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KWG Living Group Holdings Limited

合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2020

SUMMARY OF ANNUAL RESULTS

- Revenue for the Year amounted to approximately RMB1,517.2 million, representing a year-on-year increase of approximately 34.9%.
- Gross profit for the Year amounted to approximately RMB638.5 million, representing a year-on-year increase of approximately 52.1%. Gross profit margin increased by 4.8 percentage points to approximately 42.1%.
- The net profit (excluding listing expenses) attributable to owners of the parent for the Year amounted to RMB350.5 million, representing a year-on-year increase of 86.4%.
- The basic and diluted earnings per share for the Year were RMB19 cents, representing a year-on-year increase of 72.7%.
- As at 31 December 2020, the aggregate GFA under management amounted to 41.6 million sq.m., the aggregate contracted GFA amounted to 53.4 million sq.m., representing a year-on-year increase of 92.3% and 56.7% respectively.
- In 2020, the Group started to provide the third-party with commercial operational services prior to shopping mall's opening through the entrusted asset-light and made prominence on our commercial operation strength. Revenue generated from commercial operational services increased to RMB96.6 million, representing a year-on-year increase of 126.9%.
- The Board recommended a final dividend of RMB6 cents per ordinary share for the year ended 31 December 2020.

The board (the “**Board**”) of directors (the “**Directors**”) of KWG Living Group Holdings Limited (the “**Company**” or “**we**” or “**KWG Living**”) is pleased to announce its consolidated results of the Company and its subsidiaries (the “**Group**”) for the year ended 31 December 2020 (the “**Year**” or the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2019, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2020

	<i>Notes</i>	2020 <i>RMB’000</i>	2019 <i>RMB’000</i>
REVENUE	4	1,517,227	1,124,878
Cost of sales		<u>(878,679)</u>	<u>(705,050)</u>
Gross profit		638,548	419,828
Other income and gains	5	11,548	5,180
Selling and distribution expenses		(1,987)	(921)
Administrative expenses		(193,563)	(164,424)
Other expenses, net		(10,514)	(10,647)
Finance costs		(317)	(351)
Share of profit of an associate		<u>1,911</u>	<u>1,939</u>
PROFIT BEFORE TAX	6	445,626	250,604
Income tax expense	7	<u>(121,937)</u>	<u>(65,617)</u>
PROFIT FOR THE YEAR		<u>323,689</u>	<u>184,987</u>
Attributable to:			
Owners of the parent		323,083	184,887
Non-controlling interests		<u>606</u>	<u>100</u>
		<u>323,689</u>	<u>184,987</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (express in RMB cents per share)	8	<u>19</u>	<u>11</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2020

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
PROFIT FOR THE YEAR	<u>323,689</u>	<u>184,987</u>
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	<u>163</u>	<u>(122)</u>
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	<u>(73,806)</u>	<u>(1)</u>
OTHER COMPREHENSIVE LOSS FOR THE YEAR	<u>(73,643)</u>	<u>(123)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	<u>250,046</u>	<u>184,864</u>
Attributable to:		
Owners of the parent	249,440	184,764
Non-controlling interests	<u>606</u>	<u>100</u>
	<u>250,046</u>	<u>184,864</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2020

	<i>Notes</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT ASSETS			
Property, plant and equipment		8,240	5,016
Right-of-use assets		6,827	8,211
Goodwill		260,208	134,718
Other intangible assets		157,856	81,807
Investment in an associate		7,954	6,043
Deferred tax assets		14,741	18,957
Other non-current assets		287	192
Total non-current assets		456,113	254,944
CURRENT ASSETS			
Trade receivables	9	606,708	567,272
Prepayments, other receivables and other assets		200,942	704,553
Restricted cash		5,150	18,652
Cash and cash equivalents		2,959,619	416,765
Total current assets		3,772,419	1,707,242
CURRENT LIABILITIES			
Trade payables	10	154,465	176,533
Other payables and accruals		628,367	1,208,991
Contract liabilities	4	95,695	76,960
Lease liabilities		3,557	3,279
Dividend payable	11	200,000	—
Tax payable		115,922	72,004
Total current liabilities		1,198,006	1,537,767
NET CURRENT ASSETS		2,574,413	169,475
TOTAL ASSETS LESS CURRENT LIABILITIES		3,030,526	424,419

	<i>Note</i>	2020 RMB'000	2019 <i>RMB'000</i>
NON-CURRENT LIABILITIES			
Lease liabilities		3,172	4,727
Deferred tax liabilities		33,879	22,264
		<hr/>	<hr/>
Total non-current liabilities		37,051	26,991
		<hr/>	<hr/>
Net assets		2,993,475	397,428
		<hr/> <hr/>	<hr/> <hr/>
EQUITY			
Share capital	<i>12</i>	17,499	—*
Reserves		2,939,456	384,583
		<hr/>	<hr/>
Equity attributable to owners of the parent		2,956,955	384,583
Non-controlling interest		36,520	12,845
		<hr/>	<hr/>
Total equity		2,993,475	397,428
		<hr/> <hr/>	<hr/> <hr/>

* The amount is less than RMB1,000.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1. CORPORATE AND GROUP INFORMATION

General information

The Company is a limited liability company incorporated in the Cayman Islands on 11 September 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year, the Group was involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "PRC") (the "**Listing Business**").

The Company's shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020 (the "**Listing Date**") (the "**Listing**").

On 7 October 2020, the board of directors of KWG Group Holdings Limited ("**KWG Holdings**") declared a special dividend to be satisfied wholly by way of distribution in specie to its then qualifying shareholders of an aggregate of 1,589,025,505 shares of the Company, representing the entire issued share capital of the Company immediately following the capitalisation issue and before completion of the Listing, pro rata to their respective shareholdings in KWG Holdings on 9 October 2020 on the basis of one share for every two KWG Holdings shares held on 9 October 2020, rounded down to the nearest share (the "**Distribution**"). The Distribution was completed on 30 October 2020.

