. She was appointed a Supervisor in September 2019. Ms. Lyu graduated from Jinzhong University (晉中學院) in July 2012 with a bachelor's degree in management and from Beijing Normal University (北京師範大學) in June 2017 with a master's degree in applied psychology. Ms. Lyu was certified as an enterprise human resources professional (企業人力資源管理師) at level three and a psychological consultant (心理諮詢師) at level two from the MOHRSS in January 2011 and December 2017, respectively.

Biographies of Directors, Supervisors and Senior Management (Continued)

BIOGRAPHIES OF SENIOR MANAGEMENT

Mr. Chen Xi (陳曦), aged 41, is a deputy general manager, secretary of our Board and labour union chairman (工會主席) of our Company. He is responsible for the corporate governance of our Company and the overall management and day-to-day operations of certain branches of our Company.

Mr. Chen has over 20 years of experience in property management. Mr. Chen joined our Company in July 2000, serving as assistant general manager in February 2007 and has successively served in various positions. Mr. Chen has been serving as the deputy general manager of our Company since May 2017, secretary of our Board since July 2008 and labour union chairman since June 2012. Currently, Mr. Chen is also the chairman of board of directors and manager of Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司), a supervisor of Beijing Huarong Real Estate Agency Co., Ltd. (北京華融房地產經紀有限公司), the vice chairman of board of directors of Harbin Financial Street Property Management Co., Ltd. (哈爾濱金融街物業管理有限公司) and the person-in-charge of the Harbin branch (哈爾濱分公司) of our Company.

Mr. Chen graduated from University of Science and Technology Beijing (北京科技大學) with a bachelor's degree in engineering in July 2000. He was issued a qualification certificate as a board-level secretary by the Shenzhen Stock Exchange in November 2012. He qualified as a PRC certified property manager as approved by the MOHRSS and the MOHURD in October 2010 and was registered as a PRC certified property manager by the MOHURD in February 2014.

Mr. Zhao Wencheng (趙文成), aged 51, is a deputy general manager of our Company. He is responsible for overall management and day-to-day operations of certain branches of our Company.

Mr. Zhao has over 20 years of experience in property management. Mr. Zhao joined our Company in July 2000 and has successively served in various positions. He has been appointed as a deputy general manager of our Company since June 2012. Currently, Mr. Zhao is the person-in-charge of each of the Guangzhou branch, Changshu branch, Shanghai branch, Shenzhen branch and Suzhou branch of our Company. Mr. Zhao completed all undergraduate courses in property management at the adult education school of the Party School of the Beijing Municipal Committee of CPC in 2007. Mr. Zhao was certified as an assistant engineer by Beijing Primary Specialised Technique Qualification Evaluation Committee (北京市初級專業技術資格評審委員會) in September 2006 and he passed the Beijing property manager examination and qualified as a person-in-charge of property projects as approved by the Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會) in March 2011. In February 2014, Mr. Zhao was registered as a PRC certified property manager by the MOHURD.

Mr. Tang Xiao (唐曉), aged 51, is a deputy general manager of our Company. He is responsible for overall management and day-to-day operations of certain branches of our Company.

Mr. Tang has over 24 years of experience in property management. Mr. Tang joined our Company in September 1996, serving as assistant general manager in November 2006 and has successively served in various positions, from project manager to deputy general manager of our Company. He has been working as a deputy general manager of our Company since January 2015. Currently, Mr. Tang is the person-in-charge of each of the Langfang branch and Zunhua branch of our Company, and executive director of Beijing Financial Street Residential Property Management Co., Ltd. (北京金融街住宅物業管理有限責任公司) and Beijing Xidan Dongnan Mansion Real Estate Management Co., Ltd. (北京市西單東南大廈物業管理有限公司), both of which are our Company's subsidiaries, and the director of Beijing Financial Street New City Property Management Co., Ltd..

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Tang studies in the Correspondence Institute of the Party School of the Central Committee of CPC (中共中央黨校函授學院) and obtained his bachelor's degree in law in December 2006. Mr. Tang obtained a property management manager certificate (物業管理單位部門經理、管理人員崗位證書) from the Personnel Education Department (人事教育司) and the Housing and Real Estate Department (住宅與房地產業司) of the Ministry of Construction of the PRC (中華人民共和國建設部) in November 1999. He was certified as a property management professional (物業管理師) by the Ministry of Labour and Social Security of the PRC (now merged into MOHRSS) in December 2003. He passed the Beijing property manager examination and qualified as a person-in-charge of property projects as approved by the Beijing Municipal Commission of Housing and Urban-Rural Development in March 2011. In September 2011, he qualified as a PRC certified property manager as approved by the MOHRSS and the MOHURD.

Ms. Lyu Bin (呂彬), aged 50, is a deputy general manager of our Company. She is responsible for overall management and day-to-day operations of the food and beverage business of our Group.

Ms. Lyu has over 24 years of experience in property, food and beverage and management. Ms. Lyu joined our Company in November 1996 and has successively served in various positions at our Group and Financial Street Affiliates Group, including Beijing Shuncheng Hotel (北京順成飯店) from June 1997 to March 2012, where her last position was general manager. She started serving as an assistant general manager of our Company in January 2013 and has been a deputy general manager of our Company since May 2017. Currently, Ms. Lyu is the executive director and general manager of Beijing Jinxi Litai Hotel Management Co., Ltd. (北京金禧麗泰酒店管理有限責任公司) and the person-in-charge of its IZEE Third Branch (怡己第三分店), Shushi Café Branch (舒適咖啡廳分公司), Shuxin Café Branch (舒欣咖啡廳分公司), Shuyi Café Branch (舒逸咖啡廳分公司), Shuyue Café Branch (舒月咖啡廳分公司), Shanghai First Branch (上海第一分店) and IZEEBAKE Shenzhen First Branch (怡己烘坊深圳一分店), general manager of Beijing Huigu Conference Centre Co., Ltd. (北京慧谷會議中心有限公司), and chairperson of the board of directors of Beijing IZEE Mitsuyado Restaurant Management Co., Ltd. (北京怡己三矢堂餐飲管理有限公司).

Ms. Lyu graduated from University of Modern Administration (現代管理大學) in the PRC and completed undergraduate studies in business and enterprise management in July 2005 and completed the postgraduate programme in business management at Beijing Technology and Business University (北京工商大學) in March 2011.

Mr. Zhang Junling (張軍齡), aged 49, is a deputy general manager of our Company. He is responsible for overall management and day-to-day operations of certain branches of our Company. Mr. Zhang joined our Company in July 2012 and has been working in various positions at our Company, including as an assistant general manager from May 2017 to August 2018 and later as a deputy general manager since August 2018. Currently, Mr. Zhang is the director of Huai'an Guolian Financial Centre Property Service Co., Ltd. (淮安市國聯金融中心物業服務有限公司), the director and general manager of Financial Street Hongya Property Services (Chongqing) Co., Ltd. and the person-in-charge of each of the Huai'an branch, Tianjin branch and Chongqing branch of our Company.

Mr. Zhang has over 15 years of experience in property management. Prior to joining our Company, Mr. Zhang worked in Beijing Dejia Property Management Co., Ltd. (北京德佳物業管理有限公司) from May 2005 to April 2009, where his last position was deputy general manager. Mr. Zhang worked as property director (物業總監) in Beijing Ankai Jiaye Property Management Co., Ltd. (北京安開嘉業物業管理有限公司) from May 2009 to May 2012.

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Zhang graduated from Party School of the Beijing Municipal Committee of CPC (中共北京市委黨校) and obtained the college graduation certificate of economic management in July 2005 and the bachelor's diploma of administrative management in July 2008. He passed the Beijing property manager examination and qualified as a person-in-charge of property projects as approved by the Beijing Municipal Commission of Housing and Urban-Rural Development in March 2011. In February 2014, he was registered as a PRC certified property manager by the MOHURD. He obtained the economics professional qualification (經濟專業技術資格) in real estate economics at intermediate level from the MOHRSS in November 2017.

Mr. Xiang Zheng (項嶢), aged 42, is the financial controller of our Company. He is responsible for financial management and accounting matters of our Company. Mr. Xiang joined our Company in February 2010 and has been working as the financial controller of our Company since February 2014. Currently, Mr. Xiang is also the financial controller of Beijing Financial Street Savills Property Management Co., Ltd. (北京金融街第一太平戴維斯物業管理有限公司), supervisor of Beijing Huigu Conference Centre Co., Ltd. (北京慧谷會議中心有限公司) and director of Beijing Huarong Real Estate Agency Co., Ltd. (北京華融房地產經紀有限公司), Beijing Financial Street Insurance Agency Co., Ltd. (北京金融街保險經紀股份有限公司) and Financial Street Shengda (Beijing) Technology Co., Ltd. (金融街升達(北京)科技有限公司).

Mr. Xiang has over 15 years of experience in accounting. Prior to joining our Company, Mr. Xiang held financial and accounting duties at various companies, including Beijing Jinyi Real Estate Development Co., Ltd. (北京金易房地產開發有限公司) from April 2005 to February 2010.

Mr. Xiang graduated from University of Science and Technology Beijing (北京科技大學) with a bachelor's degree in accounting in July 2005. In December 2014, he passed the National Uniform Certified Public Accountant Examination of the PRC. Mr. Xiang was certified as a senior accountant by the Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in October 2016.

Mr. Wang Zhanhu (王占虎), aged 46, is the assistant general manager of our Company. He is responsible for the safety operation management of our Company and the operational management of certain branches and projects of our Company.

Mr. Wang has over 19 years of experience in property management. He joined our Company in April 2001 and has held various positions, including manager of our estate management centre, manager of our Ping'an property management centre, and manager of our Desheng international project centre. He was appointed as an assistant general manager of our Company in August 2018.

Mr. Wang graduated from Zhengzhou Industrial College (鄭州工業高等專科學校, now known as Henan University of Technology (河南工業大學)), completing junior college level (專科) studies in polymer science (高分子材料) in July 1999 and from the Party School of the Beijing Municipal Committee of CPC, obtaining an undergraduate certificate in property management in July 2008. Mr. Wang obtained the qualification certificate as a certified property manager from the MOHURD in May 2011.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Jiang Xin (江欣), aged 45, is the human resources controller of our Company. She is responsible for human resources management and the establishment and training of workforce talent of our Company. Ms. Jiang joined our Company in January 2008. She served as the human resources manager of our Company from November 2008 to May 2017 and was promoted to her current position in May 2017.

Ms. Jiang graduated from Beijing University of Technology (北京工業大學) with a bachelor's degree in mechanical and electrical engineering in July 2000. She was certified as an assistant engineer by the Beijing Primary Specialised Technique Qualification Evaluation Committee (北京市初級專業技術資格職務評審委員會) in August 2002, and as an enterprise human resources management professional (企業人力資源管理師) at level one by the MOHRSS in September 2014. Ms. Jiang has been a member of the Human Resources Development Committee of the China Property Management Institute (中國物業管理協會人力資源發展委員會) since November 2017.



Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Group is committed to achieving a high standard of corporate governance to protect the Shareholders' overall interests of the shareholders of the Company (the "**Shareholders**").

Since the Listing, the Company has adopted and applied the Corporate Governance Code (the "**Corporate Governance Code**") set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own corporate governance code. To the best knowledge of the Directors, except for code provision A.2.1 set out below, the Company has complied with all applicable code provisions under the Corporate Governance Code during the period from the Listing Date to 31 December 2020.

Under code provision A.2.1 of the Corporate Governance Code, the roles of chairman of the board of directors of a company and the general manager should not be performed by the same individual. During the period from the Listing Date and up to the date of this report, the roles of chairman of the Board ("**Chairman**") and general manager of the Company are performed by Mr. Sun Jie. Taking into account Mr. Sun Jie's strong expertise and insight into the property management industry, the Board considers that the roles of Chairman and general manager being performed by Mr. Sun Jie enables more effective and efficient overall business planning, decision making and implementation thereof by the Group. In order to maintain good corporate governance and fully comply with the code provisions of the Corporate Governance Code, the Board will regularly review the need to appoint different individuals to perform the roles of Chairman and general manager separately.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board consists of two executive Directors (namely Mr. Sun Jie (Chairman) and Ms. Xue Rui), four non-executive Directors (namely Mr. Shen Mingsong, Mr. Zhou Peng, Mr. Liang Jianping and Mr. Jiang Rui) and three independent non-executive Directors (namely Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing). An updated list of Directors and their roles and functions is posted on the websites of the Stock Exchange and the Company, respectively. Their names and biographical details are set out in the "Biographical details of Directors, Supervisors and Senior Management" section of this report. The Board has the responsibility for the overall management of the Company's operations, as well as for overseeing and formulating the overall business strategy.

Apart from the information disclosed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report, there is no financial, business, family and other material or relevant relationship among the respective Directors, the supervisors, the chairman and the general manager of the Company.

Corporate Governance Report (Continued)

For the period from the Listing Date to 31 December 2020, the Board has consistently complied with Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors and at least one independent non-executive Director who shall have appropriate professional qualifications or accounting and financial management expertise. The three independent non-executive Directors account for one-third of the Board, which meets the requirements of Rule 3.10A of the Listing Rules, that is, the independent non-executive Directors of the listed issuer must make up at least one-third of the Board. The Board believes that the Board has sufficient independence to safeguard the interests of the Shareholders.

Duties of Directors

The Board is responsible for overseeing all major matters of the Company, including formulating and approving all policy matters, overall strategy, internal control and risk management systems, and supervising the performance by senior management of their duties. Directors shall make objective decisions based on the Company's overall interests. As at the date of this report, the Board consists of nine Directors, including two executive Directors, four non-executive Directors and three independent non-executive Directors. The names and biographical details of the Directors are listed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

The liability insurance of the Directors, supervisors and senior management of the Company is maintained by the Company to prevent and cover certain legal liabilities that may arise in the course of performing their duties.

Board Authorisation

The management consisting of executive Directors and other senior management is authorised to implement the strategies and guidelines approved by the Board from time to time and is responsible for the day-to-day management and operations of the Group. The executive Directors and senior executives meet regularly to review the performance of the Group's overall business, coordinate overall resources, and make financial and operating decisions. The Board also gives clear instructions on its management powers (including circumstances where the management should report to it) and will regularly review the authorisation arrangements to ensure that they are suitable for the needs of the Group.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility to prepare the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure the timely release of the Group's consolidated financial statements. The Directors are not aware of any significant uncertainties related to events or conditions which may have a significant impact on the Company's ability to continue as a going concern. Therefore, the Directors have prepared the consolidated financial statements of the Group in accordance with the going concern standard.

Corporate Governance Report (Continued)

Independent Non-executive Directors

Independent non-executive Directors play an important role in the Board by virtue of their independent judgements, and their views exert great significance over the decisions of the Board. The functions of independent non-executive Directors include holding impartial views and judgements on such issues as the Company's strategy, performance and control; and reviewing the Company's performance and monitoring performance reports.

All independent non-executive Directors have extensive academic, professional, industry knowledge and management experience, and have made positive contributions to the Company's development by providing professional advice to the Board.

Confirmation of Independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules, and the Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent.

Board Diversity Policy

Our Board has adopted a board diversity policy ("**Board Diversity Policy**") on 9 June 2020 setting out the approach to achieve diversity on our Board. The Company recognizes and embraces the benefits of a diversified Board, and considers board-level diversity to be an important element in supporting the achievement of the Company's strategic goals and sustainable development. Pursuant to the Board Diversity Policy, the Company seeks to make decisions based on the strengths of the candidates and their contribution to the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualification, experience, independence, skills, and knowledge, as well as the Company's business characteristics and future development needs. The Company will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account the Board Diversity Policy and other factors of the Company. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

The Board reflects the current management of our Group and comprises nine members, including a female executive Director and two female independent non-executive Directors out of a total of seven non-executive Board members. The Directors have a balanced mix of experiences, including property management, food and beverage services business, overall management and business development, administrative management, legal, finance, auditing and accounting experiences. Furthermore, the ages of the Directors range from 39 years old to 54 years old. The Company has taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Corporate Governance Report (Continued)

Taking into account the business model and specific needs of the Company as well as the presence of three female Directors out of a total of nine Board members, the Company considers that the composition of our Board satisfies the Board Diversity Policy. The Company has also taken and will continue to take measures to enhance diversity at all levels of the Company, including, but not limited to, the Board and management levels. Although the Company recognizes that the existing composition of the Board can increase the diversity of the Board, it will continue to refer to the Board Diversity Policy and apply the rules of appointment based on the actual situation.

With regards to gender diversity on our Board, the Board Diversity Policy further provides that our Board shall take opportunities to increase the proportion of female members when selecting and making recommendations on suitable candidates for Board appointments. The Group will also ensure that there is a gender diversity when recruiting staff at the mid to senior levels so that there are female senior management and potential successors to our Directors going forward. It is the objective of the Company to maintain an appropriate balance of gender diversity with reference to stakeholders' expectation and international and local recommended best practices.

The Nomination Committee will review the structure, size and composition of the Board once a year to ensure the effective implementation of the Board Diversity Policy. The Nomination Committee will also review the Board Diversity Policy from time to time to ensure its continued effectiveness.

Appointment, Re-election and Removal of Directors

According to the articles of association of the Company (the "**Articles of Association**"), Directors shall be elected by general meeting and the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session. The term of each session of the Board is three years, and the Directors are eligible for re-election upon expiry of the term.

At any time before the expiration of the Director's term, the Shareholders may dismiss any Director by an ordinary resolution at any general meeting convened and held in accordance with the Articles of Association, despite the contrary in the Articles of Association or the existence of any agreement reached between the Company and the Director (but without prejudice to any claim for damages under that agreement).