In the opinion of the directors, prior to the Distribution, the immediate holding company of the Company was KWG Holdings, which was incorporated in the Cayman Islands, and the ultimate holding company was Plus Earn Consultants Limited ("**Plus Earn**"), which was incorporated in the British Virgin Islands ("**BVI**") and wholly owned by Mr. Kong Jianmin. After the Distribution and as at 31 December 2020, Plus Earn, Hero Fine Group Limited ("**Hero Fine**"), Right Rich Consultants Limited ("**Right Rich**"), Excel Wave Investments Limited ("**Excel Wave**"), Wealth Express Investments Limited ("**Wealth Express**"), Peace Kind Investments Limited ("**Peace Kind**"), Mr. Kong Jianmin, Mr. Kong Jiantao and Mr. Kong Jiannan are a group of persons who are together entitled to control 51.60% equity interest of the Company. Hero Fine is incorporated in the BVI and wholly owned by Mr. Kong Jianmin. Right Rich, Excel Wave and Wealth Express are incorporated in the BVI and wholly owned by Mr. Kong Jiantao. Peace Kind is incorporated in the BVI and wholly owned by Mr. Kong Jiannan.

Group reorganisation

Prior to the incorporation of the Company and the completion of the reorganisation as described below (the "**Reorganisation**"), the Listing Business was operated through Guangzhou Ningjun Property Management Company Limited ("**Ningjun Property**") and its subsidiaries in Mainland China.

In preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Reorganisation was undertaken, pursuant to which Ningjun Property and its subsidiaries, engaged in the Listing Business, were transferred to the Company. For further details with regard to the Reorganization, please see "History, Reorganisation and Corporate Structure" in the prospectus of the Company dated 19 October 2020 (the "**Prospectus**").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the dates on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary; (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group’s share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* (the “**Conceptual Framework**”) and the following revised HKFRSs for the first time for the current year’s financial statements.

Amendments to HKFRS 3	<i>Definition of a Business</i>
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	<i>Interest Rate Benchmark Reform</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i> (early adopted)
Amendments to HKAS 1 and HKAS 8	<i>Definition of Material</i>

The adoption of the Conceptual Framework and amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

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

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

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

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

⁴ No mandatory effective date yet determined but available for adoption

⁵ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion

⁶ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group’s results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable operating segments as follows:

- (a) Residential property management services; and
- (b) Non-residential property management and commercial operational services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that certain cost of sales and administrative expenses, other income and gains, other expenses and losses, finance costs and income tax expense are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to the management for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Year ended 31 December 2020			
Segment revenue	1,062,367	454,860	1,517,227
Segment result	273,948	209,817	483,765
<i>Reconciliation:</i>			
Unallocated operating costs			(40,767)
Other income and gains			11,548
Other expenses, net			(10,514)
Finance costs			(317)
Share of profit of an associate	—	1,911	1,911
Profit before tax			445,626
Income tax			(121,937)
Profit for the year			<u>323,689</u>

	Residential property management services <i>RMB'000</i>	Non-residential property management and commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information			
Share of profit of an associate	—	1,911	1,911
Depreciation of property, plant and equipment	1,869	332	2,201
Amortisation of other intangible assets			22,629
Depreciation of right-of-use assets			4,441
Impairment losses on trade receivables, net	8,660	530	9,190
Impairment losses/(write-back of impairment losses) on other receivables, net	2,994	(1,972)	1,022
Capital expenditure*	11,511	92,351	103,862
Unallocated amounts of capital expenditure			<u>3,588</u>
			<u><u>107,450</u></u>

	Residential property management services <i>RMB'000</i>	Non-residential property management and commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2019			
Segment revenue	759,234	365,644	1,124,878
Segment result	136,674	128,267	264,941
<i>Reconciliation:</i>			
Unallocated operating costs			(10,458)
Other income and gains			5,180
Other expenses, net			(10,647)
Finance costs			(351)
Share of profit of an associate	—	1,939	<u>1,939</u>
Profit before tax			250,604
Income tax			<u>(65,617)</u>
Profit for the year			<u><u>184,987</u></u>

	Residential property management services <i>RMB'000</i>	Non-residential property management and commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Other segment information			
Share of profit of an associate	—	1,939	1,939
Depreciation of property, plant and equipment	1,369	318	1,687
Amortisation of other intangible assets			20,326
Depreciation of right-of-use assets			3,381
Impairment losses on trade receivables, net	6,462	251	6,713
Impairment losses on other receivables, net	531	920	1,451
Capital expenditure*	2,711	512	3,223
Unallocated amounts of capital expenditure			<u>107,226</u>
			<u><u>110,449</u></u>

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and other intangible assets including additions from the acquisition of subsidiaries.

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Mainland China, and the non-current assets of the Group are located in Mainland China.

Information about major customers

For the year ended 31 December 2020 and 2019, RMB757.1 million and RMB528.2 million of revenue were derived from KWG Holdings and its subsidiaries (collectively the "KWG Group") and its joint ventures, associates and other related parties, respectively.

4. REVENUE AND CONTRACT LIABILITIES

Revenue from contracts with customers

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services during the reporting period. An analysis of revenue is as follows:

(a) Disaggregated revenue information

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Types of services by segment:		
<i>Residential property management services</i>		
Pre-sale management services	258,921	221,810
Property management services	513,573	382,047
Community value-added services	289,873	155,377
	<u>1,062,367</u>	<u>759,234</u>
 <i>Non-residential property management and commercial operational services</i>		
Pre-sale management services	24,794	21,342
Property management services	279,740	259,766
Commercial operational services	96,606	42,570
Other value-added services	53,720	41,966
	<u>454,860</u>	<u>365,644</u>
 Total revenue from contracts with customers	 <u><u>1,517,227</u></u>	 <u><u>1,124,878</u></u>
 <i>Timing of revenue recognition</i>		
Revenue from contracts with customers recognised over time	1,173,634	927,535
Revenue from contracts with customers recognised at a point in time	343,593	197,343
	<u>343,593</u>	<u>197,343</u>
 Total	 <u><u>1,517,227</u></u>	 <u><u>1,124,878</u></u>

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Third parties	93,444	65,878
Related parties	2,251	11,082
	<u>95,695</u>	<u>76,960</u>

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2020 was mainly due to the increase in short term advances received from customers in relation to the provision of property management services at the end of the year.

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	53,389	38,756
Non-residential property management and commercial operational services	19,212	12,247
	<u>72,601</u>	<u>51,003</u>

(b) Performance obligations

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

For residential property management services and non-residential property management and commercial operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was unsatisfied performance obligation at the end of the respective periods.

5. OTHER INCOME AND GAINS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	2,443	1,410
Government grants	3,519	219
Gain on disposal of items of property, plant and equipment, net	35	198
Late penalty income	973	1,131
Tax incentives on value-added tax	4,055	1,836
Others	523	386
	<u>11,548</u>	<u>5,180</u>

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Cost of services provided	878,679	705,050
Depreciation of property, plant and equipment	2,201	1,687
Depreciation of right-of-use assets	4,441	3,381
Amortisation of other intangible assets	22,629	20,326
Auditor's remuneration	1,844	109
Gain on disposal of items of property, plant and equipment, net	(35)	(198)
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	541,322	432,731
Pension scheme contributions	27,285	31,494
	<u>568,607</u>	<u>464,225</u>
Impairment losses on financial assets, net:		
— Trade receivables	9,190	6,713
— Other receivables	1,022	1,451
	<u>10,212</u>	<u>8,164</u>
Rental expense:		
Short-term leases and low-value leases	<u>10,059</u>	<u>23,049</u>

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and British Virgin Islands, the entities within the Group incorporated in the Cayman Islands and British Virgin Islands are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the year.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Mainland China was calculated at the tax rate of 25% on their assessable profits for the year, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

Nanning Branch of Ningjun Property was recognised as an encouraged enterprise in the Western Development Area and was subject to a preferential income tax rate of 15% for the year.

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Current	128,969	73,651
Deferred	(7,032)	(8,034)
Total tax charged for the year	<u>121,937</u>	<u>65,617</u>

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

The calculations of basic and diluted earnings per share amounts for both years are based on the assumption that the Reorganisation and the capitalisation issue have been effective from 1 January 2019.

The calculation of the basic and diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 1,700,418,561 (2019: 1,634,426,233) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2020 and 2019.

The calculations of basic and diluted earnings per share are based on:

	2020	2019
Earnings		
Profit attributable to ordinary equity holders of the parent (<i>RMB'000</i>)	<u>323,083</u>	<u>184,887</u>
Shares		
Weighted average number of ordinary shares in issue during the year in the basic and diluted earnings per share calculation	<u>1,700,418,561</u>	<u>1,634,426,233</u>
Earnings per share		
Basic and diluted (<i>RMB cents per share</i>)	<u>19</u>	<u>11</u>

9. TRADE RECEIVABLES

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Related parties	379,301	449,546
Third parties	<u>240,207</u>	<u>126,870</u>
Trade receivables	619,508	576,416
Less: Allowance for impairment of trade receivables	<u>(12,800)</u>	<u>(9,144)</u>
Total	<u>606,708</u>	<u>567,272</u>

Trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. For trade receivables from property management services, the Group charges property management fees on a quarterly or monthly basis. For trade receivables from related parties, the Group's trading terms are mainly on credit and the credit period is generally between three months and one year. For trade receivables from third parties, the payment is generally due upon the issuance of demand letters. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. As the Group's trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	558,918	380,505
1 to 2 years	28,001	96,061
2 to 3 years	16,695	66,439
Over 3 years	3,094	24,267
	<u>606,708</u>	<u>567,272</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
At beginning of year	9,144	3,872
Impairment losses recognised, net (<i>note 6</i>)	9,190	6,713
Amount written off as uncollectible	(5,534)	(1,441)
At end of year	<u>12,800</u>	<u>9,144</u>

10. TRADE PAYABLES

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Related parties	4,855	18,930
Third parties	149,610	157,603
Trade payables	<u>154,465</u>	<u>176,533</u>

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Within 1 year	147,957	152,711
1 to 2 years	3,400	6,426
2 to 3 years	1,698	10,462
Over 3 years	1,410	6,934
	<u>154,465</u>	<u>176,533</u>

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 90 days.

11. DIVIDENDS

During the year, an interim dividend of RMB5,555,556 (2019: Nil) per ordinary share (before the capitalisation issue) totalling RMB200.0 million was declared.

The Board recommended a final dividend of RMB6 cents (2019: Nil) per ordinary share totalling RMB121.1 million for the year ended 31 December 2020.

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

12. SHARE CAPITAL

	2020		2019	
	HK\$100,000,000		HK\$380,000	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	Equivalent to RMB'000	RMB'000
Authorised:				
10,000,000,000 (2019: 38,000,000) ordinary shares at par value of HK\$0.01 each				
Issued and fully paid:				
2,017,810,233 (2019: 1) ordinary shares at par value of HK\$0.01 each	<u>20,178</u>	<u>—</u>	<u>17,499</u>	<u>—</u>

A summary of movements in the Company's share capital is as follows:

	Number of shares in issue	Share capital HK\$'000	Share capital equivalent to RMB'000
Issue of share at 11 September 2019 (date of incorporation) (note (a))	<u>1</u>	<u>—</u>	<u>—</u>
At 31 December 2019 and 1 January 2020	1	—	—
Issue of share at 24 June 2020 (note (b))	35	—	—
Capitalisation issue (note (c))	1,634,426,197	16,344	14,174
Initial public offering (note (d))	<u>383,384,000</u>	<u>3,834</u>	<u>3,325</u>
At 31 December 2020	<u>2,017,810,233</u>	<u>20,178</u>	<u>17,499</u>

Notes:

- (a) The Company was incorporated on 11 September 2019 with authorised and issued share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the date of its incorporation, one fully-paid ordinary share of the Company was issued at par to an initial subscriber, an independent third party, and such share was transferred to Happy Harmony International Limited (“**Happy Harmony**”), the then wholly-owned subsidiary of KWG Holdings, at par on the same date.
- (b) On 24 June 2020, the Company adopted the “Share Incentive Scheme”. As part of the arrangement under the Share Incentive Scheme, (i) KWG Holdings subscribed 35 ordinary shares of the Company at par; and (ii) KWG Holdings transferred its entire issued share capital in Happy Harmony to an employee at a consideration of US\$6,075,000.
- (c) On 9 October 2020, a written resolution was passed by the Company’s shareholders, approving (i) the increase of the authorised share capital to HK\$100,000,000 divided into 10,000,000,000 shares of HK\$0.01 each; and (ii) the capitalisation of share premium into 1,634,426,197 ordinary shares by applying HK\$16,344,000 (equivalent to RMB14,174,000) to pay up in full at par for allotment and issue to the then existing shareholders in proportion to their respective shareholdings in the Company.
- (d) On 30 October 2020, the Company issued 383,384,000 ordinary shares in its initial public offering at HK\$7.89 per share for a total cash consideration, before expenses, of HK\$3,024,900,000 (equivalent to RMB2,623,254,000).

CHAIRMAN'S STATEMENT

Dear Shareholders,

2020 was a year of extreme volatility with the novel coronavirus pandemic (“COVID-19”) ravaging the world and bombarded the global economy and people’s livelihoods.

2020 was a year of gaining trust, with property management personnel guarding the safety of the community, their measures in the disinfection, distribution, and active co-operation with the government in the prevention and control of COVID-19 have won the recognition and trust of property owners.

2020 was also a year of value creation, with KWG Living setting the foothold on Hong Kong stock capital market on 30th October, achieved rapid business development and realized outstanding performance standard.

I am pleased to announce the annual results of KWG Living for the Year. For the year ended 31 December 2020, the Group recorded a revenue of approximately RMB1,517.2 million, representing a year-on-year increase of 34.9%. At the same time, thanks to the enhancement of operational efficiency, for the year ended 31 December 2020, the gross profit margin of the Group increased by 4.8 percentage points to 42.1%, with its profitability further enhanced. Driven by both the revenue and gross profit margin, for the year ended 31 December 2020, the Group achieved a net profit (excluding listing expenses) attributable to owners of parent of RMB350.5 million, representing a year-on-year increase of 86.4%, indicating a strong growth momentum.

1. Fully seizing industry opportunities to achieve rapid expansion of GFA under management

After our listing on 30 October 2020 (the “**Listing Date**”), we have acquired Guangzhou City Runtong Property Management Company Limited (hereinafter referred to as “**Guangzhou Runtong**”) and entered into an acquisition agreement with Cedar Technology Group Co., Ltd.* (雪松智聯科技集團有限公司) (hereinafter referred to as “**Cedar**”). After completing the acquisition of the 86 million square meters portfolio of Cedar, our gross floor area (“**GFA**”) under management will reach approximately 127 million square meters, representing nearly two-fold increase as compared with the end of 2020, realising the rapid expansion of our own scale of operations.

At the same time, we are also actively improving our external expansion capabilities. Through the information collection by front-line property management staff, with the implementation of regional business department, and the empowerment supported by the headquarters, we formed a relatively matured expansion road map. Furthermore, during the acquisition process, we usually reserved a part of equity interests for the original shareholders, and encourage original shareholders to refer more market

resources to us through interests sharing. Through the dual drive of mergers and acquisitions + external expansion, we are very confident that we can achieve the target of 200 million square meters of GFA under management in 2021.

In recent years, due to labour costs increase, those small property management companies without any service efficiency and brand advantages are facing tremendous challenges. With the help of capital, leading companies with operational efficiency and competitive advantages have commenced industry integration. Being in the wave of mergers and acquisitions in the property management industry, we will definitely seize the industry opportunities to realise leap-forward development in the course of our development.

2. Forming a diversified layout with comprehensive business portfolio to continue increasing project density in cities

From managing “property” to servicing “property owners”, and from the management of “projects” to the operation of “cities”, the boundaries of the property management industry are constantly being broadened and the service scope is becoming more and more enriched. Therefore, the future industry competition will be more of a competition of comprehensive strengths and not only confine to a single sector.

After two decades of operation and development, KWG Living has accumulated extensive residential and commercial property management experience and capabilities, and got entrance into the public facilities sector to manages public facilities projects such as hospitals and schools. Hence, after completing the acquisition of Cedar, our public facilities service capabilities will be further improved, and we will build a full range of management and service capability with comprehensive business portfolio focusing on residential, commercial and public facilities, so as to lay a foundation for undertaking future larger and comprehensive projects.

On the other hand, we further penetrate the development in the Greater Bay Area and the Yangtze River Delta and continue to increase our market share in Midwest China. The aforesaid regions are developed economies, with high population density and high per capita disposable income, indicating a good regional layout of our business. In 2020, we focused on the expansion of the aforesaid regions. Owing to the increase in projects density in cities, we achieved better regional synergy and economies of scale.

3. Realizing the improvement of service efficiency and customer satisfaction and formulating cross-businesses cooperation ecosystem through digital management and controlling

We always adhere to the strategic goal of improving service efficiency by means of standardization, digitization, and technology. On one hand, we have formulated a standardized management system of tri-service standards: Ning Service (寧享)+, Jun Service (駿享)+, and Zhen Service (臻享)+, and formed a closed-loop management of property management services covering service content, service frequency, service evaluation and information feedback, laying a foundation for subsequent model replication and rapid expansion.

More important, we have established a powerful digital platform with formulating three large sectors, including operation center, service center and asset management center. The purposes including standard management, resources sharing, efficiency increasing and cost reduction, service experience improvement have been realized through several approaches, such as process standardization, financial integration, order-oriented service, monitoring in a timely manner and interest aligning.