Director Training and Professional Development

Each newly appointed Director receives comprehensive, formal and customised training at the time of appointment. Subsequently, the Directors will obtain the latest developments regarding the Listing Rules, legal and other regulatory requirements, as well as the Group's business development, and they will be encouraged to participate in continuous professional development to expand their knowledge and skills. For the year ended 31 December 2020, according to the records provided by the Directors, all Directors participated in continuous professional development activities by way of attending trainings related to directors' duties and reading materials covering topics including directors' duties, inside information, notifiable transactions and connected transactions.

Corporate Governance Report (Continued)

The following table sets forth the training received by the existing Directors during the year:

Directors	Continuing professional training	Reading materials related to regulation and governance (newspaper, publication or information)
Sun Jie	Yes	Yes
Xue Rui	Yes	Yes
Shen Mingsong	Yes	Yes
Zhou Peng	Yes	Yes
Liang Jianping	Yes	Yes
Jiang Rui	Yes	Yes
Song Baocheng	Yes	Yes
Tong Yan	Yes	Yes
Lu Qing	Yes	Yes

BOARD MEETING AND GENERAL MEETING

The Board meets regularly to discuss and formulate the overall strategy, operations and financial performance of the Group. Directors can participate in person or through electronic communication. The Board holds at least four meetings per year at a frequency of approximately once a quarter, and will arrange ad hoc meetings if necessary. The date of each meeting is set in advance so that the Directors can attend the meeting in person.

During the year ended 31 December 2020, the Directors have made active contribution to the affairs of the Group and 10 Board meetings were held.

Corporate Governance Report (Continued)

Director Attendance Record

For the year ended 31 December 2020, the attendance records of the Directors at Board meetings, meetings of special committees under the Board and general meetings are as follows:

Number of meetings attended/number of meetings held for the year ended 31 December 2020

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Director					
Mr. Sun Jie (<i>Chairman</i>)	9/10	N/A	N/A	0/0	5/5
Ms. Xue Rui*	5/5	N/A	N/A	N/A	5/5
Non-executive Director					
Mr. Shen Mingsong	9/10	N/A	2/2	N/A	5/5
Mr. Zhou Peng	9/10	N/A	N/A	N/A	5/5
Mr. Liang Jianping	9/10	N/A	N/A	N/A	5/5
Mr. Jiang Rui	9/10	1/1	N/A	N/A	5/5
Independent Non-executive Director					
Mr. Song Baocheng*	4/5	1/1	2/2	0/0	2/2
Ms. Tong Yan*	5/5	1/1	N/A	0/0	2/2
Ms. Lu Qing*	5/5	N/A	2/2	N/A	2/2

* Ms. Xue Rui was appointed as an executive Director of the Company on 9 June 2020, and Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing were also appointed as independent non-executive Directors of the Company on 9 June 2020.

Nomination Policy

The Nomination Committee adopts a variety of methods to qualify candidates for Directors, including recommendations from Board members, the management and professional intermediaries. In addition, the Nomination Committee will consider Director candidates appropriately submitted by Shareholders. The evaluation of the Nomination Committee on Director candidates may include, but is not limited to, review of resumes and work experience, personal interviews, verification of professional and personal recommendation letters, and performing background checks. The Board will consider the recommendations of the Nomination Committee and be responsible for designating candidates for Directors to be elected by Shareholders at the Company's general meeting, or appointing suitable candidates to serve as Directors to fill Board vacancies or as supplements to Board members, and to comply with the Articles of Association. All Director appointments should be confirmed through a letter of appointment and/or service contract, which should state the main terms and conditions of Director appointment.

Corporate Governance Report (Continued)

The Nomination Committee shall consider the following qualification requirements, which are the requirements for candidates to recommend potential new Directors to the Board or for re-election of existing Directors:

- personal and professional conduct and integrity;
- Nominees' proven personal achievements and abilities and their ability to make reasonable business judgements;
- Skills that complement the existing Board;
- Ability to assist and support management and make significant contribution to the success of the Company;
- Understand the time and effort required for Board members to be trusted and to perform their duties diligently;

Candidates for independent non-executive Directors should meet the "independence" criteria set out in the Listing Rules and the composition of the Board needs to comply with the provisions of the Listing Rules.

The Nomination Committee shall consider other factors as it considers to be in the best interest of the Company and Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

Since the Listing, 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 the code of conduct and rules governing dealings by all the Directors and supervisors of the Company in the securities of the Company. Having made specific enquiry of all the Directors and supervisors, they have confirmed that they have complied with the required standards set out in the Model Code since the Listing Date and up to the year ended 31 December 2020.

According to the Company's requirements, the relevant management personnel and employees are also subject to the Model Code, which prohibits them from dealing in the Company's securities whenever they possess inside information related to the securities. The Company was not aware of any incidents of non-compliance with the Model Code by relevant personnel and employees.

Corporate Governance Report (Continued)

REMUNERATION OF SENIOR MANAGEMENT

Details of emoluments of the Directors and chief executive and the remuneration of each of the five highest paid individuals are set out in Notes 9 and 37 to the Consolidated Financial Statements for the year ended 31 December 2020.

The remuneration of the senior management of the Company by band for the year ended 31 December 2020 is as follows:

Remuneration band (RMB)	Number of individuals
1 – 1,000,000	9
1,000,001 – 1,500,000	1

DIVIDEND POLICY

The payment and amount (if any) of dividends depend on the Group's operating results, cash flow, financial position, legal and regulatory restrictions on dividends, future prospects and other relevant factors. Shareholders will be entitled to receive dividends on a pro-rata basis based on their respective paid-up shares of the Company (the "Shares") or paid-up capital which has been credited to the Shares. The Company determines the declaration, payment and amount of dividends at its sole discretion. The proposed payment of dividends must also be at the discretion of the Board, and any declaration of final dividend is subject to Shareholders' approval. The Board will conduct annual review on the dividend policy and does not guarantee any declaration or payment of dividends in any specific amount for any specific period. The Group intends to declare and pay an annual dividend for each financial year at an amount not less than 30% of the profits of such year.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties, including:

- To develop and review the policies and practices on corporate governance;
- To review and monitor the training and continuous professional development of the Directors and senior management;
- To review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- To develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors; and
- To review the Company's compliance with Appendix 14 to the Listing Rules (Corporate Governance Code and Corporate Governance Report).

Corporate Governance Report (Continued)

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

BOARD COMMITTEES

The Board has established three committees with respective written terms of reference to oversee related business of the Group.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with Rules 3.21 to 3.23 of the Listing Rules and has established its written terms of reference in accordance with the Corporate Governance Code. The main responsibilities of the Audit Committee are, among others:

- (1) To review and supervise the Group's financial reporting procedures and internal control system, risk management and internal audit;
- (2) To provide advice to the Board; and
- (3) To perform other duties that the Board may delegate.

As at the date of this report, the Audit Committee consists of three members, namely Ms. Tong Yan and Mr. Song Baocheng, being independent non-executive Directors, and Mr. Jiang Rui, being a non-executive Director. The Audit Committee is chaired by Ms. Tong Yan, an independent non-executive Director with appropriate accounting and related financial management expertise, which meet the requirements of Rule 3.21 of the Listing Rules.

In accordance with the requirements under code provision C.3.3(e)(i) of the Corporate Governance Code, the Audit Committee shall meet at least twice a year with the auditors of the Company. For the period from the Listing Date to 31 December 2020, the Audit Committee held one meeting with the senior management and the independent auditors of the Company: (i) to consider the independence of the independent auditors and the scope of their audit; (ii) to review and discuss the risk management and internal control system of the Group, the effectiveness of the internal audit and risk control management function of the Company; and (iii) to consider the 2020 interim results and the opinions and report of the independent auditors, and submit the interim results to the Board for approval. During the year ended 31 December 2020, the Audit Committee met only once with the auditors of the Company, mainly due to the fact that the H Shares of the Company have been listed only since the third quarter of the year and the Board deemed it sufficient to have one Audit Committee meeting with the auditors of the Company during the third and fourth quarters of 2020. The Board has confirmed that the Audit Committee will meet at least twice with the auditors during the year ending 31 December 2021, so as to fully meet the requirements under code provision C.3.3(e)(i) of the Corporate Governance Code.

Corporate Governance Report (Continued)

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the Corporate Governance Code and has established its written terms of reference. The main responsibilities of the Remuneration Committee are to advise the Board on remuneration of Director and senior management, and among others:

- (1) To establish, review and provide advice to our Board on our policy and structure concerning remuneration of our Directors, supervisors and senior management and transparent procedure for developing policies concerning such remuneration;
- (2) To determine the terms of the specific remuneration package of each Director, Supervisor and member of senior management; and
- (3) To review and approve remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time.

As at the date of this report, the Remuneration Committee consists of three members, namely Ms. Lu Qing and Mr. Song Baocheng, being independent non-executive Directors and Mr. Shen Mingsong, a non-executive Director. Ms. Lu Qing, an independent non-executive Director, served as the chairman of the Remuneration Committee.

For the period from the Listing Date to 31 December 2020, the Remuneration Committee held two meetings, to review the relevant matters relating to the performance bonuses for key posts in the Group.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the Corporate Governance Code, and has established its terms of reference. The main responsibilities of the Nomination Committee are, among others:

- (1) To review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board;
- (2) To identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; and
- (3) To assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning of our Directors.

Corporate Governance Report (Continued)

As at the date of this report, the Nomination Committee consists of three members, namely Mr. Sun Jie, an executive Director, and Mr. Song Baocheng and Ms. Tong Yan, independent non-executive Directors. Mr. Sun Jie served as the chairman of the Nomination Committee. As the H Shares have been listed since the third quarter of 2020, and there were no changes of the candidates for Directors or in the nomination policies in 2020, the Nomination Committee did not hold any meeting prior to 31 December 2020.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, with the support of the finance department, is responsible for the preparation of financial statements of the Group. In preparation of the financial statements, the Group adopted HKFRS and consistently used and applied appropriate accounting policies. The purpose of the Board is to make a clear and balanced assessment of the Group's results in its annual and interim reports to the shareholders, and to make appropriate disclosures and announcements in a timely manner. Under code provision C.1.1 of the Corporate Governance Code, the management will provide explanations and necessary information to the Board to enable it to make an informed assessment of financial and other information submitted to the Board for approval.

The scope of work and reporting responsibilities of PricewaterhouseCoopers, the Company's external auditor, are set out in the "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its overall responsibility for maintaining appropriate and effective risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness at least annually.

The Board and senior management are responsible for establishing, reviewing and implementing the Group's risk management and internal control systems. The internal control system covers all major aspects of the Group's operations, including sales, procurement, financial reporting, asset management, and budget and accounting processes. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Group also has internal audit and risk control functions, which mainly analyze and independently evaluate the adequacy and effectiveness of risk management and internal control systems, and report its findings to the senior management at least annually.

Corporate Governance Report (Continued)

Regarding the Group's risk management and internal control measures, the Group has formulated a comprehensive set of policies and guidelines, which detail all aspects of internal control standards, processes used to identify, evaluate and manage significant risks, division of responsibilities, approval procedures, and personnel accountability. The Group has implemented procedures and internal controls to process and disclose inside information. In particular, the Group:

- has handled in strict accordance with the disclosure requirements of the Listing Rules and the Inside Information Disclosure Guidelines issued by the Securities and Futures Commission of Hong Kong in June 2012;
- has established its own disclosure obligation procedures that set out procedures and controls for assessing potential internal information and for processing and disseminating internal information;
- the procedures have been communicated to the Company's senior management and employees and the Company monitors its implementation; and
- made extensive, non-exclusive information disclosure to the public in financial reports, announcements and through channels such as websites.

For the year ended 31 December 2020, the Board has reviewed the relevant risk management and internal control systems. Details are as follows:

- (1) reviewed the function of internal audit of the Group;
- (2) confirmed that the risk management and internal control systems were reviewed on an annual basis. This review covered the period from 1 January 2020 to 31 December 2020; and
- (3) considered the work report on the Company's internal control and corporate governance made by the risk control and legal affairs centre of the Company. Upon review, the Board was of the view that the Company's internal control and risk management systems were effective and sufficient.

The risk management and internal control systems are continuously reviewed and evaluated by the Audit Committee and executive Directors, and will be further reviewed and evaluated by the Board at least annually, covering all material controls, including financial, operational and compliance controls. During the year ended 31 December 2020, the Board, through the Audit Committee, has reviewed the Company's internal control and risk management systems and considered the systems to be effective and adequate.

Corporate Governance Report (Continued)

AUDITOR'S REMUNERATION

The Audit Committee is responsible for reviewing and supervising independence of auditors and objectiveness and effectiveness of audit procedures. The Audit Committee receives letters from the auditors, confirms their independence and objectiveness, and holds meetings with the auditors for the purpose of consideration of the audit scope offered by them, and consideration of and approval for the fees charged by them and the scope and appropriateness of non-audit services (if any). The Audit Committee also advises the Board on appointment and retention of independent auditors.

PricewaterhouseCoopers was engaged as the auditor of the Company with a term of office till the end of the 2020 annual general meeting of the Company. For the year ended 31 December 2020, the remuneration paid or payable to PricewaterhouseCoopers for its audit services and non-audit services (consulting services) was approximately RMB3.62 million and RMB0.97 million, respectively. The non-audit services provided by PricewaterhouseCoopers consisted of consulting services.

JOINT COMPANY SECRETARIES

As at the date of this report, Mr. Chen Xi and Ms. Ho Wing Nga act as joint company secretaries. Ms. Ho Wing Nga is the Managing Director of the Corporate Governance and Compliance Department of Computershare Hong Kong Development Limited, a corporate services provider. Ms. Ho Wing Nga's primary contact person in the Company is Mr. Chen Xi, another joint company secretary. As of 31 December 2020, Ms. Ho Wing Nga and Mr. Chen Xi have conducted and received at least 15 hours of continuous professional learning and training to update their skills and knowledge.

SHAREHOLDERS' RIGHT

The Company treats all Shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the Shareholders' general meeting can be convened and held in strict compliance with the relevant laws and regulations. The Company's corporate governance structure is to ensure that all Shareholders, especially the minority Shareholders, can enjoy equal benefits and undertake corresponding responsibilities.

Convening Extraordinary General Meeting

Pursuant to the Articles of Association, the Board may convene an extraordinary general meeting as it thinks fit. Shareholders requisitioning extraordinary general meetings or class meetings shall abide by the following procedures:

- (I) A Shareholder alone or Shareholders together holding over ten percent of the Shares shall have the right to make a request to the Board in writing to convene an extraordinary general meeting. The Board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days after receiving the request in accordance with the laws, administrative regulations and the Articles of Association.

Corporate Governance Report (Continued)

- (II) If the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five (5) days after the date of the resolution of the Board and any changes to the original request contained in the notice shall be subject to the approval of relevant Shareholders.
- (III) If the Board does not agree to convene an extraordinary general meeting, or fails to give a response within ten (10) days after the receipt of the request, the Shareholder alone or Shareholders together holding over ten percent of the Shares shall have the right to propose to the Supervisory Committee in writing to convene an extraordinary general meeting.
- (IV) If the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within five (5) days upon receipt of the request. Any changes made to the original request in the notice requires the consent of the relevant Shareholders.
- (V) If the Supervisory Committee fails to issue a notice calling the general meeting by the prescribed deadline, it will be deemed that the Supervisory Committee disagrees to convene and preside over the general meeting, and a Shareholder alone or Shareholders together holding at least ten percent of the Shares for at least ninety (90) days in succession may himself/herself/themselves convene and preside over such meeting.

INVESTOR RELATIONS

The Group is committed to maintaining stable and constructive communication with Shareholders and investors, adheres to the principles of integrity, standards and high transparency, and discloses relevant information in compliance with requirements under the Listing Rules. The Group disseminates information to Shareholders in the following manner:

- (1) delivering results and reports to all Shareholders.
- (2) publishing announcements on the disclosure website designated by the Stock Exchange and the website of the Company and despatching circulars for Shareholders as required under the Listing Rules; investors are enabled to access the Company's particulars, statutory announcements, and annual reports, interim reports, circulars and announcements published since its Listing on the website of the Company, which can be found in the column headed "Investor Relations" on the website.
- (3) holding annual general meetings and extraordinary general meetings as an effective communication channel between the Board and Shareholders.
- (4) the investor relations department of the Company takes charge of liaison with investors and analysts by answering their questions, organizing field trips to the office premises and/or project sites of the Group, gathering, in a timely manner, opinions and comments from analysts and investors on the operation of the Group, and considering and adopting them in the course of the Group's operation according to actual conditions.
- (5) communicating actively with various parties, especially holding briefing sessions, press conferences and one-on-one meetings with institutional investors upon publication of results and material investments.

Corporate Governance Report (Continued)

PUTTING FORWARD RESOLUTIONS AT GENERAL MEETINGS

According to the Articles of Association, a Shareholder alone or Shareholders together holding at least 3 percent of the Shares shall be entitled to propose motions to the Company in writing 10 days prior to the date of a general meeting.

ENQUIRIES TO THE BOARD

The Company maintains a website at www.jrjlife.com, where information on the Company's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company by the following ways:

Address: 24/F, Xihuan Plaza Tower 2, 1 Xizhimenwai Avenue, Xicheng District, Beijing, the PRC

Tel: +86 10 6621 5866

Email: ir@fsig.com.cn

As regards matters concerning nominating candidate(s) for election as a Director(s) by Shareholders and specific matters concerning shareholder communications, the procedures of nominating Director candidate by relevant Shareholders and the Shareholder communications policies are available on the website of the Company.

THE ARTICLES OF ASSOCIATION

On 21 August 2020, the Company convened the third extraordinary general meeting for 2020, and made amendments to the Articles of Association. The changes were mainly to reflect the increase in the registered capital which occurred following the exercise of the over-allotment option.

Save as the above mentioned, there were no changes in the Articles of Association for the year ended 31 December 2020 and up to the date of this report. The Articles of Association are available on the Company's website and the Stock Exchange's website.

Report of Directors

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

PRINCIPAL BUSINESS

The Company and its subsidiaries are principally engaged in property management services and related services.

COMPANY INFORMATION AND INITIAL PUBLIC OFFER

The Company was established in the PRC on 20 May 1994 and converted into joint stock company with limited liability. The Company's H Shares were listed on the Main Board of the Stock Exchange on 6 July 2020. Details of the Company's information are set out on pages 2 to 3 of this report.

RESULTS AND OVERALL PERFORMANCE

The Group's results for the year ended 31 December 2020 are set out in the Consolidated Statement of Comprehensive Income in this report.

BUSINESS REVIEW

The Group's business review, including the discussion on the major risk exposure and uncertainties facing the Group and the potential business development course of the Group in the future, is set out in the sections headed "Report of Directors" and "Management Discussion and Analysis".

"Management Discussion and Analysis" in this annual report contains part of the analysis on the Group's annual performance using key financial performance indicators. For explanations on the major relations between the Company and its employees, customers and suppliers, please refer to the sections headed "Management Discussion and Analysis — Employees and Benefit Policies" and "Report of Directors — Major Customers and Suppliers" in this report.

These discussions form part of the Report of Directors.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long-term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2020 to be published in due course in accordance with the Listing Rules.

Report of Directors (Continued)

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

As far as the Board and the management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2020, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

FINAL DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.154 per Share (before tax) for the year ended 31 December 2020 in cash with a proposed dividend payout ratio of approximately 55.075%. The dividend distribution plan shall be subject to the approval of the Shareholders at the annual general meeting to be held on Thursday, 24 June 2021 (the “**2020 AGM**”) and such dividend is expected to be paid on or before Monday, 23 August 2021. The proposed final dividend will be declared in Renminbi and paid in Hong Kong dollars (for H Shares) and Renminbi (for domestic shares of the Company (the “**Domestic Shares**”)), the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People’s Bank of China one calendar week prior to the 2020 AGM.

As at the date of this report, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the “**Register of Members**”) will be closed as appropriate, the details of which are set out below:

For determining the entitlement to attend, speak and vote at the AGM

In order to determine the qualification of Shareholders who are entitled to attend and vote at the 2020 AGM (and at any adjournment thereof), the Register of Members will be closed from Friday, 18 June 2021 to Thursday, 24 June 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to determine the qualification of holders of H Shares who are entitled to attend and vote at the 2020 AGM, all properly completed share transfer forms together with the relevant share certificates are required to deposit to the Company’s H Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration, no later than 4:30 p.m. on Thursday, 17 June 2021.

For determining the entitlement to the 2020 proposed final dividend

For determining the entitlement to the 2020 proposed final dividend, the Register of Members will be closed from Tuesday, 6 July 2021 to Monday, 12 July 2021, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the 2020 proposed final dividend, the holders of H Shares whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company’s H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–16, 17/F, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 5 July 2021.

Report of Directors (Continued)

WITHHOLDING AND PAYMENT OF ENTERPRISE INCOME TAX FOR NON-RESIDENT ENTERPRISE SHAREHOLDERS

According to the Law on Enterprise Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively, and its implementing rules, the Notice on the Issues Concerning Withholding and Paying Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold and pay 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise Shareholders whose names appear on the Register of Members of H Shares, i.e. any Shareholders who hold H Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organisations and groups. After receiving dividends, the non-resident enterprises Shareholders may apply to the competent tax authorities for enjoying treatment of tax treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such tax treaties (arrangement). After having verified that there is no error, the competent tax authorities shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant tax treaties (arrangement).

Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) (《非居民納稅人享受稅收協議待遇管理辦法》(國家稅務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

Report of Directors (Continued)

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

BORROWINGS

For the year ended 31 December 2020, the Group had no borrowings.

SHARE CAPITAL

The Company allotted and issued 90,000,000 H Shares and 13,500,000 H Shares at HK\$7.36 per Share on 6 July 2020 and 29 July 2020 respectively in connection with the Listing.

Details of the movements in the share capital of the Company for the year ended 31 December 2020 are set out in Note 36 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company for the year ended 31 December 2020 are set out on in Note 36(b) to the consolidated financial statements. For the purpose of the Company, the reserves available for distribution as at 31 December 2020 amounted to RMB57.78 million.

CHARITABLE DONATIONS

For the year ended 31 December 2020, the Group had no charitable donations.

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2020 and its financial position as at 31 December 2020 are set out in the consolidated financial statements on pages 82 to 167 of this report.

Report of Directors (Continued)

DIRECTORS AND SUPERVISORS

For the year ended 31 December 2020 and up to the date of this report, the Directors and supervisors are as follows:

Name of Supervisor	Position
Mr. Sun Jie (孫杰) (chairman)	Executive Director
Ms. Xue Rui (薛蕊) (appointed on 9 June 2020)	Executive Director
Mr. Shen Mingsong (沈明松)	Non-executive Director
Mr. Zhou Peng (周鵬)	Non-executive Director
Mr. Liang Jianping (梁建平)	Non-executive Director
Mr. Jiang Rui (姜銳)	Non-executive Director
Mr. Song Baocheng (宋寶程) (appointed on 9 June 2020)	Independent non-executive Director
Ms. Tong Yan (佟岩) (appointed on 9 June 2020)	Independent non-executive Director
Ms. Lu Qing (陸晴) (appointed on 9 June 2020)	Independent non-executive Director

Name of Supervisor	Position
Mr. Liu Anpeng (劉安鵬)	Chairman of Supervisory Committee, Shareholder representative Supervisor
Mr. Liu Hongwu (劉洪武) (resigned on 7 December 2020)	Shareholder representative Supervisor
Ms. Gao Minghui (高明慧) (appointed on 7 December 2020)	Shareholder representative Supervisor
Ms. Lyu Min (呂敏)	Employee representative Supervisor

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent as at the date of this report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and supervisors has entered into a service contract with the Company and the principal particulars of the service contracts of our Directors and supervisors are: (a) each of the contracts is for a term until 18 September 2022 following their respective appointment dates; and (b) each of the contracts is subject to termination in accordance with their respective terms. The service contracts may be renewed in accordance with the Articles of Association and applicable rules. The terms of the current Board and the current Supervisory Committee will expire on 18 September 2022.

Save as disclosed above, none of the Directors or the supervisors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

Report of Directors (Continued)

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2020, none of the Directors or their respective associates (as defined under the Listing Rules) had any interests in any business which is required to be disclosed under rule 8.10 of the Listing Rules for competing or being likely to compete with the business of the Group. The independent non-executive Directors were not aware of any violation of such commitment.

SHARE OPTION SCHEME

As at the date of this report, the Company had no share option scheme.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

On 31 December 2020, none of the Directors, supervisors and chief executive of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong, “**SFO**”)) which will be required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which will be required, under section 352 of the SFO, to be entered in the register referred to in that section, or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code.



Report of Directors (Continued)

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

On 31 December 2020, so far as is known to the Directors, the following persons had an interest and/or short position in the Shares and underlying Shares which will be required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and as recorded in the register required to be kept pursuant to section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ Underlying Shares Held (share) ^(note 1)	Percentage of Relevant Class of Shares (%) ^(note 11)	Percentage of Total Shares (%) ^(note 12)
Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司)	Domestic Shares	Beneficial owner	128,299,270(L)	47.52	34.35
Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司) ^(note 2)	Domestic Shares	Interest in a controlled corporation	128,299,270(L)	47.52	34.35
Beijing Financial Street Capital Operation Centre (北京金融街資本運營中心) ^(note 2)	Domestic Shares	Interest in a controlled corporation	128,299,270(L)	47.52	34.35
Beijing Tiantai Real Estate Co., Ltd. (北京天泰置業有限公司)	Domestic Shares	Beneficial owner	79,620,438 (L)	29.49	21.32
China Life Real Estate Investment Management Company Limited (國壽不動產投資管理有限公司) ^(note 3)	Domestic Shares	Interest in a controlled corporation	79,620,438 (L)	29.49	21.32
China Life Investment Holding Company Limited (國壽投資控股有限公司) ^(note 3)	Domestic Shares	Interest in a controlled corporation	79,620,438 (L)	29.49	21.32
China Life Insurance (Group) Company (中國人壽保險(集團)公司) ^(note 3)	Domestic Shares	Interest in a controlled corporation	79,620,438 (L)	29.49	21.32
Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司)	Domestic Shares	Beneficial owner	62,080,292 (L)	22.99	16.62
J-Stone Multi Strategies Master Fund	H Shares	Beneficial owner	5,243,000 (L)	5.07	1.4
J-Stone Capital Limited	H Shares	Investment manager	5,243,000 (L)	5.07	1.4
Atlantis Capital Group Holdings Limited ^(note 4)	H Shares	Interest in a controlled corporation	5,243,000 (L)	5.07	1.4
Liu Yang ^(note 5)	H Shares	Interest in a controlled corporation	5,243,000 (L)	5.07	1.4
Find Jade Limited	H Shares	Beneficial owner	5,243,000 (L)	5.07	1.4
Kowloon Development Company Limited ^(note 6)	H Shares	Interest in a controlled corporation	5,243,000 (L)	5.07	1.4
Intellinsight Holdings Limited ^(note 6)	H Shares	Interest in a controlled corporation	5,243,000 (L)	5.07	1.4

Report of Directors (Continued)

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ Underlying Shares Held (share) ^(note 1)	Percentage of Relevant Class of Shares (%) ^(note 11)	Percentage of Total Shares (%) ^(note 12)
New Explorer Developments Limited ^(note 6)	H Shares	Interest in a controlled corporation	5,243,000 (L)	5.07	1.4
Mr. Or Wai Sheun ^(note 6)	H Shares	Interest in a controlled corporation	5,243,000 (L)	5.07	1.4
UBS Asset Management (Hong Kong) Ltd ^(note 7)	H Shares	Investment manager	6,931,000 (L)	6.70	1.86
UBS AG	H Shares	Person having a security interest in shares	5,879,000 (L)	5.68	1.57
UBS Group AG ^(note 8)	H Shares	Interest in a controlled corporation	12,810,000 (L)	12.38	3.43
Barings LLC	H Shares	Investment manager	10,231,000 (L)	9.89	2.74
Northern Trust Fiduciary Services (Ireland) Limited ^(note 9)	H Shares	Trustee	6,705,000 (L)	6.48	1.80
JPMorgan Chase & Co. ^(note 10)	H Shares	Person having a security interest in shares/ Interest in a controlled corporation	6,450,644 (L) 1,013,000 (S)	6.23 0.97	1.73 0.27

Notes:

- The letter "L" denotes the person's long position in the Shares, and the letter "S" denotes the person's short position in the Shares.
- Beijing Huarong Zonghe Investment Co., Ltd. ("**Huarong Zonghe**") is the direct shareholder.
 - 100% of the equity interests in Huarong Zonghe is held by Beijing Financial Street Investment (Group) Co., Ltd. ("**Financial Street Group**"), which is in turn owned as to 37.94% by Xicheng SASAC and 62.06% by Beijing Financial Street Capital Operation Centre ("**Operation Centre**"), which itself is wholly-owned by Xicheng SASAC.
 - By virtue of the SFO, Financial Street Group and Operation Centre are each deemed to be interested in the Shares held by Huarong Zonghe.
- Beijing Tiantai Real Estate Co., Ltd. ("**Tiantai Real Estate**") is the direct shareholder.
 - 100% of the equity interests in Tiantai Real Estate is held by China Life Real Estate Investment Management Company Limited ("**China Life Real Estate**"), which is in turn wholly-owned by China Life Investment Holding Company Limited (國壽投資控股有限公司), which is wholly-owned by China Life Insurance (Group) Company (中國人壽保險(集團)公司), which is wholly-owned by the Ministry of Finance of the PRC.

Report of Directors (Continued)

- (b) By virtue of the SFO, China Life Real Estate, China Life Investment Holding Company Limited (國壽投資控股有限公司) and China Life Insurance (Group) Company (中國人壽保險(集團)公司) are each deemed to be interested in the Shares held by Tiantai Real Estate.
4. Atlantis Capital Group Holdings Limited wholly owns Atlantis Investment Management Limited, which acts in its capacity as investment manager or investment advisor of, and on behalf of Atlantis China Fund, Atlantis China Star Fund Limited, Atlantis China Healthcare Fund, OBOR Stable Growth Fund Limited, Atlantis Star Opportunities Fund SPC on behalf of itself and the Atlantis China Vision Fund SP.
 5. According to the Disclosure of Interests Notice filed by Ms. Liu Yang, Atlantis Capital Group Holdings Limited is directly wholly-owned by Ms. Liu Yang. Therefore, Ms. Liu Yang is deemed to have an interest in the Shares pursuant to the SFO.
 6. Find Jade Limited is wholly-owned by Kowloon Development Company Limited; Intellinsight Holdings Limited holds 70.63% equity of Kowloon Development Company Limited; Intellinsight Holdings Limited is wholly-owned by New Explorer Developments Limited; and New Explorer Developments Limited is wholly-owned by Or Wai Sheun. Therefore, each of Or Wai Sheun, New Explorer Developments Limited, Intellinsight Holdings Limited and Kowloon Development Company Limited is deemed to have an interest in the Shares held by Find Jade Limited pursuant to the SFO.
 7. In the capacity of investment adviser of Nineteen77 Global Multi-Strategy Alpha Master Limited and on behalf of Nineteen77 Global Multi-Strategy Alpha Master Limited.
 8. UBS Asset Management (Hong Kong) Ltd and UBS AG are wholly-owned by UBS Group AG, respectively. Therefore, UBS Group AG is deemed to have an interest in the Shares held by UBS Asset Management (Hong Kong) Ltd and UBS AG.
 9. Northern Trust Fiduciary Services (Ireland) Limited is the trustee of Barings Hong Kong China Fund's trust.
 10. As stated in the return of equity interests submitted by JPMorgan Chase & Co. on 24 December 2020 (the date of the relevant event set out in the form was 22 December 2020), such shares were held through certain subsidiaries of JPMorgan Chase & Co. Among 6,450,644 H Shares (long position) it held, 1,117,000 shares were held in the capacity of interest in a controlled corporation; and 5,333,644 shares were held in the capacity of person having a security interest in shares. 1,013,000 H Shares (short position) it held were held in the capacity of interest in a controlled corporation.
 11. The calculation is based on 270,000,000 Domestic Shares or 103,500,000 H Shares issued by the Company as of 31 December 2020.
 12. The calculation is based on the total number of 373,500,000 Shares issued by the Company as of 31 December 2020.

Save as disclosed above, the Company is not aware that as at 31 December 2020, any other person had any interests or short positions in the Shares and underlying Shares, which is required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which is required to be entered in the register maintained by the Company under section 336 of the SFO.

ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

As at 31 December 2020, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate.

Report of Directors (Continued)

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

On 31 December 2020 and at any time from the Listing Date to 31 December 2020, save as disclosed in this report, there was no transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiary was a party, and in which the Directors and the supervisors or their respective connected entities were materially interested, either directly or indirectly.

SIGNIFICANT CONTRACTS

From the Listing Date to 31 December 2020, save as disclosed in the section headed "Related Party Transactions" below, there was no significant contract relating to the business of the Group between the Company (or any of its subsidiaries) and the Controlling Shareholder(s) (or any of its/their subsidiaries), nor was there any significant contract for the provision of services by the Controlling Shareholder(s) (or any of its/their subsidiaries) to the Company (or any of its subsidiaries).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2020, the revenue attributable to the Group's largest customer, and five largest customers in aggregate, represented approximately 17.84% and 26.05% of the Group's total annual revenue, respectively.

For the year ended 31 December 2020, purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate, represented approximately 2.33% and 9.72% of the Group's total annual purchases, respectively.

Except for the Controlling Shareholders' interests in Financial Street Affiliates Group, one of the five largest customers of the Group, for the year ended 31 December 2020, none of the other Directors, supervisors, their respective associates or other Shareholders (to the knowledge of the Directors, who are interested in more than 5% of the issued shares of the Company) had any interests in the five largest suppliers or customers of the Group.

CONTINUING CONNECTED TRANSACTIONS

According to the disclosure requirements under Chapter 14A of the Listing Rules, the following transactions have been entered into and/or continued between certain connected persons (as defined under the Listing Rules) and the Company with the following relevant disclosures made by the Company in accordance with the Listing Rules:

Report of Directors (Continued)

1. Leasing Framework Agreement

On 10 February 2020, a leasing framework agreement was entered into between the Company and Financial Street Group (the “**Leasing Framework Agreement**”) for a term from the Listing to 31 December 2022, pursuant to which we may lease the real property (currently consisting of office properties, retail properties and car parks) held by Financial Street Group and its associates. Pursuant to the Leasing Framework Agreement, the related subsidiaries and associates of both parties shall enter into separate leasing agreements, and such agreements shall contain specific terms and conditions. The rent payable by us under the Leasing Framework Agreement will be determined after arm's length negotiation by reference to the historical transaction amounts during the three years ended 31 December 2019 and the prevailing market rentals of properties of similar nature located in similar areas, and shall be not worse than those offered by independent third parties.

The Directors estimate that the Group's annual caps on rent for each of the two years ending 31 December 2022 under the Leasing Framework Agreement will not exceed RMB35,000,000 and RMB42,000,000, respectively.

As it is expected one or more of the applicable percentage ratios under the Listing Rules in respect of the total annual caps under the Leasing Framework Agreement pursuant to the Listing Rules will be more than 0.1% but will be less than 5%, the leases under the Leasing Framework Agreement shall be exempt from the circular and independent Shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules, but shall still be subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

For the year ended 31 December 2020, the Group leased properties from the Financial Street Group and its associates under the Leasing Framework Agreement at a rental of RMB8,334,000, which did not exceed the annual cap of RMB30,000,000 for 2020.