Meanwhile, we have developed the Internet of Things technologies such as “Jun” surveillance (駿天眼), “Traffic Management Cloud” (車管雲)” and “EBA equipment monitoring system”. Since digital platform and Internet of Things have been used in more widely sectors, we reduce the dependence of property management services on labour, improve the strength and efficiency of management control of the headquarters on property projects, and achieved the dual improvement of service quality and service efficiency. In 2020, our customer satisfaction rate reached over 90%, representing a year-on-year increase of 4 percentage points. Thanks to the wider application of technology systems and on the premises of ensuring service quality, our gross profit margin increased to 42.1% in 2020, representing a year-on-year increase of 4.8 percentage points.

Owing to the technology empowerment, more repetitive inspections and on-duty work are replaced by equipment, and front-line property management staff can devote more time paying visit and maintaining the rapport with property owners. Based on the trust of our high-quality services, property owners are willing to entrust us to search for service providers for all aspects of life on their behalf, such as renovation of home decoration and door-to-door repairs, thereby achieving rapid growth in value-added services. In 2020, revenue from our community value-added services increased by 86.6% year-on-year to RMB289.9 million.

After completing the merger and acquisition of Cedar in 2021, the community value-added business of KWG Living will gradually promote to the 31 million property owners served by Cedar, and our community value-added business will enjoy greater potential for growth. In particular, we will make cooperation with regional leading enterprises to integrate space resources and service resources and mainly focus on the home decoration business, domestic service business, community

group purchase, advertising business and asset management business in future for the purpose of formulating cross-businesses cooperation ecosystem of KWG Living and achieving the rapid development of the entire sector.

Furthermore, the policy benefits for the property management industry in 2020 tended to be very appealing. All of the policies from the “Opinions of the Ministry of Housing and Urban-Rural Development and Other Departments on Promoting the Development of Community-based Elderly Services by the Property Service Enterprises (《住房和城鄉建設部等部門關於推動物業服務企業發展居家社區養老服務的意見》)” to the “Opinions on Promoting to Accelerate the Development of Online and Offline Life Services by Property Service Enterprises (《關於推動物業服務企業加快發展線上線下生活服務的意見》)”, and then the “Notice on Strengthening and Improving the Management of Residential Property (《關於加強和改進住宅物業管理工作的通知》)” have clearly encouraged property management companies to develop online + offline value-added services, and provide good external support for the development of community value-added business.

4. Market recognition of commercial property management and operational services and implementing asset-light services developed by third parties

With people’s living standards improving, there is also robust demand for high-quality commercial operational services, and this has provided good development conditions for our non-residential property management and commercial operational services. Despite the impact of COVID-19 on the operation of shopping malls and office buildings to a certain extent in 2020, the sales amount of shopping malls under the Group’s operation increased by 8% year-on-year for the whole year, and increased by 23% year-on-year if comparing the second half year alone, thanks to the timely national epidemic control, and active marketing and promotion strategies adopted by us after the epidemic was mitigated in the second quarter. The office buildings under our operation are mostly A and A+ office buildings due to their high-end positioning, and customers are relatively stable, therefore the overall occupancy rate of office buildings remained at 90%. With driving force of aforesaid factors, in 2020, the non-residential property management and commercial operational services maintained a sound growth momentum and achieved a revenue of RMB454.9 million for the entire year, in which the revenue from commercial operation increased to RMB96.6 million, representing a year-on-year increase of 126.9%, demonstrating strong growth momentum.

Moreover, according to the 2020 China Top 100 Players of the Commercial Real Estate & Rewards of the Year published by Guandian Index Academy, we were honoured as the 2020 Most Influential Commercial Property Enterprise of the Year in China, 2020 Commercial Property in China in terms of Innovation Capability of the Year (Ranked 13th) and Top 10 among 2020 Commercial and office operators in China. Attributed to the continuous accumulation of commercial property management and operational capabilities of KWG Living, in 2020, we decided to

start cooperating with third-party developers to provide commercial property management and operational services through the entrusted asset-light model. We entered into a service contract with a developer in Tangshan, Hebei for a total GFA of 136,000 square meters to provide a series of services, such as positioning, design, renovation and tenant solicitation prior its opening, as well as the continuous operations and property management services subsequent to its opening, which proved the market competitiveness and recognition of our commercial operational services. In the future, with the successive delivery and opening of commercial projects of KWG Group, as well as the rapid promotion of entrusted asset-light project developed for third party developers, the commercial segment will enjoy a broad growing prospect.

On the other hand, the synergy effects of commercial properties and residential properties have gradually emerged recently. Through the “CoKWG (一合)” platform, we provide discounts to residential property owners for members’ shopping, as well as limited-time free parking in shopping malls and office buildings, forming property owners customer flow within the residences, shopping malls and office buildings, and fulfilled the all-round needs of property owners in living, shopping and work, thereby realizing the linkage among multiple business portfolios, and laying a foundation for the further diversified development of value-added businesses in future.

5. Future outlook

2020 marked the first year of KWG Living as a publicly listed company, and also a new starting point of our new startup. We are grateful for the support of every shareholder, and deeply mindful of the responsibilities that we undertake. We will surely reward every shareholder with more executive actions, more quality services and more innovative businesses for their trust! With fire in our hearts and light in our eyes, we will never compromise but upholding our mission.

BUSINESS REVIEW

Business Model

The Group generated revenue primarily from two business segments.

Residential Property Management Services

The Group provides residential property management services, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;
- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and
- community value-added services such as (i) common area value-added services; (ii) home-living services to property owners and residents; and (iii) property agency services to property developers and property owners. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Non-residential Property Management and Commercial Operational Services⁽¹⁾

The Group manages and operates a diversified portfolio of non-residential properties mainly including commercial and public facilities. The Group provides:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;
- non-residential property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. The Group collects property management fees for such services;

(1) In 2020, the Group expanded its businesses into public facilities properties management services sector. The Group also provided operational services to commercial projects, including office building and shopping malls as well. Therefore, the Group has renamed its commercial property management and operational service as non-residential property management and commercial operational service.