2. Property Management Services Framework Agreement

On 10 February 2020, our Company entered into a services framework agreement (as supplemented by the supplemental agreement dated 10 June 2020) (the “**Property Management Services Framework Agreement**”) with Financial Street Group with a term from the Listing to 31 December 2022, pursuant to which our Company, either directly, or indirectly through subsidiaries, agreed to provide property management services and related services (“**Property Management Services**”) to Financial Street Group and its associates with respect to the following types of properties:

- (i) properties owned by, or with respect to which Financial Street Group and its associates have the right of use; and
- (ii) properties already developed by Financial Street Group and its associates but unsold, or properties already developed and sold but undelivered by Financial Street Group and its associates.

Report of Directors (Continued)

The property management fees to be charged pursuant to the Property Management Services Framework Agreement shall be determined after arm's length negotiations taking into account the location of the projects, the expected operational costs (including, amongst others, labour costs, material costs and administrative costs) with reference to the property management fees for similar services and similar types of projects in the market. The property management fees shall be on normal commercial terms, and at prices no more favourable than those provided to our customers who are independent third parties.

Our Directors estimate that the maximum annual fee payable by Financial Street Group and its associates to our Group in relation to Property Management Services to be provided by our Group under the Property Management Services Framework Agreement for each of the two years ending 31 December 2022 will not exceed RMB247,000,000 and RMB290,000,000, respectively.

The total amount of the fee payable by Financial Street Group and its associates to our Group in relation to the Property Management Services provided by our Group under the Property Management Services Framework Agreement for the year ended 31 December 2020 was RMB201,758,000, which did not exceed the annual cap of RMB210,000,000 for the year of 2020.

3. Deposit Service Framework Agreement

On 5 June 2020, our Company entered into a deposit service framework agreement ("**Deposit Service Framework Agreement**") with Beijing Financial Street Group Finance Company Limited (北京金融街集團財務有限公司) ("**FS Finance**") with a term from the Listing to the date of our first annual general meeting after the Listing (the "**Deposit Waiver Term**"), pursuant to which our Group can use the deposit management services provided by FS Finance.

Established in July 2015 with the approval of China Banking Regulatory Commission Beijing Regulatory Bureau (中國銀行業監督管理委員會北京監管局), FS Finance is a non-bank financial institution (非銀行金融機構) which provides deposit management services to members of Financial Street Affiliates Group. FS Finance is subject to a number of regulatory requirements and guidelines issued by regulatory authorities in the PRC, including but not limited to the People's Bank of China, State Administration of Industry and Commerce of the PRC and the China Banking and Insurance Regulatory Commission.

Our Directors estimate that the maximum daily deposit balances (including accrued interest) the Company proposes to deposit with FS Finance for the period until the expiry of the Deposit Waiver Term pursuant to the Deposit Service Framework Agreement will not exceed RMB1,000,000,000.

For the year ended 31 December 2020, the maximum daily deposit balance (including accrued interest) the Company deposited with FS Finance pursuant to the Deposit Service Framework Agreement was approximately RMB375,691,000 which did not exceed the cap of RMB1,000,000,000 for the Deposit Waiver Term.

Report of Directors (Continued)

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions were:

- (1) entered into in the ordinary and usual course of business of the Group;
- (2) conducted on normal commercial terms or better terms; and
- (3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of Shareholders and the Company as a whole.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, PricewaterhouseCoopers was engaged to report on the Group's continuing connected transactions.

Below was set out in the letter from the auditor containing their findings and conclusions of the review in respect of the disclosed continuing connected transactions:

- (1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;
- (2) as for the transactions that involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- (3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- (4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

RELATED PARTY TRANSACTIONS

The continuing connected transactions disclosed above also constitute related party transactions under HKFRSs. Details of significant related party transactions entered into by the Group during the year ended 31 December 2020 are set out in Note 35 to the consolidated financial statements.

Report of Directors (Continued)

In relation to the continuing connected transactions mentioned above, the Board confirms that the Company has complied with the disclosure requirements under the Listing Rules.

NON-COMPETITION UNDERTAKING LETTER

Regarding the Non-competition Undertaking Letter entered into between the Company and Financial Street Group on 9 June 2020, the Company confirms that:

- (1) The independent non-executive Directors have conducted an annual review on the performance of the Non-competition Undertaking Letter, and have confirmed that the Controlling Shareholders have fully complied with the Non-competition Undertaking Letter, without any breach of the undertakings.
- (2) Financial Street Group has provided the Company with all necessary information for the annual review by independent non-executive Directors on implementation of and compliance with the Non-competition Undertaking Letter.
- (3) Financial Street Group has confirmed in writing that it has complied with the Non-competition Undertaking Letter for the year ended 31 December 2020.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

As at the date of this report, there is no arrangement for pre-emptive rights in accordance with PRC laws and the Articles of Association. The Company is not aware of any tax relief or exemption available to any existing shareholder by reason of his/her holding of the securities of the Company.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As at the date of this report, the Company did not enter into any new loan agreement, which contained any covenant relating to specific performance of the controlling shareholders and shall be disclosed as required by Rule 13.18 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and to the best knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules.

FOUR-YEAR FINANCIAL SUMMARY

Summary of the Group's results and assets and liabilities for the latest four financial years is set out in the section headed "Four-Year Financial Summary" on page 168 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2020 are set out in Note 11 to the consolidated financial statements.

Report of Directors (Continued)

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors and senior management are set out under the section headed “Biographies of Directors, supervisors and Senior Management” of this report.

PERMITTED INDEMNITY

The Group has purchased and maintained liability insurance for the Directors for the year ended 31 December 2020, which provides appropriate cover for the Directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Save for the Listing as described in the Prospectus and the additional 13,500,000 H Shares allotted and issued through full exercise of the over-allotment option on 29 July 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the period from the Listing Date up to 31 December 2020.

MANAGEMENT CONTRACT

No contract concerning management of the whole or substantial part of any business of the Company was entered into during the year ended 31 December 2020, or subsisted at the end of the year ended 31 December 2020.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The COVID-19 outbreak in early 2020 has affected many businesses to different degrees. A series of precautionary and control measures have been and continued to be implemented across the country. In this regard, the Group is paying close attention to the development of the COVID-19 outbreak and will evaluate its impact on the financial position and operating results of the Group. Based on the information up to the date of this report, the Group was not aware of any material adverse effects on the financial statements as a result of the COVID-19 outbreak.

Save as disclosed above, there were no material events undertaken by the Group subsequent to 31 December 2020 and up to the date of this report.

RETIREMENT BENEFITS PLAN

Details of the retirement benefits plan of the Group for the relevant year are set out in Note 30 to the consolidated financial statements.

Report of Directors (Continued)

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of Directors, supervisors and five highest paid individuals for the relevant year are set out in Notes 9 and 37 to the consolidated financial statements.

AUDITOR

The consolidated financial statements of the Group for the year ended 31 December 2020 have been audited by PricewaterhouseCoopers, which will resign at the 2020 AGM. Matters in relation to considering and approving the appointment of the auditor for the year of 2021 will be considered at the 2020 AGM.

ACCOUNTS REVIEW

The Audit Committee has been established in accordance with Appendix 14 to the Listing Rules, with written terms of reference. The Audit Committee is authorised by the Board to review and supervise the Company's financial reporting, risk management and internal control systems, and assist the Board in performing its duties to the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2020, and discussed the accounting principles and practices adopted by the Group, as well as internal controls, financial reporting and other matters, with the Group's management.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix 14 to the Listing Rules as its own code of corporate governance. To the best knowledge of the Directors, save as disclosed in the section headed "Corporate Governance Report" in this report, the Company has complied with all applicable code provisions of the Corporate Governance Code throughout the period from the Listing Date to 31 December 2020.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group is subject to a number of laws and regulations such as the Company Laws of the People's Republic of China (《中華人民共和國公司法》), the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》), as well as the Provisions on Property Management (《物業管理條例》), the Regulations on Administration of Security Services (《保安服務管理條例》) and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》) issued by the State Council of the People's Republic of China, and other laws and regulations.

Report of Directors (Continued)

For the year ended 31 December 2020, in terms of its business, the Groups has complied in material respects with the relevant laws and regulations, and there was no material breach or violation of the applicable laws and regulations by the Group which would have a material adverse effect on the business or financial position of the Group as a whole.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has been actively advancing sustainable development and environmental protection, and has been positive in promoting and achieving effective utilisation of resources in our business. Laws and regulations in terms of environment and health are strictly complied with. Meanwhile, the Group holds various charity activities for environmental protection in the course of our operation to spread the idea of environmental protection to all sectors of society and create a green and bright future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group believes that promoting sustainable development is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainable development in its operations. The Group will endeavour to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate its commitment to transparency and accountability to its stakeholders, the Company will issue an independent environmental, social and governance report in accordance with the Environmental, Social and Governance Reporting Guide under Appendix 27 to the Listing Rules. The report will present its commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impact arising from the activities of the Group and its joint ventures.

By Order of the Board

Sun Jie

Chairman and General Manager

Beijing, the PRC, 25 March 2021

Report of the Supervisory Committee

COMPOSITION OF THE SUPERVISORY COMMITTEE

In accordance with the requirements of the Articles of Association, the Supervisory Committee consists of three members, of which there are two shareholder representative supervisors and one employee representative Supervisor. The term of office of supervisors shall be three years, and is renewable upon re-election after the expiry of their term.

As at the date of this report, the composition of the Supervisory Committee is as follows:

Mr. Liu Anpeng, chairman of the Supervisory Committee and shareholder representative Supervisor
Ms. Gao Minghui, shareholder representative Supervisor
Ms. Lyu Min, employee representative Supervisor

CHANGES IN SUPERVISORS

On 23 October 2020, Mr. Liu Hongwu resigned as a Supervisor, with effect upon consideration and approval at the extraordinary general meeting on 7 December 2020.

On 7 December 2020, Ms. Gao Minghui was appointed as a Supervisor upon consideration and approval at the extraordinary general meeting.

MAJOR WORKS PERFORMED BY THE SUPERVISORY COMMITTEE IN 2020

During the reporting period, the Supervisory Committee performed its duties diligently to supervise the operation and management of the Company in a legal, proper and effective manner in accordance with relevant requirements under the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Articles of Association and the Listing Rules, which effectively safeguarded the interests of the Shareholders and the Company.

Report of the Supervisory Committee (Continued)

In 2020, the Supervisory Committee held a total of 2 meetings of the Supervisory Committee, to review the interim results and the interim report of the Company for the six months ended 30 June 2020, the resignation of Mr. Liu Hongwu as a Supervisor and the appointment of Ms. Gao Minghu as a Supervisor, and other matters were each considered. The supervisors carefully reviewed the meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee to earnestly perform their supervisory duties. The details of supervisors' attendance at the meetings of the Supervisory Committee held during the 2020 are as follows:

Name of Supervisors	Number of meetings attended in person	Number of meetings attended by proxy	Number of absence	Number of Board meetings or general meetings attended in person
Mr. Liu Anpeng	2/2	0	0	2
Ms. Gao Minghui	N/A	N/A	N/A	N/A
Ms. Lyu Min	2/2	0	0	2
Mr. Liu Hongwu	2/2	0	0	2

The Supervisory Committee supervised the operating activities of the Company, and supervised the Company in establishing a relatively comprehensive internal control system and a corresponding internal control structure, and made great efforts to execute and improve the same. By way of effective implementation of such system, it managed to avoid various operating risks facing the Company.

The Supervisory Committee also inspected the detailed implementation of the financial management system of the Company and carefully reviewed the financial report of the Company. It considered the financial report of the Company to be true and reliable, and the audit opinions issued by the audit firm appointed by the Company to be objective and impartial.

The Supervisory Committee supervised the performance of duties by the Directors and senior management of the Company, and took the view that the Directors and senior management of the Company diligently exercised various powers as delegated by the Shareholders and carefully discharged their duties under the principles of diligence and integrity. As at the date of this report, the Directors and senior management conducted their work in strict accordance with laws and regulations, the Articles of Association and various other provisions to ensure the regulated operation of the Company, and they were not aware of any power abuse or any actions which might be detrimental to the interests of the Shareholders and the legitimate rights of employees.

The Supervisory Committee is satisfied with the operation and management work conducted and the economic benefits achieved by the Board and the management of the Company in 2020, and is fully confident in the development prospect of the Company in the future.

By Order of the Supervisory Committee

Mr. Liu Anpeng

Chairman of the Supervisory Committee

Beijing, the PRC, 25 March 2021

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Financial Street Property Co., Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

What we have audited

The consolidated financial statements of Financial Street Property Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 82 to 167, which comprise:

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

Our opinion

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

BASIS FOR OPINION

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

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

Independence

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

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS

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

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

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Expected credit losses of trade receivables</i>	
Refer to Note 4 – Critical accounting estimates and judgements and Note 20 – Trade receivables to the consolidated financial statements.	We performed the following procedures in relation to the management's assessment on expected credit losses of trade receivables:
As at 31 December 2020, the Group had trade receivables amounting to RMB154.1 million, among which, a provision of RMB7.2 million has been made.	• We obtained an understanding of the management's internal control and assessment process of expected credit losses of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud.
The Group applies the simplified approach under HKFRS 9 to measure expected credit loss, which requires expected lifetime losses to be recognised from initial recognition of the trade receivables. To measure the expected credit loss, trade receivables have been grouped based on shared credit risk characteristics and ageing periods.	• We evaluated the outcome of prior period assessment of expected credit losses of trade receivables to assess the effectiveness of management's estimation process. • We understood, evaluated and tested the key controls relating to management's assessment on the expected credit losses of trade receivables. • We understood management's rationale for distinguishing individual impaired and grouped impaired trade receivables. We assessed the reasonableness based on the credit risk drivers.

Independent Auditor's Report (Continued)

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Losses for impairment of trade receivables reflects management's best estimate to determine the expected credit losses. The estimate requires significant judgement in making assumptions about the risks and probabilities of defaults and the expected credit loss rates, which are based on historical credit losses and adjusted to reflect current and forward looking information. For trade receivables that do not share same risk characteristics with others, management assessed their expected credit losses on an individual basis. For trade receivables that share same risk characteristics with others, management calculates the expected credit losses using the roll rate model. The model first groups the customers based on their different risk characteristics, and then recalculates their respective historical credit loss information. The model further incorporates forward-looking adjustments to reflect the management's forecasts of macroeconomic factors in different scenarios, as this affects the customers' ability to settle the receivables. The Company exercised significant judgement and estimates in assessing the expected credit losses of the trade receivables. Considering the degree of estimation uncertainty, significant amount and other inherent risk factors, we have therefore identified expected credit losses assessment as an area of focus for the audit.	- For individual impaired trade receivables, we evaluated appropriateness of the judgements used by management based on the examination of the historical payment documentation and checking the financial position and creditworthiness of customers. - For grouped impaired trade receivables, on a sample basis, we tested the accuracy of the ageing profile of trade receivables to sales invoices and contracts terms; we recalculated the historical credit losses, assessed the appropriateness of the modelling methodologies adopted by management, and assessed management's selection of economic indicators and their analysis of co-relation with the performance of the credit risk portfolios with reference to our research on the related industry, market and macroeconomic data for forward-looking adjustments. - We checked the mathematical accuracy of the calculation of the expected credit losses. Based on the above, we found that management's judgements in relation to the expected credit losses of trade receivables were supportable by the evidence obtained and procedures performed.