- commercial operational services such as preliminary planning and consultancy services, tenant sourcing services, tenant management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to operation of office buildings; and (iii) a fixed service fee on a per sq.m. basis for its preliminary planning and consultancy services and tenant sourcing services; and
- other value-added services primarily including common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

The table below sets forth the breakdown of the Group's total revenue by business segment:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Residential Property Management Services	1,062,367	759,234
Non-residential Property Management and Commercial Operational Services	454,860	365,644
Total	<u>1,517,227</u>	<u>1,124,878</u>

Residential Property Management Services

Overview

The Group managed all of the residential properties solely developed by KWG Group. The Group also managed residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, the Group expanded its business scale through tender and bidding, and mergers and acquisitions proactively and provided property management services to increasing number of residential properties developed by third-party property developers. In 2020, its revenue from the residential property management service segment increased to RMB1,062.4 million from RMB759.2 million in 2019, representing a year-on-year increase of 39.9%. In 2020, revenue generated from the residential property management service segment accounted for 70.0% of the Group's total revenue.

The table below sets forth a breakdown of the Group's revenue from residential property management service segment by service line:

	Year ended 31 December	
	2020	2019
	RMB'000	RMB'000
Pre-sale management services	258,921	221,810
Property management services	513,573	382,047
Community value-added services	289,873	155,377
Total	<u>1,062,367</u>	<u>759,234</u>

Growth of Residential Property Management Services Portfolio

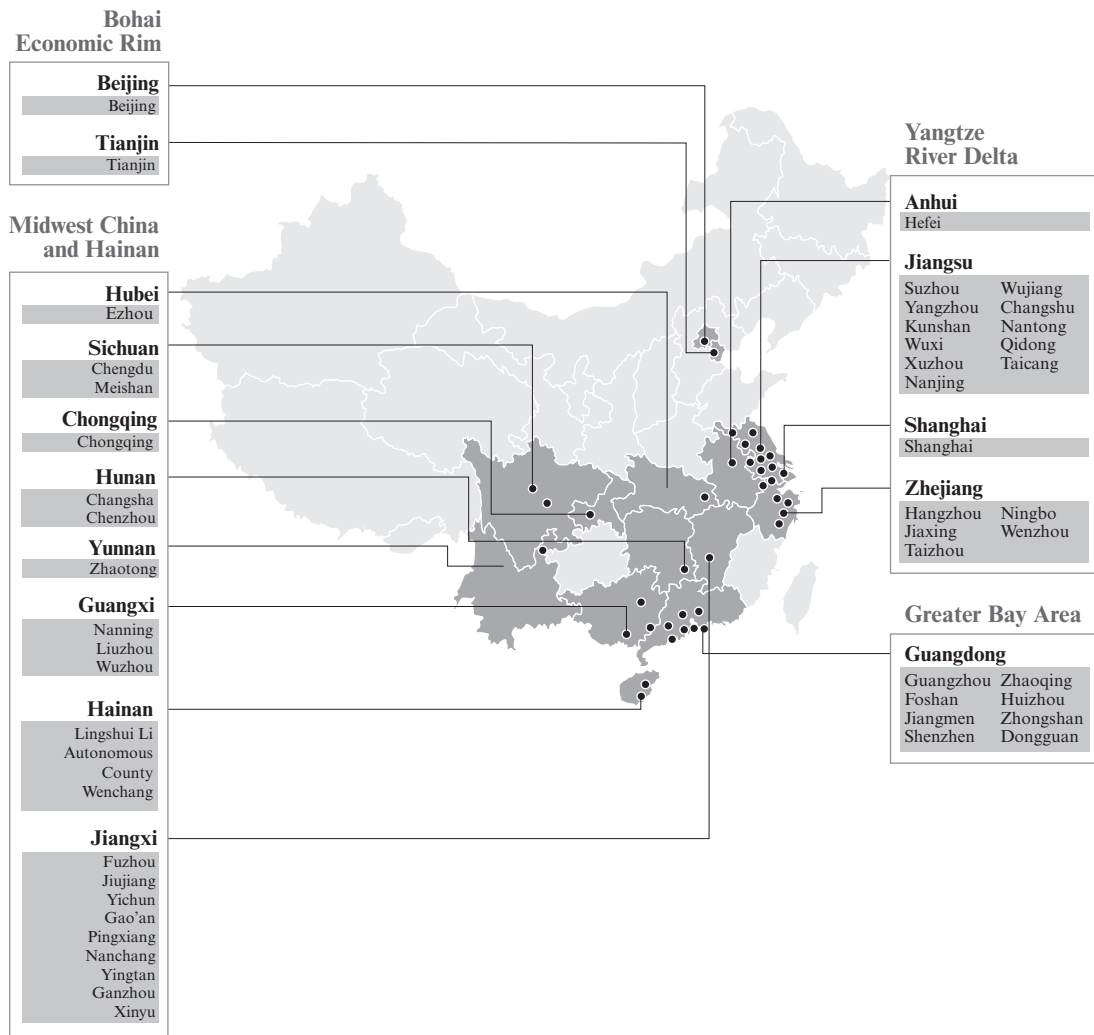
The Group had been expanding its residential property management service business in 2020 primarily through obtaining new service engagements from property developers or property owners' associations and acquiring local property management companies with complementary business profile and industry experience.