Independent Auditor's Report (Continued)

OTHER INFORMATION

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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

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

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

Independent Auditor's Report (Continued)

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

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Yuen Kwok Sun.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 25 March 2021

Consolidated Statement of Comprehensive Income

	<i>Note</i>	Year ended 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	5	1,130,879	997,014
Cost of sales and services	8	(886,862)	(805,585)
Gross profit		244,017	191,429
Administrative expenses	8	(59,714)	(54,419)
Reversal of impairment losses/(impairment losses) on financial assets		900	(2,294)
Other income	6	13,726	4,864
Other gains/(losses), net	7	540	(305)
Operating profit		199,469	139,275
Finance income		8,600	10,428
Finance costs		(53,610)	(1,742)
	10	(45,010)	8,686
Share of profit from investment in associates	12	2,118	3,914
Profit before income tax		156,577	151,875
Income tax expense	13	(40,896)	(38,465)
Profit for the year		115,681	113,410

Consolidated Statement of Comprehensive Income (Continued)

	<i>Note</i>	Year ended 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to:			
Owners of the Company		104,438	105,217
Non-controlling interests		11,243	8,193
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		—	—
Remeasurements of retirement benefit obligations		(459)	(413)
Other comprehensive loss for the year, net of tax		(459)	(413)
Total comprehensive income for the year		115,222	112,997
Attributable to:			
Owners of the Company		103,979	104,804
Non-controlling interests		11,243	8,193
Earnings per share, basic and diluted (RMB)	14	0.327	0.390

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Balance Sheet

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Assets			
Non-current assets			
Investment properties	15	10,477	13,736
Property, plant and equipment	16	24,603	18,608
Right-of-use assets	17	32,941	35,939
Intangible assets	18	5,607	1,417
Investments in associates	12	12,842	22,484
Deferred income tax assets	31	5,557	12,285
Goodwill	18	325	–
Prepayments	21	1,095	2,654
Total non-current assets		93,447	107,123
Current assets			
Trade receivables	20	146,905	116,029
Prepayments	21	12,658	11,458
Other financial assets at amortised cost	22	33,863	32,566
Bank deposits with the maturity over three months	24	25,194	16,191
Restricted bank deposits	24	33,994	30,721
Cash and cash equivalents	24	1,378,746	666,123
Total current assets		1,631,360	873,088
Total assets		1,724,807	980,211
Equity and liabilities			
Equity attributable to owners of the Company			
Share capital	25	373,500	270,000
Reserves	26	573,153	22,338
Retained earnings		115,342	100,303
		1,061,995	392,641
Non-controlling interests		20,271	7,244
Total equity		1,082,266	399,885

Consolidated Balance Sheet (Continued)

		As at 31 December	
		2020	2019
	Note	RMB'000	RMB'000
Non-current liabilities			
Lease liabilities	29	28,899	36,208
Deferred income tax liabilities	31	538	–
Retirement benefit obligations	30	5,289	7,204
Total non-current liabilities		34,726	43,412
Current liabilities			
Trade and other payables	28	486,467	434,147
Contract liabilities	5	102,764	66,892
Current tax liabilities		5,174	23,594
Current portion of lease liabilities	29	13,067	11,946
Current portion of retirement benefit obligations	30	343	335
Total current liabilities		607,815	536,914
Total liabilities		642,541	580,326
Total equity and liabilities		1,724,807	980,211

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

	Note	Paid-in capital/Share capital RMB'000	Capital reserve RMB'000	Statutory reserve RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000	Non- controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2019		52,500	26,699	26,250	330	123,040	228,819	4,962	233,781
Profit for the year		-	-	-	-	105,217	105,217	8,193	113,410
Other comprehensive loss for the year		-	-	-	(413)	-	(413)	-	(413)
Total comprehensive income for the year		-	-	-	(413)	105,217	104,804	8,193	112,997
Capital contribution from owners		16,000	160,093	-	-	-	176,093	-	176,093
Transfer from reserves to share capital		201,500	(174,877)	(26,250)	(373)	-	-	-	-
Non-controlling interests arising on a newly established subsidiary		-	-	-	-	-	-	400	400
2018 dividends	27	-	-	-	-	(117,075)	(117,075)	(6,311)	(123,386)
Appropriation of statutory reserve		-	-	10,879	-	(10,879)	-	-	-
Balance at 31 December 2019		270,000	11,915	10,879	(456)	100,303	392,641	7,244	399,885
Balance at 1 January 2020		270,000	11,915	10,879	(456)	100,303	392,641	7,244	399,885
Profit for the year		-	-	-	-	104,438	104,438	11,243	115,681
Other comprehensive loss for the year		-	-	-	(459)	-	(459)	-	(459)
Total comprehensive income for the year		-	-	-	(459)	104,438	103,979	11,243	115,222
Issue of ordinary shares pursuant to initial public offering and exercise of over allotment option	25	103,500	544,855	-	-	-	648,355	-	648,355
Non-controlling interests arising on business combinations		-	-	-	-	-	-	2,581	2,581
2019 dividends		-	-	-	-	(82,980)	(82,980)	(797)	(83,777)
Appropriation of statutory reserve	27	-	-	6,419	-	(6,419)	-	-	-
Balance at 31 December 2020		373,500	556,770	17,298	(915)	115,342	1,061,995	20,271	1,082,266

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

	<i>Note</i>	Year ended 31 December	
		2020	2019
		RMB'000	RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	244,153	186,783
Income tax paid		(54,489)	(40,433)
Net cash generated from operating activities		189,664	146,350
Cash flows from investing activities			
Acquisition of a subsidiary, net of cash	34	23,683	–
Proceeds from redemption of wealth management products		18,430	25,984
Dividends received	12	10,672	3,921
Refund of receivables in relation to investment		4,798	–
Net proceeds from disposal of property, plant and equipment		407	18
Investment in wealth management products		(14,310)	(14,700)
Purchases of property, plant and equipment		(9,593)	(10,848)
Change in bank deposits with the maturity over three months		(9,003)	93,917
Purchase of intangible assets		(2,437)	(818)
Loans to an associate	35(e)	(1,176)	(2,524)
Net cash generated from investing activities		21,471	94,950

Consolidated Statement of Cash Flows (Continued)

	<i>Note</i>	Year ended 31 December	
		2020	2019
		<i>RMB'000</i>	<i>RMB'000</i>
Cash flows from financing activities			
Proceeds from issuance of ordinary shares		693,650	–
Capital contribution from non-controlling interests arising on a newly established subsidiary		–	400
Capital Contribution from owners		–	176,093
Dividends paid to owners of the Company	27	(82,980)	(117,075)
Listing expenses paid		(41,929)	(5,842)
Principal and interest elements of lease payments	33(b)	(14,979)	(16,194)
Dividends paid to non-controlling interests	27	(797)	(6,311)
Net cash generated from financing activities		552,965	31,071
Net increase in cash and cash equivalents		764,100	272,371
Cash and cash equivalents at beginning of the year		666,123	393,744
Exchange effect on cash and cash equivalents		(51,477)	8
Cash and cash equivalents at end of the year		1,378,746	666,123

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

1 GENERAL INFORMATION

Financial Street Property Co., Limited (the “Company”, formerly known as “Beijing Financial Street Property Management Co., Ltd.”) was incorporated in the People’s Republic of China (the “PRC”) as a limited liability company on 20 May 1994. On 19 September 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company’s registered office is No. 33, Financial Street, Xicheng District, Beijing, the PRC.

The Company’s H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 July 2020.

The Company and its subsidiaries (together, the “Group”) are primarily engaged in the provision of property management and related services in the PRC.

The Company’s parent company is Beijing Huarong Zonghe Investment Co., Ltd. (“Beijing Huarong” or the “Parent Company”), an investment company established in the PRC under the control of Beijing Financial Street Investment (Group) Co., Ltd. The ultimate parent company of the Company is Beijing Financial Street Investment (Group) Co., Ltd. (“Financial Street Group” or the “Ultimate Parent Company”), a limited liability company incorporated in the PRC on 29 May 1996.

These consolidated financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These consolidated financial statements have been approved for issue by the board of directors (the “Board”) of the Company on 25 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the group consisting of Financial Street Property Co., Limited and its subsidiaries.

2.1 Basis of preparation

(i) *Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirement of the Hong Kong Companies Ordinance Cap.622.

(ii) *Historical cost convention*

The consolidated financial statements have been prepared on a historical cost basis, except for the revaluation of certain financial assets which are carried at fair value.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) *New standards and amendments to standards adopted by the Group*

Amendments to HKFRS 3 – Regarding definition of a business
 Amendments to HKAS 1 and HKAS 8 – Regarding definition of material
 Revised Conceptual Framework for Financial Reporting
 Amendments to HKFRS 9, HKAS 39 and HKFRS 7 – Regarding interest rate benchmark reform

The above new or amended standards became applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as adopting these standards.

(iv) *New standards and amendments to standards not yet been adopted by the Group*

New standards and amendments that have been issued but not yet effective on 1 January 2020 and not been early adopted by the Group are as follows:

	Effective for annual periods beginning on or after
Amendments to HKFRS 16 – Covid-19-Related Rent Concessions	1 June 2020
Amendments to HKAS 37 – Onerous contracts – Cost of fulfilling a contract	1 January 2022
Annual Improvements – Annual Improvements to HKFRS standard 2018 – 2020	1 January 2022
Amendments to HKAS 16 – Property, plant and equipment-proceeds before intended use	1 January 2022
Amendments to HKFRS 3 – Reference to the Conceptual Framework	1 January 2022
HKFRS 17 – Insurance contract	1 January 2023
Amendments to HKAS 1 – Classification of liabilities as current or non-current	1 January 2023
Amendments to HKFRS 10 and HKAS 28 – Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Directors of the Company are of the view that the above new standards and amendments to existing standards that have been issued are not expected to have any significant impact on the Group.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principals of consolidation and equity accounting

(a) *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

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

(b) *Associates*

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (c) below), after initially being recognised at cost.

(c) *Equity method*

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principals of consolidation and equity accounting (Continued)

(c) *Equity method (Continued)*

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Company.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

(d) *Changes in ownership interests*

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

2.3 Business combinations

The acquisition method of accounting is used to account for business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred to the former owners of the acquired business and the equity interests issued by the Group, the fair value of any asset or liability resulting from a contingent consideration arrangement, and the fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquired entity and the acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

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

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

2.5 Segment reporting

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the statements of comprehensive income, within "finance income/(costs)". All other foreign exchange gains and losses are presented in the statement of comprehensive income on a net basis within "other gains/(losses), net".

2.7 Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements, the shorter lease term as follows:

– Office and operating equipment	5 – 6 years
– Vehicles	6 years
– Leasehold improvements	Estimated useful lives or remaining lease terms, whichever is shorter

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Property, plant and equipment (Continued)

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the statement of comprehensive income.

2.8 Investment properties

Investment properties are stated at historical cost less depreciation. Investment properties, principally stores, are held for long-term rental yields and are not occupied by the Group. Investment properties also include right-of-use assets that meet the definition of investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of within 34 years or the leasing period and after taking into account of their estimated residual value, using the straight-line method.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains/(losses), net" in the statement of comprehensive income.

2.9 Intangible assets

(a) Goodwill

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(a) Goodwill (Continued)

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

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use ("VIU") and the fair value less costs of disposal ("FVLCD"). Any impairment is recognised immediately as an expense and is not subsequently reversed.

(b) Software use rights and brand royalty

Acquired software use rights and brand royalty is capitalised on the basis of the costs incurred to acquire and bring to use the specific software and brand royalty. These costs are amortised over their estimated useful lives of 1 to 10 years on a straight-line basis, which reflects the pattern in which the intangible asset's future economic benefits are expected to be consumed.

(c) Properties management contracts

Properties management contracts acquired in a business combination are recognised at fair value at the acquisition date. The properties management contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 6 years.

2.10 Impairment of non-financial assets

Assets that are subject to depreciation and amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets

(a) *Classification*

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

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised cost.

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

(b) *Recognition and derecognition*

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) *Measurement*

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (Continued)

(c) *Measurement (Continued)*

Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses), net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of comprehensive income.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses), net. Interest income from these financial assets is included in interest income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), net and impairment expenses are presented as separate line item in the statement of comprehensive income.
- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses), net in the period in which it arises.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Investments and other financial assets (Continued)

(d) *Impairment*

The Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1(b) and 20 for further details.

2.12 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within one year and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. For details of Group's accounting for trade receivables and description of the Group's impairment policies, see Notes 3.1(b) and 20.

2.14 Cash and cash equivalents

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 Share capital

Ordinary shares are classified as equity.

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

2.16 Trade and other payables

Trade payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries and associates operate and generate taxable income. The management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred income tax*

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Current and deferred income tax (Continued)

(b) Deferred income tax (Continued)

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

Deferred income tax is provided on temporary differences arising on investments in associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(b) Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary, Towers Watson, using the projected unit credit method.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(b) Post-employment obligations (Continued)

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the statement of comprehensive income.

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other reserve in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(c) Housing funds, medical insurances and other social insurances

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Employee benefits (Continued)

(d) *Bonus plans*

The Group recognises a liability and an expense for bonuses, where contractually obliged or where there is a past practice that has created a constructive obligation.

2.19 Provisions

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

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.20 Revenue recognition

The Group provides property management and related services and catering services. The following is a description of the accounting policy for the principal revenue streams of the Group:

(a) *Property management and related service income*

Revenue from property management and related services (both under lump sum basis and commission basis) is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management and related services, the Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Revenue recognition (Continued)

(a) *Property management and related service income (Continued)*

For property management service income from properties managed under lump sum basis, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners, The Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management service income from properties managed under commission basis, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by other suppliers to the property owners. The Group recognises the commission, which is calculated by certain fixed amount or percentage of the total property management fees received or receivable from the property units.

(b) *Catering service income*

The control of catering services is transferred at a point in time and revenue is recognised when the related services have been rendered to customers.

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

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the consideration as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

2.21 Earnings per share

(i) *Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Earnings per share (Continued)

(i) *Basic earnings per share (Continued)*

- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) *Diluted earnings per share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Lease

Leases are recognised as a right-of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Lease (Continued)

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

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

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Rental income from operating leases where the Group is a lessor is recognised on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as rental income. The respective leased assets are included in the balance sheet based on their nature.

Notes to Financial Statements (Continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.24 Government grants

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

Government grants relating to expenses are deferred and recognised in the profit or loss or deducted against related expenses over the period necessary to match them with the expenses that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

2.25 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains/(losses) on these assets.

Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of comprehensive income as part of other income.

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

(a) *Market risk*

Foreign exchange risk

The Group's businesses are principally conducted in RMB. The Group is exposed to foreign exchange risk with respect to primarily HK dollar. Foreign exchange risk arises from a foreign currency deposit account.

As at 31 December 2020, all of the Group's assets and liabilities were denominated in RMB except that cash and cash equivalents of approximately RMB627,319,000 (2019: nil) were denominated in HK dollar. As at 31 December 2020, if RMB had weakened/strengthened by 10% against the HK dollar with all other variables held constant, post-tax profit would have increased/decreased by RMB47,049,000 (2019: nil).

The Group did not enter into any forward contract to hedge its exposure to foreign exchange risk for the years ended 31 December 2020 and 2019.

Interest rate risk

The Group has no significant interest-bearing assets, other than cash and cash equivalents, bank deposits with the maturity over three months and restricted bank deposits. The impact of the changes in interest rate is not expected to be material.

(b) *Credit risk*

Credit risk arises from cash and cash equivalents, contractual cash flows of debt instruments carried at amortised cost and at fair value through profit or loss (FVPL), deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables.

(i) Risk management

Credit risk is managed on a group basis.

The Group's bank balances are deposited in banks and financial institutions with good reputation in the PRC. Accordingly, the credit risk on these bank balances is limited.

For trade and other receivables, the Group assesses the credit quality of the customer, taking into account its financial position, past experience and other factors.

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (CONTINUED)

(b) Credit risk (Continued)

(i) Risk management (Continued)

The Group's investment in debt instruments are considered to be low risk investments. The credit ratings of the investments are monitored for credit deterioration.

(ii) Impairment of financial assets

The Group has the following types of financial assets subject to expected credit loss model:

- trade receivables
- other financial assets at amortised cost

While cash and cash equivalents, bank deposits with the maturity over three months and restricted bank deposits are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing periods.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Trade receivables are written off where there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (CONTINUED)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

See Note 20 for further details.

Impairment of other financial assets at amortised cost is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. See Note 22 for further details.

(c) Liquidity risk

The management of the Company aims to maintain sufficient cash and cash equivalents. Due to the dynamic nature of the underlying businesses, the Group maintains flexibility in funding by maintaining adequate amount of cash and cash equivalents through having available sources of financing.

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for all non-derivative financial liabilities.

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

	Less than 1 year <i>RMB'000</i>	Between 1 and 2 years <i>RMB'000</i>	Between 2 and 5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total contractual cash flows <i>RMB'000</i>	Carrying amount liabilities <i>RMB'000</i>
Contractual maturities of financial liabilities						
At 31 December 2020						
Trade and other payables (excluding payroll and welfare payables and other tax payables)	410,701	–	–	–	410,701	410,701
Lease liabilities	15,075	13,727	14,446	2,214	45,462	41,966
	425,776	13,727	14,446	2,214	456,163	452,667
At 31 December 2019						
Trade and other payables (excluding payroll and welfare payables and other tax payables)	374,385	–	–	–	374,385	374,385
Lease liabilities	12,956	13,078	23,192	3,317	52,543	48,154
	387,341	13,078	23,192	3,317	426,928	422,539

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital management

The Group's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

As part of the capital risk management process, the Group monitors capital on the basis of the liability-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The liability-to-asset ratios at 31 December 2020 and 2019 are as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Total liabilities	642,541	580,326
Total assets	1,724,807	980,211
Liability-to-asset ratio	37%	59%

The change of the liability-to-asset ratio as at 31 December 2020 is mainly due to the issue of ordinary shares pursuant to initial public offering and exercise of over allotment option.

3.3 Fair values estimation

(a) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is as below:

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values estimation (Continued)

(a) Fair value hierarchy (Continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

(b) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments, and
- for other financial instruments – discounted cash flow analysis.

(c) Fair value measurements using significant unobservable inputs (level 3)

The following table presents the changes in level 3 items for the year ended 31 December 2020 and 2019:

	Investments in wealth management products
Opening balance 1 January 2020	–
Investments in wealth management products	14,310
Acquisition of a subsidiary	4,000
Redemption of wealth management products	(18,430)
Change in fair value	120
Closing balance 31 December 2020	–

Notes to Financial Statements (Continued)

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair values estimation (Continued)

(c) Fair value measurements using significant unobservable inputs (level 3) (Continued)

	Investments in wealth management products
Opening balance 1 January 2019	10,800
Investments in wealth management products	14,700
Redemption of wealth management products	(25,984)
Change in fair value	484
Closing balance 31 December 2019	–

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of these financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

4.1 Critical accounting estimates

(a) Impairment of trade receivables

The loss allowances for financial assets are based on assumptions about risk of default and expected credit loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. Details of the key assumptions and inputs used are disclosed in the tables in Note 20.

(b) Estimation of defined benefit pension obligation

The present value of the pension obligations depends on a number of factors that are determined on an actuarial basis using a number of assumptions. Any changes in these assumptions will impact the carrying amount of pension obligations. Details of key assumptions and impact of possible changes in key assumptions are disclosed in Note 30.

Notes to Financial Statements (Continued)

5 SEGMENT INFORMATION

The board of directors of the Company is the Group's chief operating decision-maker ("CODM"). The board of directors has determined the operating segments for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the provision of property management and related services in the PRC and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The board of directors considers the performance assessment of the Group should be based on the results of the Group as a whole. Therefore, the board of directors considers there to be only one operating segment under the requirement of HKFRS 8.