The table below sets forth the movements of the Group's residential contracted GFA and GFA under management as of the dates indicated:

	For the year ended 31 December			
	2020		2019	
	Aggregate contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)	Aggregate contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
At the beginning of the period	29,623	18,346	21,205	11,773
Additions	10,164	11,191	8,418	6,573
Terminations	416	416	—	—
At the end of the period	<u>39,371</u>	<u>29,121</u>	<u>29,623</u>	<u>18,346</u>

Geographic Presence of Residential Property Management Services Portfolio

The map below illustrates the cities in which the residential properties under the Group's management or contracted to manage were located as of December 31, 2020:



The following table illustrates the location of the residential properties under the Group's management or contracted to manage by city level:

<u>Top-tier cities</u>	<u>Newly emerged top-tier cities</u>	<u>Second-tier cities</u>	<u>Others</u>	
Beijing	Tianjin	Ningbo	Ezhou	Fuzhou
Shanghai	Chengdu	Wuxi	Meishan	Jiujiang
Guangzhou	Chongqing	Wenzhou	Chenzhou	Yingtian
Shenzhen	Suzhou	Nanning	Zhaotong	Yichun
	Foshan	Huizhou	Liuzhou	Ganzhou
	Nanjing	Jiaxing	Wuzhou	Gao'an
	Hangzhou	Nantong	Lingshui Li	Xinyu
	Hefei	Xuzhou	Autonomous	Pingxiang
	Dongguan	Zhongshan	County	
	Changsha	Taizhou	Wenchang	
		Nanchang	Yangzhou	
			Kunshan	
			Changshu	
			Wujiang	
			Qidong	
			Taicang	
			Jiangmen	
			Zhaoqing	

Since the inception of its residential property management services, the Group had established strong footprint in the Greater Bay Area and expanded its geographic presence to 49 cities or autonomous county in China as of 31 December 2020. As of 31 December 2020, the Group managed a total of 183 residential properties and had been contracted to manage 222 residential properties. As at 31 December 2020, among the residential GFA under the Group's management, 57.2% of which are clustered in the more economically developed regions in China such as the Greater Bay Area and the Yangtze River Delta, which demonstrates a sound regional layout.

The table below sets forth a breakdown of the Group's total GFA under management with respect to residential properties as of the dates indicated, and total revenue generated from residential property management services for the periods indicated by geographic region:

	For the year ended 31 December					
	2020			2019		
	Revenue (RMB'000)	%	GFA under management (sq.m.'000)	Revenue (RMB'000)	%	GFA under management (sq.m.'000)
Greater Bay Area	454,361	42.8	11,164	324,726	42.8	9,741
Yangtze River Delta ⁽¹⁾	281,363	26.5	5,489	201,782	26.6	4,583
Midwest China and Hainan ⁽²⁾	238,196	22.4	11,373	158,020	20.8	2,995
Bohai Economic Rim ⁽³⁾	88,447	8.3	1,095	74,706	9.8	1,027
Total	<u>1,062,367</u>	<u>100.0</u>	<u>29,121</u>	<u>759,234</u>	<u>100.0</u>	<u>18,346</u>

Notes:

- (1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.
- (2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Hainan Province and Chongqing Municipality.
- (3) Include Beijing Municipality and Tianjin Municipality.

Community Value-added Services

The Group renders services to a vast number of property owner groups by providing property management services. A large number of customers enjoy their lives, works, businesses and studies in the properties where the Group renders its services, this forms the potential market for promoting its value-added services.

The Group has obvious advantages when it promotes its value-added services as its customers have trusts on it through its daily interactive communications with them as well as by leveraging the quality property management service, close natural distance and its service advantages of quick response.

The Group also provides community value-added services in the process of providing residential property management services for the purpose of offering more convenient, meeting the requirements of property developers, property owners and residents under its management as well as giving full play to its operation advantages. Such community value-added services mainly include: 1) common area value-added services; 2) home-living services; 3) property agency services. In 2020, the Group's revenue from the community value-added business reached RMB289.9 million, representing a year-on-year increase of 86.6% and demonstrating a sound growth.

Non-residential Property Management and Commercial Operational Services

Overview

The Group provided property management services to non-residential properties, including commercial and public facilities properties, and provided commercial operational services to commercial properties, including office building and shopping malls. The Group provided property management services to non-residential properties solely developed by KWG Group. The Group also managed non-residential properties developed by KWG Group's joint ventures, associates or other related parties. In addition, the Group provided property management services for non-residential properties developed by third-party developers through tender and bidding, and mergers and acquisitions. In 2020, the Group's revenue from the non-residential property management and commercial operational service segment increased to RMB454.9 million from RMB365.6 million in 2019, representing a year-on-year increase of 24.4%. In 2020, revenue generated from the non-residential property management and commercial operational service segment accounted for 30.0% of the Group's total revenue.

The table below sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational service segment by service line:

	Year ended 31 December	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Pre-sale management services	24,794	21,342
Property management services	279,740	259,766
Commercial operational services	96,606	42,570
Other value-added services	53,720	41,966
	<hr/>	<hr/>
Total	454,860	365,644
	<hr/> <hr/>	<hr/> <hr/>

Growth of Non-residential Property Management Services Portfolio

The Group had been expanding its non-residential property management service business primarily through obtaining new service engagements from property developers and acquiring local property management companies with complementary business profile and industry experience.

In December 2020, the Group acquired 80% equity interests in Guangzhou Runtong. Guangzhou Runtong mainly provides property management services for public facilities projects, which are mainly located in the Greater Bay Area, especially in cities like Guangzhou, Zhuhai, Foshan and Jiangmen.

Guangzhou Runtong has extensive experience and professional service system in the public facilities service sector, such as hospital and school. This acquisition will help the Group penetrating into the public facilities sector, enabling it to diversify its business mix. At the same time, its projects are mainly located all over the Greater Bay Area, which can generate sound economies of scale for its existing projects to achieve improvements both in service efficiency and service quality.