Revenues are recognised in respect of the following categories:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Property management and related services (including rental services)		
– recognised on a lump sum basis from properties management and related services	1,089,255	960,626
– recognised on a commission basis from properties management services	13,134	12,625
– rental services	6,768	5,948
Catering services	21,722	17,815
	1,130,879	997,014

For the year ended 31 December 2020, Financial Street Group and its subsidiaries, associates and joint ventures (the "Financial Street Affiliates Group") contributed 18% of the Group's revenue (2019: 17%). Other than the Financial Street Affiliates Group, the Group had a large number of customers, none of whom contribute 10% or more of the Group's revenue during the years ended 31 December 2020 and 2019.

Notes to Financial Statements (Continued)

5 SEGMENT INFORMATION (CONTINUED)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major product lines:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue		
– recognised over time	1,102,389	973,251
– recognised at a point in time	21,722	17,815
Rental income	6,768	5,948
	1,130,879	997,014

As the Group is domiciled in the PRC from where all of its revenues from external customers for the years ended 31 December 2020 and 2019 were derived and in where all of its assets are located, no geographical segment information is shown.

Revenue recognised in relation to contract liabilities

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

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities		
– related parties	3,708	730
– third parties	99,056	66,162
	102,764	66,892

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. The contract liabilities were relatively stable during the year ended 31 December 2020.

Notes to Financial Statements (Continued)

5 SEGMENT INFORMATION (CONTINUED)

Revenue recognised in relation to contract liabilities (Continued)

(b) *Revenue recognised in relation to contract liabilities*

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

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management and related services	62,310	60,907
Catering services	1,728	3,500
	64,038	64,407

(c) *Unsatisfied performance obligations*

For property management and related services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. For catering services which are rendered in short period of time less than one year, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(d) *Assets recognised from incremental cost to obtain a contract*

During the years ended 31 December 2020 and 2019, there was no significant incremental cost to obtain a contract.

Notes to Financial Statements (Continued)

6 OTHER INCOME

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Government grants	7,274	907
Additional deduction of input VAT	6,452	3,957
	13,726	4,864

7 OTHER GAINS/(LOSSES), NET

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Remeasurement gain arising from associate to subsidiary	757	—
Fair value gains on investment in wealth management products	120	484
Net losses on disposal of property, plant and equipment	(111)	(73)
Donation	—	(190)
Others	(226)	(526)
	540	(305)

Notes to Financial Statements (Continued)

8 EXPENSES BY NATURE

Expenses include cost of cleaning, security and maintenance services, employee benefit expense, utilities and other costs are further analysed as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Cost of cleaning, security and maintenance services	395,165	367,836
Employee benefit expense (<i>Note 9</i>)	360,135	326,749
Utilities	61,776	51,478
Raw material and components used in property management and related services	39,352	46,453
Depreciation and amortisation	19,120	23,428
Cost of raw material and consumables for catering services	14,893	14,708
Rental expense	7,163	2,596
Professional service fee	6,959	3,421
Anti-epidemic expenses	5,469	–
Taxes and surcharges	5,433	4,899
Auditors' remuneration		
– Audit services	3,620	1,942
– Non-audit services	969	–
Listing expenses	2,744	–
Other expenses	23,778	16,494
Total cost of sales and services and administrative expenses	946,576	860,004

Notes to Financial Statements (Continued)

9 EMPLOYEE BENEFIT EXPENSE

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Wages, salaries and bonuses	297,854	249,517
Pension costs – defined contribution plans (<i>note a</i>)	19,705	31,696
Housing funds	18,860	14,604
Other social security costs	18,521	21,336
Pension costs – defined benefit plan (<i>Note 30</i>)	(2,317)	571
Other employee benefits	7,512	9,025
	360,135	326,749

- (a) Employees of the Group's entities are required to participate in a defined contribution plan administrated and operated by the local municipal government. The Group's entities contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

There were no forfeited contributions utilised to offset employers' contributions for the year ended 31 December 2020. As at 31 December 2020 and 2019, there was no forfeited contribution available to reduce the contributions payable in the future years.

Some of the Group's entities also provide an annuity plan to some senior employees, which is also a defined contribution plan.

The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond the annual contributions described above.

Notes to Financial Statements (Continued)

9 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2020 includes 2 directors (2019: 1 director), one of which was an employee ("Appointed Director") of the Group before her appointment as Director during the year. Details of these two Directors' emoluments are reflected in the analysis shown in Note 37. The emoluments payable to the remaining 3 individuals together with the Appointed Director during the year ended 31 December 2020 (2019: 4 individuals) are as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Wages, salaries and bonuses	2,645	2,122
Pension costs – defined contribution plans	313	358
Other social security costs	135	155
Housing funds	160	153
	3,253	2,788

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (<i>in HK dollar</i>)		
Below HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	1	–

Notes to Financial Statements (Continued)

10 FINANCE INCOME/(COSTS)

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Finance income		
Interest income on bank deposits	8,077	10,232
Interest income on loans to an associate	523	188
Exchange gains, net	—	8
	8,600	10,428
Finance costs		
Exchange losses, net	(51,477)	—
Interest expenses for lease liabilities	(2,133)	(1,742)
	(53,610)	(1,742)
	(45,010)	8,686

11 SUBSIDIARIES

The Group's principal subsidiaries at 31 December 2020 are set out below. Unless otherwise stated, the proportion of ownership interests held equals to the voting rights held by the Group. The country of incorporation or registration is also their principal place of business.

Name	Place of incorporation and operation, and kind of legal entity	Principal activities	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				As at 31 December		As at 31 December	
				2020	2019	2020	2019
(1) Beijing Jinxi Litai Hotel Management Co., Ltd.	the PRC, limited liability company	Hotel and catering management	10,000	100%	100%	—	—
(2) Beijing Financial Street Residential Property Management Co., Ltd.	the PRC, limited liability company	Residential property management	6,000	100%	100%	—	—

Notes to Financial Statements (Continued)

11 SUBSIDIARIES (CONTINUED)

Name	Place of incorporation and operation, and kind of legal entity	Principal activities	Issued/paid in capital (In thousand)	Ownership interest held by the Group		Ownership interest held by non-controlling interest	
				As at 31 December		As at 31 December	
				2020	2019	2020	2019
(3) Beijing Jinxi Lilin Health Management Co., Ltd.	the PRC, limited liability company	Elderly care services	2,000	100%	100%	-	-
(4) Beijing Xidan Southeast Plaza Property Management Co., Ltd.	the PRC, limited liability company	Property management	1,010	100%	100%	-	-
(5) Beijing Xima Property Management Co., Ltd.	the PRC, limited liability company	Property management	1,000	100%	100%	-	-
(6) Beijing Jintongtai Catering Co., Ltd.	the PRC, limited liability company	Catering management	500	100%	100%	-	-
(7) Beijing Ronglutong Consulting Service Co., Ltd.	the PRC, limited liability company	Parking management	100	100%	100%	-	-
(8) Beijing Financial Street Savills Property Management Co., Ltd.	the PRC, limited liability company	Property management	5,000	80%	80%	20%	20%
(9) Financial Street Hongya Property Services (Chongqing) Co., Ltd.	the PRC, limited liability company	Property management	-	51%	-	49%	-
(10) Nanjing Financial Street Savills Property Service Co., Ltd. (note a)	the PRC, limited liability company	Property management	5,612	41% (Indirect)	-	59%	-
(11) Beijing Financial Street Savills Jingnan Property Management Co., Ltd. (note b)	the PRC, limited liability company	Property management	5,000	41% (Indirect)	41% (Indirect)	59%	59%
(12) Beijing IZEE Mitsuyado Catering Management Co., Ltd. (note c)	the PRC, limited liability company	Catering management	1,000	60% (Indirect)	60% (Indirect)	40%	40%
(13) Beijing Huigu Conference Center Co., Ltd. (note d)	the PRC, limited liability company	Property management	-	100% (Indirect)	100% (Indirect)	-	-
(14) Beijing Financial Street Worldunion Real Estate Management Co., Ltd. (note e)	the PRC, limited liability company	Property management	-	41% (Indirect)	-	59%	-

- (a) Beijing Financial Street Savills Property Management Co., Ltd. holds 51% of the equity interests of Nanjing Financial Street Savills Property Service Co., Ltd..
- (b) Beijing Financial Street Savills Property Management Co., Ltd. holds 51% of the equity interests of Beijing Financial Street Savills Jingnan Property Management Co., Ltd. (formerly named "Beijing Zhongzhao Financial Street Savills Property Management Co., Ltd.").
- (c) Beijing Jinxi Litai Hotel Management Co., Ltd. holds 60% of the equity interests of Beijing IZEE Mitsuyado Catering Management Co., Ltd..
- (d) Beijing Jinxi Litai Hotel Management Co., Ltd. holds 100% of the equity interests of Beijing Huigu Conference Center Co., Ltd..
- (e) Beijing Financial Street Savills Property Management Co., Ltd. holds 51% of the equity interests of Beijing Financial Street Worldunion Real Estate Management Co., Ltd..
- (f) The total non-controlling interests as 31 December 2020 was RMB20,271,000 (2019: RMB7,244,000). No subsidiary has non-controlling interests that are material to the Group.

Notes to Financial Statements (Continued)

12 INVESTMENTS IN ASSOCIATES

Set out below are the associates of the Group as at 31 December 2020 which, in the opinion of the directors, none of the Group's associates is individually material to the Group. The country of incorporation or registration is also their principal place of business, and the proportion of ownership interest is the same as the proportion of voting rights held.

Name of entity	Place of business/ country of incorporation	% of ownership interest				Measurement method	
		As at 31 December		Nature of relationship	Measurement method	As at 31 December	
		2020	2019			2020	2019
						RMB'000	RMB'000
Chongqing Jiangbeizui Property Service Co., Ltd. (note d)	the PRC	32%	32%	Associate	Equity method	5,932	5,596
Beijing Financial Street Insurance Agency Co., Ltd.	the PRC	20%	20%	Associate	Equity method	4,583	6,043
Harbin Financial Street Property Management Co., Ltd.	the PRC	45%	45%	Associate	Equity method	1,472	1,522
Beijing Huarong Property Agency Co., Ltd.	the PRC	30%	30%	Associate	Equity method	855	745
Nanjing Financial Street Savills Property Service Co., Ltd. (note a)	the PRC	–	36%	–	–	–	7,311
Huai'an Guolian Financial Centre Property Service Co., Ltd. (note b)	the PRC	40%	40%	Associate	Equity method	–	1,267
Financial Street Shengda (Beijing) Technology Co., Ltd. (note c)	the PRC	10%	10%	Associate	Equity method	–	–
						12,842	22,484

- (a) Beijing Financial Street Savills Property Management Co., Ltd. acquired additional 6% equity of Nanjing Financial Street Savills Property Service Co., Ltd. on 11 December 2020, from which Nanjing Financial Street Savills Property Service Co., Ltd. becomes the Group's subsidiary.
- (b) Huai'an Guolian Financial Centre Property Service Co., Ltd. ("Huai'an Guolian") has a negative net asset due to consecutive operating losses. The Group is not obliged to bear any additional losses of Huai'an Guolian. Therefore, the carrying amount of long-term equity investments is reduced down to nil in recognising the Group's share of net losses incurred by Huai'an Guolian. The unrecognised investment losses for the year ended 31 December 2020 amount to RMB1,475,000 (2019: RMB1,246,000) and as at 31 December 2020, the accumulated unrecognised investment losses are RMB478,000 (2019:nil).

Notes to Financial Statements (Continued)

12 INVESTMENTS IN ASSOCIATES (CONTINUED)

- (c) Financial Street Shengda (Beijing) Technology Co., Ltd. ("Shengda") has a negative net asset due to consecutive operating losses. The Group is not obliged to bear any additional losses of Shengda. Therefore, the carrying amount of long-term equity investments is reduced down to nil in recognising the Group's share of net losses incurred by Shengda. The unrecognised investment losses for the year ended 31 December 2020 amount to RMB1,475,000 (2019: RMB1,246,000) and as at 31 December 2020, the accumulated unrecognised investment losses are RMB4,178,000 (2019: RMB2,593,000). Pursuant to the Articles of Association of Shengda, the Group is eligible to appoint one of the three directors of Shengda. By holding the board seat, the Group is able to exercise significant influence over Shengda. As such, Shengda is classified as an associate of the Group.
- (d) Except that Chongqing Jiangbeizui Property Service Co., Ltd. is held by Beijing Financial Street Savills Property Management Co., Ltd. (40%), all other associates are directly held by the Company.

The movement in investment in associates in the balance sheet is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of year	22,484	22,491
Share of profit from investment in associates	2,118	3,914
Dividend from associates	(10,672)	(3,921)
Remeasurement gain arising from associate to subsidiary (Note 7)	757	—
Transfer from associate to subsidiary (Note 34)	(1,845)	—
At end of year	12,842	22,484

13 INCOME TAX EXPENSE

This note provides an analysis of the Group's income tax expense, and shows how the tax expense is affected by non-assessable and non-deductible items.

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Current income tax	33,999	36,761
Deferred income tax (Note 31)	6,897	1,704
	40,896	38,465

Notes to Financial Statements (Continued)

13 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	156,577	151,875
Tax calculated at a tax rate of 25%	39,144	37,969
Tax effects of:		
Differences in tax rate (<i>note a</i>)	131	198
Expenses not deductible for tax purposes	493	668
Tax losses for which no deferred tax assets were recognised	716	108
Reverse of previously recognised deferred tax assets	1,131	140
Changes in tax rate	—	360
Income not subject to tax	(719)	(978)
	40,896	38,465

- (a) Under the Law of the PRC on Corporate Income Tax (the "CIT Law") and implementation regulations of the CIT Law, the income tax rate of 25% is applicable to all of the Group's subsidiaries for the year ended 31 December 2020, except that:

Beijing Jinxi Lilin Health Management Co., Ltd., Beijing Financial Street Savills Jingnan Property Management Co., Ltd. and Beijing IZEE Mitsuyado Catering Management Co., Ltd. were qualified as small and micro businesses and enjoyed a preferential income tax rate of 10% as approved by the local tax authority for the year ended 31 December 2020 (2019: 10%); Beijing Jintongtai Catering Co., Ltd., Beijing Ronglutong Consulting Service Co., Ltd. and Beijing Financial Street Residential Property Management Co., Ltd. were qualified as small and micro businesses and enjoyed a preferential income tax rate of 5% as approved by the local tax authority for the year ended 31 December 2020 (2019: 5%).

Notes to Financial Statements (Continued)

14 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the period, adjusted for bonus elements in ordinary shares issued during the year and excluding shares held for employee share scheme.

	Year ended 31 December	
	2020	2019
Profit attributable to owners of the Company (<i>RMB'000</i>)	104,438	105,217
Weighted average number of ordinary shares in issue (<i>thousands</i>) (<i>note i</i>)	319,770	269,654
Basic earnings per share (<i>RMB</i>)	0.327	0.390

- (i) In addition, the number of ordinary shares outstanding during the year ended 31 December 2019 had also been adjusted retroactively for the proportional changes in the number of ordinary shares outstanding as a result of the conversions from reserves to share capital in the computation of both basic and diluted earnings per share for the year ended 31 December 2019.

(b) Diluted earnings per share

No diluted earnings per share is presented as the Group had no dilutive potential ordinary shares during the year ended 31 December 2020 and 2019.

Notes to Financial Statements (Continued)

15 INVESTMENT PROPERTIES

Investment properties also present right-of-use assets that meet the definition of investment properties.

	Year ended 31 December 2020		
	Buildings	Leased properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost			
At beginning of year	3,822	18,012	21,834
Additions	—	—	—
At end of year	3,822	18,012	21,834
Accumulated depreciation			
At beginning of year	(128)	(7,970)	(8,098)
Depreciation charge for the year	(109)	(3,150)	(3,259)
At end of year	(237)	(11,120)	(11,357)
Net book amount			
At end of year	3,585	6,892	10,477

Notes to Financial Statements (Continued)

15 INVESTMENT PROPERTIES (CONTINUED)

	Year ended 31 December 2019		
	Buildings	Leased properties	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost			
At beginning of year	3,822	15,349	19,171
Additions	–	2,663	2,663
At end of year	3,822	18,012	21,834
Accumulated depreciation			
At beginning of year	(19)	(5,116)	(5,135)
Depreciation charge for the year	(109)	(2,854)	(2,963)
At end of year	(128)	(7,970)	(8,098)
Net book amount			
At end of year	3,694	10,042	13,736

Investment properties mainly consist of leased properties, which represent right-of-use assets that meet the definition of investment properties. They are initially measured based on the initial amount of the relevant lease liability. The lease liability is initially measured at the net present value of lease payments discounted using the implicit interest rate in the lease. The ownership of such leased properties are not transferred to the Group from the lessors. The leased properties are depreciated over the lease term which is shorter than their useful life on a straight-line basis. As at 31 December 2020, the Group had two such lease contracts (2019: two). The fair value of leased properties were approximately the same as their net book amount since the accumulated depreciation reflected the value decline for the leased properties.

Notes to Financial Statements (Continued)

16 PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2020			
	Office and operating equipment	Vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost				
At beginning of year	22,655	13,951	6,129	42,735
Additions	4,881	1,371	4,900	11,152
Acquisition of a subsidiary	332	840	–	1,172
Disposals and other decreases	(1,287)	(25)	–	(1,312)
At end of year	26,581	16,137	11,029	53,747
Accumulated depreciation				
At beginning of year	(11,740)	(8,754)	(3,633)	(24,127)
Depreciation charge for the year	(2,825)	(1,602)	(1,384)	(5,811)
Disposals and other decreases	774	20	–	794
At end of year	(13,791)	(10,335)	(5,017)	(29,144)
Net book amount				
At end of year	12,790	5,801	6,012	24,603

Notes to Financial Statements (Continued)

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Year ended 31 December 2019			
	Office and operating equipment	Vehicles	Leasehold improvements	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cost				
At beginning of year	18,493	12,349	2,327	33,169
Additions	5,444	1,602	3,802	10,848
Disposals and other decreases	(1,282)	–	–	(1,282)
At end of year	22,655	13,951	6,129	42,735
Accumulated depreciation				
At beginning of year	(10,655)	(7,123)	(1,368)	(19,146)
Depreciation charge for the year	(2,276)	(1,631)	(2,265)	(6,172)
Disposals and other decreases	1,191	–	–	1,191
At end of year	(11,740)	(8,754)	(3,633)	(24,127)
Net book amount				
At end of year	10,915	5,197	2,496	18,608

Depreciation expenses are charged to the following categories in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Cost of sales and services	4,669	5,059
Administrative expenses	1,142	1,113
	5,811	6,172

Notes to Financial Statements (Continued)

17 RIGHT-OF-USE ASSETS

	Year ended 31 December	
	2020	2019
	Leased properties <i>RMB'000</i>	Leased properties <i>RMB'000</i>
Cost		
At beginning of year	43,338	33,789
Additions	6,237	33,834
Acquisition of a subsidiary	416	–
Lease expiration and termination	(262)	(24,285)
At end of year	49,729	43,338
Accumulated depreciation		
At beginning of year	(7,399)	(17,662)
Depreciation charge for the year	(9,651)	(14,022)
Lease expiration and termination	262	24,285
At end of year	(16,788)	(7,399)
Net book amount		
At end of year	32,941	35,939

Notes to Financial Statements (Continued)

17 RIGHT-OF-USE ASSETS (CONTINUED)

Amounts recognised in the consolidated statements of comprehensive income:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets		
Leased properties	9,651	14,022
Interest expense (included in finance cost)	2,133	1,742
Expense relating to short-term leases (included in cost of sales and services and administrative expenses)	7,158	2,591
Expense relating to leases of low-value assets that are not shown above as short-term leases (included in administrative expenses)	5	5

The total cash outflow for leases for the year ended 31 December 2020 was RMB20,946,000 (2019: RMB18,241,000).

Notes to Financial Statements (Continued)

18 GOODWILL AND INTANGIBLE ASSETS

	Year ended 31 December 2020			
	Goodwill	Software use rights and brand royalty	Properties management contracts	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost				
At beginning of year	–	2,474	–	2,474
Additions	–	2,437	–	2,437
Acquisition of a subsidiary	325	–	2,152	2,477
At end of year	325	4,911	2,152	7,388
Accumulated amortisation				
At beginning of year	–	(1,057)	–	(1,057)
Amortisation charge for the year	–	(399)	–	(399)
At end of year	–	(1,456)	–	(1,456)
Net book amount				
At end of year	325	3,455	2,152	5,932

	Year ended 31 December 2019
	Software use rights and brand royalty
	RMB'000
Cost	
At beginning of year	1,656
Additions	818
At end of year	2,474
Accumulated amortisation	
At beginning of year	(786)
Amortisation charge for the year	(271)
At end of year	(1,057)
Net book amount	
At end of year	1,417

Notes to Financial Statements (Continued)

19 FINANCIAL INSTRUMENTS BY CATEGORY

The Group holds the following financial instruments:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	146,905	116,029
Other financial assets at amortised cost	33,863	32,566
Cash and deposits at banks and other financial institution	1,437,934	713,035
	1,618,702	861,630
Financial liabilities		
Liabilities at amortised cost		
Trade and other payables (excluding payroll and welfare payables and other tax payables)	410,701	374,385
Lease liabilities	41,966	48,154
	452,667	422,539

20 TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade receivables		
– related parties (<i>Note 35</i>)	70,402	41,714
– third parties	83,713	82,734
	154,115	124,448
Less: allowance for impairment of trade receivables	(7,210)	(8,419)
Trade receivables – net	146,905	116,029

Notes to Financial Statements (Continued)

20 TRADE RECEIVABLES (CONTINUED)

- (a) The credit terms given to trade customers are determined on an individual basis with normal credit period mainly within 180 days. The ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	132,867	120,097
1 – 2 years	18,302	2,920
2 – 3 years	1,608	725
Over 3 years	1,338	706
Total	154,115	124,448

- (b) Fair values of trade receivables

Due to the short-term nature of trade receivables, their carrying amount is considered to approximate to their fair value.

- (c) Impairment and risk exposure

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing periods.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

Notes to Financial Statements (Continued)

20 TRADE RECEIVABLES (CONTINUED)

(c) Impairment and risk exposure (Continued)

On that basis, the loss allowance as at 31 December 2020 was determined as follows for trade receivables:

As at 31 December 2020, the loss allowance of individually impaired trade receivables was determined as follows:

Individual	Trade receivables	Expected credit loss rate	Loss allowance	Reason
Trade receivables 1	1,834	100.0%	1,834	The likelihood of recovery
Trade receivables 2	37,918	2.34%	887	The likelihood of recovery
	39,752		2,721	

As at 31 December 2020, the loss allowance of collectively impaired trade receivables was determined as follows:

For trade receivables with public rating source:

31 December 2020	Trade receivables	Expected credit loss rate	Loss allowance
Trade receivables with public rating source	54,208	0.11%	58

For trade receivables without public rating source:

31 December 2020	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
Related parties					
Expected credit loss rate	1.82%	—	—	—	
Gross carrying amount-					
trade receivables	27,504	—	—	—	27,504
Loss allowance	501	—	—	—	501
Third parties					
Expected credit loss rate	3.90%	60.37%	84.58%	100.00%	
Gross carrying amount-					
trade receivables	28,616	2,706	959	370	32,651
Loss allowance	1,116	1,633	811	370	3,930

Notes to Financial Statements (Continued)

20 TRADE RECEIVABLES (CONTINUED)

(c) Impairment and risk exposure (Continued)

The movements on the provision for impairment of trade receivables are as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of year	8,419	6,147
Acquisition of a subsidiary	31	–
Provision for impairment of trade receivables	(1,240)	2,285
Receivables written off during the year as uncollectible	–	(13)
At end of year	7,210	8,419

21 PREPAYMENTS

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Prepaid operating expenses	9,572	6,631
Prepaid income tax	2,467	11
Input VAT to be deducted	1,185	1,486
Prepaid listing expenses	–	5,984
Others	529	–
	13,753	14,112
Less: non-current portion (note a)	(1,095)	(2,654)
	12,658	11,458

(a) This balance represents the prepayments related to long-term assets.

Notes to Financial Statements (Continued)

22 OTHER FINANCIAL ASSETS AT AMORTISED COST

Other financial assets at amortised cost include the following:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Other receivables		
– related parties (<i>Note 35</i>)	8,586	11,428
– third parties		
Payments on behalf of property owners, tenants and property developers	20,795	16,532
Deposits	2,666	2,261
Other	2,381	2,570
	34,428	32,791
Less: provision for impairment of other receivables	(565)	(225)
	33,863	32,566

(a) Fair values of other financial assets at amortised cost

Due to the short-term nature of other receivables, their carrying amount is approximate to their fair value.

Notes to Financial Statements (Continued)

22 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

(b) Impairment and risk exposure

The Group uses three categories for other receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision	Basis for calculation of interest revenue
Stage one	Customers have a low risk of default and a strong capacity to meet contractual cash flow	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected credit losses are measured at its expected lifetime.	Gross carrying amount
Stage two	Receivables for which there is a significant increase in credit risk since initial recognition	Lifetime expected credit losses	Gross carrying amount
Stage three	Receivables for which there is credit loss since initial recognition	Lifetime expected credit losses	Amortised cost carrying amount (net of credit allowance)

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

Notes to Financial Statements (Continued)

22 OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

(b) Impairment and risk exposure (Continued)

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised is therefore limited to 12 months expected credit losses.

	Due from related parties	Due from third parties	Total
31 December 2020			
Carrying amount of other receivables	8,586	25,842	34,428
Expected credit loss rate	0.17%	2.13%	
Loss allowance	(14)	(551)	(565)
Other receivables – net	8,572	25,291	33,863

The movements on the provision for impairment of other financial assets at amortised cost are as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	225	216
Provision for impairment of other receivables	340	9
At end of year	565	225

Notes to Financial Statements (Continued)

24 CASH AND DEPOSITS AT BANKS AND OTHER FINANCIAL INSTITUTION

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash on hand	259	219
Deposits placed with a related party (<i>Note 35 and note a</i>)	269,760	274,171
Bank deposits	1,108,727	391,733
Cash and cash equivalents	1,378,746	666,123
Deposits placed with a related party (<i>Note 35 and note a</i>)	25,000	16,000
Bank deposits	194	191
Bank deposits with the maturity over three months	25,194	16,191
Restricted bank deposits (<i>note b</i>)	33,994	30,721
	1,437,934	713,035

- (a) Deposits are placed with a subsidiary of the Ultimate Parent Company, which is a financial institution, bear interests no less than prevailing market rates.
- (b) When the Group is contracted to manage properties under commission basis, the Group essentially acts as an agent of the property owners. Restricted cash represent cash deposited in banks as joint accounts with property owners, including (i) the property management fees the Group collected from the projects under commission basis, and (ii) maintenance services deposits according to the relevant regulations.

Notes to Financial Statements (Continued)

25 PAID-IN CAPITAL/SHARE CAPITAL

	Number of shares <i>thousands</i>	Share capital <i>RMB'000</i>
Issued and fully paid		
Balance as at 1 January 2020	270,000	270,000
Issue of ordinary shares pursuant to initial public offering and exercise of over allotment option (<i>note a</i>)	103,500	103,500
Balance as at 31 December 2020	373,500	373,500
Balance as at 1 January 2019	–	52,500
Capital contribution from owners	–	16,000
Transfer from reserves to share capital	270,000	201,500
Balance as at 31 December 2019	270,000	270,000

- (a) On 6 July 2020 and 29 July 2020, the Group issued H shares of 90,000,000 and 135,000,000 respectively at a nominal value of RMB1.00 per share. Such shares were offered at HK\$7.36 per share and listed on the Main Board of the Stock Exchange. Gross proceeds from the issue amounted to HK\$761,760,000 (equivalent to RMB693,650,000). After deducting the underwriting fees and relevant expenses, net proceeds from the issue amounted to RMB648,355,000, among of which, RMB103,500,000 was recorded as share capital and RMB544,855,000 was recorded as capital reserve.

26 RESERVES

(a) Capital reserve

The capital reserve of the Group includes the share premium (See Note 25) and the consideration in excess of the paid-in capital upon capital injection on and the difference between the consideration and net asset acquired by the Company for the further acquisition of non-controlling interests in subsidiaries.

Notes to Financial Statements (Continued)

26 RESERVES (CONTINUED)

(b) Statutory reserve

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall appropriate 10% of its profit after taxation (based on the Company's local statutory financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital).

As at 31 December 2020, the Group's retained earnings included PRC subsidiaries' statutory surplus reserve of RMB17,255,000 (2019: RMB10,879,000).

The statutory surplus reserves can be used to make up for the loss or increase the paid in capital after approval from the shareholders and are not distributable as cash dividends.

(c) Other reserve

The other reserve represents actuarial gains and losses after tax from experience adjustments and changes in actuarial assumptions for the defined benefit plan.

27 DIVIDENDS

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Dividends declared and paid to owners of the Company	82,980	117,075
Dividends declared and paid to non-controlling interest	797	6,311
	83,777	123,386

The dividend for the year ended 31 December 2020 was proposed at the Board of Directors meeting held on 25 March 2021. Such proposal is subject to the approval of the general meeting of the Company. This proposed dividend is not reflected as a dividends payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2021 after the approval of the general meeting.

Notes to Financial Statements (Continued)

28 TRADE AND OTHER PAYABLES

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Trade payables	85,566	80,818
Other payables	325,514	293,567
– Receipts on behalf of property owners, tenants and property developers	160,001	133,465
– Deposits (<i>note a</i>)	144,197	138,714
– Others	21,316	21,388
Payroll and welfare payables	67,493	50,862
Other tax payables	7,894	8,900
Total	486,467	434,147

- (a) The balances mainly represent the deposits paid by the property owners, tenants and property developers for property management and refurbishment.
- (b) The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.
- (c) The ageing analysis of trade payables based on invoice date is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	81,315	77,615
1 – 2 years	2,438	2,584
Over 2 years	1,813	619
	85,566	80,818

Notes to Financial Statements (Continued)

29 LEASE LIABILITIES

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Current lease liabilities	13,067	11,946
Non-current lease liabilities	28,899	36,208
	41,966	48,154

30 RETIREMENT BENEFIT OBLIGATIONS

The retirement benefit obligations recognised in the consolidated balance sheets are as follows:

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Pension subsidies	5,632	7,539
Less: amounts due within one year included in current liabilities	(343)	(335)
	5,289	7,204

The movements in the liability recognised in the consolidated balance sheets are as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
At beginning of year	7,539	6,700
Change of the retirement benefit plan due to the Guidance*	(2,833)	–
Current service cost	266	335
Interest cost on defined benefit obligations	249	236
Total cost	(2,318)	571
Other comprehensive income – actuarial gain and loss	619	549
Payment made in the year	(208)	(281)
At end of year	5,632	7,539

Notes to Financial Statements (Continued)

30 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

- * In March 2019, the General Office of the State Council issued the Guidance Concerning Socialised Management of Retirees from State-owned Enterprises. According to these Guidance, relevant SOEs should:
- transfer the management of their retirees to subdistricts and communities for socialised management, and accordingly transfer the assets/facilities for servicing the retirees to these subdistricts or communities at nil consideration.
 - For the costs related to the supplement retirement benefit that not covered by the social security, deal with them differently through the category of the retirees according to relevant regulations, that is for those “old” retirees (those already retired before the end of 2020), “intermediate” retirees (those retired during the transition period) and the “new” retirees (those retired after the transition period), use different mechanisms to make the accrual and payment.

Following the instruction of the Guidance and the requirement of the Ultimate Parent Company, for the employees who retire after 1 January 2020, the Group transfers the management to subdistricts and communities, and just afford certain fee for single-child compensation. For the employees who have retired before 1 January 2020, the Group continues to be responsible for their retirement benefit.

The principal actuarial assumptions at the balance sheet date are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Discount rate	3.25%	3.50%
Employee withdrawal rate	17.00%	17.00%
Mortality rate	note a	note a

note a: Mortality rates for male and female are made reference to the China Life Insurance Mortality Table (2010 – 2013) published by the China Insurance Regulatory commission in 2016.

Notes to Financial Statements (Continued)

30 RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The sensitivity of the retirement benefit obligations to changes in the weighted principal assumptions are:

31 December 2020	Impact on defined benefit obligation		
	Change in assumption	Impact on change charge in obligation if increase in assumption	Impact on change in obligation if decrease in assumption
Discount rate	0.25%	(154)	161
Employee withdrawal rate	1%	(1)	1

The weighted average duration of the retirement benefit obligations is 11 years.

Expected maturity analysis of undiscounted pension subsidies:

At 31 December 2020	Less than 1 year <i>RMB'000</i>	Between 1–5 years <i>RMB'000</i>	Over 5 years <i>RMB'000</i>	Total <i>RMB'000</i>
Pension subsidies	343	1,698	6,450	8,511

Notes to Financial Statements (Continued)

31 DEFERRED INCOME TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Deferred tax assets:		
– Deferred tax assets to be recovered after more than 12 months	10,443	14,263
– Deferred tax assets to be recovered within 12 months	5,033	9,458
	15,476	23,721
Deferred tax liabilities:		
– Deferred tax liabilities to be recovered after more than 12 months	(7,236)	(8,511)
– Deferred tax liabilities to be recovered within 12 months	(3,221)	(2,925)
	(10,457)	(11,436)
Net deferred tax assets	5,557	12,285
Net deferred tax liabilities	(538)	–

The gross movement on the deferred income tax account is as follows:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
At beginning of year	12,285	13,853
(Charged)/credited to income tax expense (Note 13)	(6,897)	(1,704)
Charged to other comprehensive income	160	136
Acquisition of a subsidiary	(529)	–
At end of year	5,019	12,285

Notes to Financial Statements (Continued)

31 DEFERRED INCOME TAX (CONTINUED)

The movements in deferred income tax assets and deferred income tax liabilities during the year are as follows:

	Deferred tax assets – accrued expenses and others <i>RMB'000</i>	Deferred tax assets – leases liabilities <i>RMB'000</i>	Deferred tax assets – retirement benefit obligations <i>RMB'000</i>	Deferred tax assets – impairment losses <i>RMB'000</i>	Deferred tax liabilities – right-of-use assets <i>RMB'000</i>	Deferred tax liabilities – excess of value of intangible assets identified in business combination <i>RMB'000</i>	Total <i>RMB'000</i>
As at 1 January 2020	7,882	11,897	1,781	2,161	(11,436)	–	12,285
(Charged)/credited to income tax expense	(6,052)	(1,565)	(665)	(236)	1,621	–	(6,897)
Charged to other comprehensive income	–	–	160	–	–	–	160
Acquisition of a subsidiary	–	105	–	8	(104)	(538)	(529)
As at 31 December 2020	1,830	10,437	1,276	1,933	(9,919)	(538)	5,019
As at 1 January 2019	10,773	6,451	1,570	1,591	(6,532)	–	13,853
(Charged)/credited to income tax expense	(2,891)	5,446	75	570	(4,904)	–	(1,704)
Charged to other comprehensive income	–	–	136	–	–	–	136
As at 31 December 2019	7,882	11,897	1,781	2,161	(11,436)	–	12,285

Deferred income tax assets are recognised for tax losses carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2020, the Group had tax losses of RMB9,454,000 (2019: 2,128,000) to carry forward, which were not recognised as deferred tax assets as the directors of the Group considered that the utilisation of these tax losses in the foreseeable future is not probable, which will expire through year 2024 to 2028 (2019: will expire in year 2024).

Notes to Financial Statements (Continued)

32 COMMITMENTS

The investment properties are leased to tenants under operating leases with rentals payable quarterly or annually.

Minimum lease payments receivable on leases of investment properties are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	971	6,371
Between 1 and 2 years	591	971
Between 2 and 3 years	100	591
Between 3 and 4 years	—	100
	1,662	8,033

The Group leases various offices, carparks and stores under non-cancellable operating leases expiring within one year to ten years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 15 and 17 for further information.

Minimum lease payments under non-cancellable operating leases of right-of-use assets not recognised in the financial statements are as follows:

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Within 1 year	1,431	1,290
Later than 1 year and no later than 5 years	21	21
Later than 5 years	39	45
	1,491	1,356

Notes to Financial Statements (Continued)

33 CASH GENERATED FROM OPERATIONS

(a) Cash generated from operations

Reconciliation of profit for the year to cash generated from operations:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	156,577	151,875
Adjustments for:		
Depreciation of property, plant and equipment and investment properties	9,070	9,135
Depreciation of rights-of-use assets	9,651	14,022
Amortisation of intangible assets	399	271
(Reversal of provision)/provision for impairment of trade receivables and other financial assets at amortised cost	(900)	2,294
Losses on disposal of property, plant and equipment	111	73
Interest expense	2,133	1,742
Interest income	(523)	(188)
Remeasurement gain arising from associate to subsidiary	(757)	–
Exchange losses/(gains), net	51,477	(8)
Fair value gains on investments in wealth management products	(120)	(484)
Share of profit of investments in associates	(2,118)	(3,914)
Change of retirement benefit obligations	(2,524)	290
Listing expenses	2,744	–
Changes in working capital:		
Trade receivables, prepayments and other financial assets at amortised cost	(33,984)	(11,022)
Trade and other payables and contract liabilities	56,190	40,519
Restricted bank deposits	(3,273)	(17,822)
	244,153	186,783

Notes to Financial Statements (Continued)

33 CASH GENERATED FROM OPERATIONS (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movement in net debt for each of the period presented.

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Cash and cash equivalents	1,378,746	666,123
Current lease liabilities	(13,067)	(11,946)
Non-current lease liabilities	(28,899)	(36,208)
Net debt	1,336,780	617,969

	Other assets Cash and cash equivalents RMB'000	Lease liabilities due within 1 year RMB'000	Lease liabilities due after 1 year RMB'000
Net debt as at 1 January 2020	666,123	11,946	36,208
Additional in lease	—	1,071	5,166
Cash flows	764,100	(14,979)	—
Interest expense	—	2,133	—
Foreign exchange adjustments	(51,477)	—	—
Non-cash movements	—	12,666	(12,666)
Acquisition of a subsidiary	—	230	191
Net debt as at 31 December 2020	1,378,746	13,067	28,899
Net debt as at 1 January 2019	393,744	12,268	13,841
Additional in lease	—	3,065	33,432
Cash flows	272,371	(16,194)	—
Interest expense	—	1,742	—
Foreign exchange adjustments	8	—	—
Non-cash movements	—	11,065	(11,065)
Net debt as at 31 December 2019	666,123	11,946	36,208

Notes to Financial Statements (Continued)

34 BUSINESS COMBINATION

On 11 December 2020, the Group, through a subsidiary, acquired an additional 6% of the equity interests of Nanjing Financial Street Savills Property Service Co., Ltd., a property management company in Nanjing, the PRC, by capital injection (the "Acquisition"). Upon completion of the Acquisition, the Group holds the 51% of the equity interests of Nanjing Financial Street Savills Property Service Co., Ltd. ("Nanjing Savills") and treats it as an indirect non-wholly-owned subsidiary of the Group.

(a) Consideration

The cash consideration of RMB1,166,000 was injected directly to Nanjing Financial Street Savills Property Service Co., Ltd. for the additional 6% of the equity interests.

(b) Recognised amounts of identifiable assets acquired and liabilities assumed

The fair value of net assets of Nanjing Financial Street Savills Property Service Co., Ltd. acquired as at the date of completion, is as follows:

	Fair Value
	<i>RMB'000</i>
Current assets	
Cash and cash equivalents	24,849
Trade receivables	4,678
Other financial assets at amortised cost	246
Prepayment	580
Financial asset at fair value through profit and loss	4,000
Non-current assets	
Property, plant and equipment	1,172
Intangible Assets	2,152
Right-of-use assets	416
Deferred income tax assets	9
Current liabilities	
Trade and other payables	(21,910)
Contract liabilities	(9,966)
Current portion of lease liabilities	(230)

Notes to Financial Statements (Continued)

34 BUSINESS COMBINATION (CONTINUED)

(b) Recognised amounts of identifiable assets acquired and liabilities assumed (Continued)

	Fair Value RMB'000
Non current liabilities	
Deferred tax liabilities	(538)
Lease liabilities	(191)
Total identifiable net assets acquired	5,267
Less: non-controlling interests	(2,581)
Net assets acquired	2,686

The goodwill is attributable to the workforce and the high profitability of the acquired business. It will not be deductible for tax purposes.

(c) Goodwill arising from the Acquisition of Nanjing Savills

The goodwill of RMB325,000 arises from the synergy with the Group and work force that did not meet the criteria for recognition as intangible assets. The excess amount of the cash consideration over the fair value of the net identifiable assets of Nanjing Savills is recognised as goodwill. None of the goodwill recognised is expected to be deductible for income tax purposes.

	Year ended 11 December 2020
Total cash consideration	1,166
Investment in Nanjing Savills before the Acquisition of Nanjing Savills	1,845
Less: fair value of net assets acquired by the Group	(2,686)
	325

Notes to Financial Statements (Continued)

34 BUSINESS COMBINATION (CONTINUED)

(d) Cash inflow for the acquisition

	Year ended 31 December 2020 <i>RMB'000</i>
Inflow of cash for the acquisition, net of cash acquired	
– Cash and bank balances acquired	24,849
– Cash consideration paid	(1,166)
Cash inflow for the acquisition	23,683

(e) Revenue and profit contribution impact

The acquired business contributed revenues of RMB3,418,000 and net profit of RMB470,000 to the Group for the period from 11 December to 31 December 2020.

If the acquisition had occurred on 1 January 2020, consolidated pro-forma revenue and profit for the year ended 31 December 2020 would have been RMB49,561,000 and RMB5,705,000 respectively.

The Group recognised a gain of RMB757,000 as a result of measuring its 45% equity interest in Nanjing Savills held before the business combination at fair value. The gain is included in other gains/losses, net in the Group's consolidated statement of comprehensive income for the year ended 31 December 2020.

Notes to Financial Statements (Continued)

35 RELATED PARTY TRANSACTIONS

(a) Parent company

The Group is controlled by the following company:

Name	Type	Place of incorporation	Ownership interest	
			2020	2019
Beijing Huarong	Parent company	Beijing	34.35%	47.52%

The Ultimate Parent Company of the Company is Financial Street Group.

(b) Subsidiaries

Interests in subsidiaries are set out in Note 11.

(c) Key management personnel compensation

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Salaries, bonuses and other benefits	7,597	6,338

Notes to Financial Statements (Continued)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Transactions with related parties

The following transactions are carried out with related parties:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Provision of services		
Provision of property management and related services to the Financial Street Affiliates Group (i)	201,769	165,992
Provision of property management and related services to associates	1,614	4,176
Provision of property management and related services to the parent company of the Company's shareholder (i)	355	69
Finance income		
Interest income from a subsidiary of the Ultimate Parent Company	4,574	7,101
Purchase of services and brand license		
Brand licensing from the Ultimate Parent Company (i)	50	50
Purchase of services from an associate	1,892	3,543
Rentals		
Rental expenses to subsidiaries of the Ultimate Parent Company (i)	8,344	572
Recognition of right-of-use assets on leased assets from subsidiaries of the Ultimate Parent Company (i)	3,902	26,494
Interest expenses		
Interest expenses for lease liabilities to subsidiaries of the Ultimate Parent Company	1,547	1,554

- (i) These transactions constitute connected transactions or continuing connected transactions under the Listing Rules.

Notes to Financial Statements (Continued)

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Loans to related parties

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Loans to an associate	1,176	2,524
Interest income	523	188

(f) Balances with related parties

	As at 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade in nature		
Trade receivables from the Financial Street Affiliates Group	70,160	41,678
Trade receivables from an associate	242	36
Other receivables from the Financial Street Affiliates Group – Rental deposit	1,975	1,718
Trade and other payables to the Financial Street Affiliates Group	21,064	22,985
Contract liabilities to the Financial Street Affiliates Group	3,472	730
Contract liabilities to an associate	236	–
Lease liabilities to subsidiaries of the Ultimate Parent Company	26,952	30,430
Deposit placed with a subsidiary of the Ultimate Parent Company	294,760	290,171
Non-trade in nature		
Other receivables from the Parent Company – non trade	–	4,798
Other receivables of loans to an associate and related interests – non trade	6,611	4,912

Other receivables due from subsidiaries of the Ultimate Parent Company mainly consist of rental deposits, which were ongoing and occurred in the ordinary course of the business.

Notes to Financial Statements (Continued)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

(a) Balance sheet of the Company

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Assets		
Non-current assets		
Investment properties	5,360	6,062
Property, plant and equipment	10,846	9,328
Right-of-use assets	20,654	25,541
Intangible assets	1,136	178
Investments in associates	47,647	48,413
Deferred income tax assets	4,571	7,223
Prepayments	964	1,091
Total non-current assets	91,178	97,836
Current assets		
Trade receivables	101,575	86,481
Prepayments	6,801	8,305
Other financial assets at amortised cost	38,984	33,435
Bank deposits with the maturity over three months	25,194	16,191
Restricted bank deposits	33,993	26,265
Cash and cash equivalents	993,807	390,547
Total current assets	1,200,354	561,224
Total assets	1,291,532	659,060
Equity and liabilities		
Equity attributable to owners of the Company		
Share capital	373,500	270,000
Reserves	585,033	34,223
Retained earnings	57,776	82,989
Total equity	1,016,309	387,212

Notes to Financial Statements (Continued)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(a) Balance sheet of the Company (Continued)

	As at 31 December	
	2020	2019
	RMB'000	RMB'000
Non-current liabilities		
Lease liabilities	15,221	21,955
Retirement benefit obligations	4,327	6,146
Total non-current liabilities	19,548	28,101
Current liabilities		
Trade and other payables	193,793	183,191
Contract liabilities	54,443	33,372
Current tax liabilities	—	19,981
Current portion of lease liabilities	7,656	6,916
Current portion of retirement benefit obligations	278	287
Total current liabilities	255,675	243,747
Total liabilities	275,223	271,848
Total equity and liabilities	1,291,532	659,060

Notes to Financial Statements (Continued)

36 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserve movement of the Company

	Paid-in capital/Share capital <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Other reserve <i>RMB'000</i>	Retained earnings <i>RMB'000</i>	Total equity <i>RMB'000</i>
Balance at 1 January 2019	52,500	38,621	26,250	279	102,153	219,803
Profit for the year	–	–	–	–	108,791	108,791
Other comprehensive loss for the year	–	–	–	(400)	–	(400)
Total comprehensive income for the year	–	–	–	(400)	108,791	108,391
Capital contribution from owners	16,000	160,093	–	–	–	176,093
Transfer from reserves to share capital	201,500	(174,877)	(26,250)	(373)	–	–
2018 dividends	–	–	–	–	(117,075)	(117,075)
Appropriation of statutory reserve	–	–	10,879	–	(10,879)	–
Balance at 31 December 2019	270,000	23,837	10,879	(493)	82,979	387,212
Balance at 1 January 2020	270,000	23,837	10,879	(493)	82,989	387,212
Profit for the year	–	–	–	–	64,186	64,186
Other comprehensive loss for the year	–	–	–	(464)	–	(464)
Total comprehensive income for the year	–	–	–	(464)	64,186	63,722
Issue of ordinary shares pursuant to initial public offering and exercise of over allotment option	103,500	544,855	–	–	–	648,355
2019 dividends	–	–	–	–	(82,980)	(82,980)
Appropriation of statutory reserve	–	–	6,419	–	(6,419)	–
Balance at 31 December 2020	373,500	568,692	17,298	(957)	57,776	1,016,309

Notes to Financial Statements (Continued)

37 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and supervisors' emoluments

The aggregated amounts of emoluments payable to directors and supervisors of the Company during the years are as follows:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Fees	225	—
Salaries	1,054	450
Discretionary bonuses	682	425
Pension costs – defined contribution plans	184	107
Other social security costs	86	55
Housing funds	96	49
	2,327	1,086

Notes to Financial Statements (Continued)

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and Supervisors' emoluments (Continued)

The remuneration of directors and supervisors of the Company for the year ended 31 December 2020 is set out below:

	Fees	Salaries	Discretionary Bonuses	Pension costs – defined contribution plans	Other social security costs	Housing funds	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director							
<i>Executive directors</i>							
Sun Jie	-	445	432	80	34	40	1,031
Xue Rui (note ii)	-	268	219	53	23	23	586
<i>Non-executive directors</i>							
Shen Mingsong (note i)	-	-	-	-	-	-	-
Zhou Peng (note i)	-	-	-	-	-	-	-
Liang Jianping (note i)	-	-	-	-	-	-	-
Jiang Rui (note i)	-	-	-	-	-	-	-
<i>Independent non-executive directors</i>							
Song baocheng (note ii)	75	-	-	-	-	-	75
Tong Yan (note ii)	75	-	-	-	-	-	75
Lu Qing (note ii)	75	-	-	-	-	-	75
Name of supervisor							
Lyv Min	-	103	9	16	9	9	146
Liu Hongwu (note iii)	-	224	21	32	18	22	317
Liu Anpeng (note i)	-	-	-	-	-	-	-
Gao Minghui (note iv)	-	14	1	3	2	2	22
	225	1,054	682	184	86	96	2,327

Notes to Financial Statements (Continued)

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and Supervisors' emoluments (Continued)

The remuneration of directors and supervisors of the Company for the year ended 31 December 2019 is set out below:

	Fees	Salaries	Discretionary Bonuses	Pension costs – defined contribution plans	Other social security costs	Housing funds	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Name of director							
<i>Executive directors</i>							
Sun Jie	-	352	400	92	39	38	921
<i>Non-executive directors</i>							
Shen Mingsong (note i)	-	-	-	-	-	-	-
Zhou Peng (note i)	-	-	-	-	-	-	-
Liang Jianping (note i)	-	-	-	-	-	-	-
Jiang Rui (note i)	-	-	-	-	-	-	-
Name of supervisor							
Lyv Min	-	28	7	5	5	3	48
Liu Hongwu (note iii)	-	70	18	10	11	8	117
Liu Anpeng (note i)	-	-	-	-	-	-	-
	-	450	425	107	55	49	1,086

Notes:

- (i) The emoluments of these directors and supervisors are paid by owners/shareholders of the Company.
- (ii) Ms. Xue Rui, Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing were appointed as director with effect from 9 June 2020.
- (iii) Mr. Liu Hongwu was appointed as supervisor with effect from 19 September 2019 and resigned from supervisor with effect from 7 December 2020.
- (iv) Ms. Gao Minghui was appointed as supervisor with effect from 7 December 2020.

Notes to Financial Statements (Continued)

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' and supervisors' retirement benefits

During the year ended 31 December 2020, no retirement benefits were paid or receivable by any director or supervisor in respect of their services as a director or supervisor of the Company (2019: nil).

(c) Directors' and supervisors' termination benefits

During the year ended 31 December 2020, no termination benefits were paid or receivable by any director or supervisor as compensation for their early termination of the appointment (2019: nil).

(d) Consideration provided to third parties for making available directors' and supervisors' services

During the year ended 31 December 2020, no payment was made to the former employer of directors or supervisors for making available the service as a director or supervisor of the Company (2019: nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors

During the year ended 31 December 2020, there was no loans, quasi-loans and other dealings in favour of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors (2019: nil).

(f) Directors' and supervisors' material interests in transactions, arrangements or contracts

During the year ended 31 December 2020, no significant transactions, arrangements and contracts in relation to the Group's business to which the Group was a party and in which a director and a supervisor of the Group had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: nil).

Notes to Financial Statements (Continued)

37 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(g) Directors' emoluments

The remuneration of directors is set out below:

For the year ended 31 December 2020 and 2019

Aggregate emoluments paid to or receivable by directors in respect of their services as directors		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company		Total	Total
2020	2019	2020	2019	2020	2019
<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
–	–	1,617	921	1,617	921

Four-Year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December			
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	756,682	875,199	997,014	1,130,879
Cost of sales and services	(611,059)	(713,555)	(805,585)	(886,862)
Gross profit	145,623	161,644	191,429	244,017
Profit for the year	82,655	91,536	113,410	115,681
Other comprehensive income/(loss) for the year, net of tax	453	(453)	(413)	(459)
Total comprehensive income for the year	83,108	91,083	112,997	115,222
Attributable to:				
Owners of the Company	79,863	86,597	104,804	103,979
Non-controlling interests	3,245	4,486	8,193	11,243
Earnings per share, basic and diluted (RMB)	0.384	0.421	0.390	0.327

CONSOLIDATED STATEMENT OF ASSETS, EQUITY AND LIABILITIES

	As at 31 December			
	2017	2018	2019	2020
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets				
Non-current assets	79,420	81,400	107,123	93,447
Current assets	648,287	672,976	873,088	1,631,360
Total assets	727,707	754,376	980,211	1,724,807
Equity and liabilities				
Total equity	242,644	233,781	399,885	1,082,266
Non-current liabilities	22,493	20,338	43,412	34,726
Current liabilities	462,570	500,257	536,914	607,815
Total liabilities	485,063	520,595	580,326	642,541
Total equity and liabilities	727,707	754,376	980,211	1,724,807