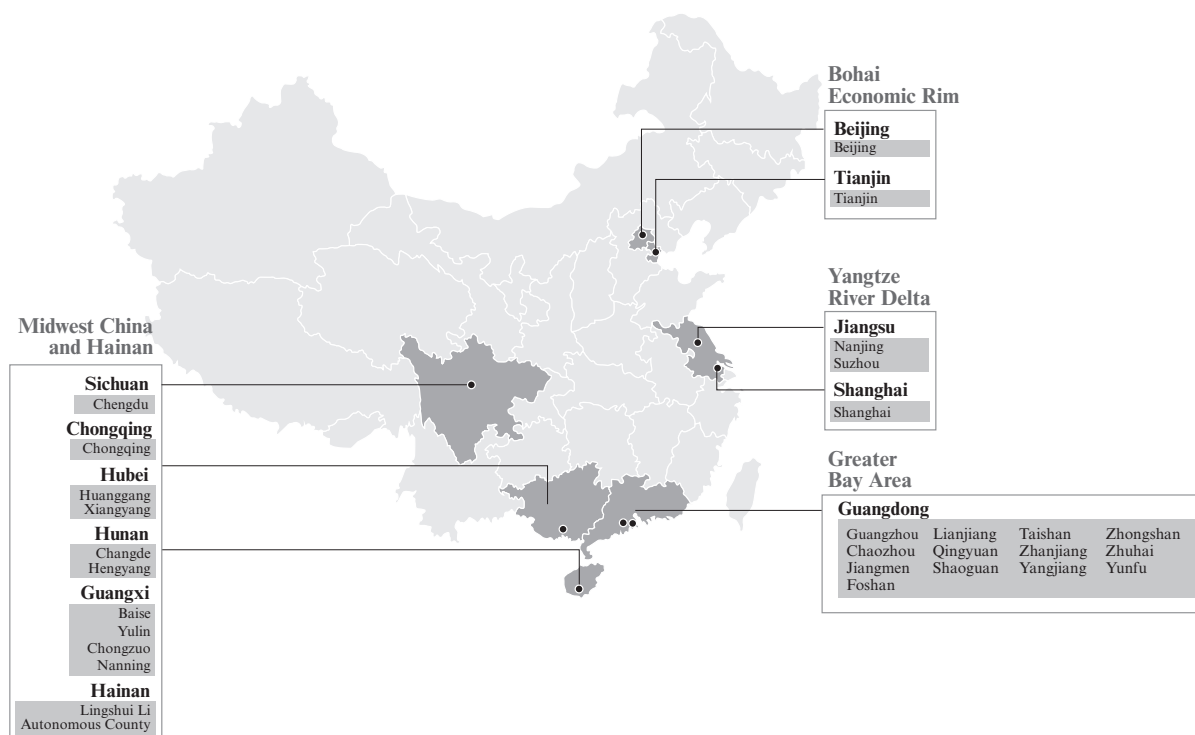
As of 31 December 2020, the accumulative GFA under management of the Group's non-residential properties was 12.5 million sq.m., including 5.4 million sq.m. of commercial properties and 7.1 million sq.m. of public facilities.

The table below sets forth the movements of the Group's non-residential contracted GFA and GFA under management as of the dates indicated:

	For the year ended 31 December			
	2020		2019	
	Aggregate contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)	Aggregate contracted GFA (sq.m.'000)	GFA under management (sq.m.'000)
At the beginning of the period	4,454	3,268	3,509	2,031
Additions	9,589	9,182	945	1,237
At the end of the period	14,043	12,450	4,454	3,268

Geographic Presence of Non-residential Property Management Services Portfolio

The following map illustrates the location of the properties under the Group's management or contracted to manage as at 31 December 2020:



The following table illustrates the location of the non-residential properties under the Group's management or contracted to manage by city level:

Top-tier cities	Newly emerged top-tier cities	Second-tier cities	Others
Beijing	Suzhou	Nanning	Lingshui Li
Shanghai	Tianjin	Zhuhai	Autonomous County
Guangzhou	Foshan	Zhongshan	Huanggang
	Chengdu		Chaozhou
	Nanjing		Shaoguan
	Chongqing		Yunfu
			Huanggang
			Xiangyang
			Jiangmen
			Taishan
			Baise
			Changde
			Lianjiang
			Zhanjiang
			Yulin
			Hengyang
			Qingyuan
			Yangjiang
			Chongzuo

Since the inception of its non-residential property management and commercial operational services in 2006, the Group had established strong footprint in the Greater Bay Area and expanded its geographic presence nationwide. The non-residential properties could be found in 29 cities or autonomous county including major cities such as Beijing, Shanghai, Chengdu, and Suzhou as of 31 December 2020. As of 31 December

2020, the Group managed a total of 172 non-residential properties and had been contracted to manage 178 non-residential properties. As of 31 December 2020, 72.5% of the non-residential GFA under the Group's management are clustered in the Greater Bay Area and the Yangtze River Delta. The aforesaid regions provide good external business environment for the Group's non-residential property management and commercial operation services due to its more economically developed regions and high disposable income per capita.

The table below sets forth a breakdown of the Group's total GFA under management with respect to non-residential properties as of the dates indicated, and total revenue generated from non-residential property management and commercial operational services for the periods indicated by geographic region:

	For the year ended 31 December					
	2020			2019		
	Revenue (RMB'000)	%	GFA under management (sq.m.'000)	Revenue (RMB'000)	%	GFA under management (sq.m.'000)
Greater Bay Area	148,193	32.6	8,098	123,944	33.9	1,820
Yangtze River Delta ⁽¹⁾	121,330	26.7	931	106,143	29.0	625
Midwest China and Hainan ⁽²⁾	155,355	34.1	3,353	106,651	29.2	784
Bohai Economic Rim ⁽³⁾	29,982	6.6	68	28,906	7.9	39
Total	<u>454,860</u>	<u>100.0</u>	<u>12,450</u>	<u>365,644</u>	<u>100.0</u>	<u>3,268</u>

Notes:

- (1) Include Shanghai Municipality and Jiangsu Province.
- (2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan province, Guangxi Zhuang Autonomous Region and Hainan Province.
- (3) Include Beijing Municipality and Tianjin Municipality.

Portfolio of Commercial Properties under Commercial Operational Services

The Group provides commercial operational services to certain commercial properties including shopping malls and office buildings under our management. Details of which are set out below:

Shopping Malls

In Operation

The table below sets forth certain information of each of the shopping malls to which the Group provided commercial operational services and was in operation as of 31 December 2020 by brand name:

Project⁽¹⁾	Opening date⁽²⁾	Location	GFA⁽³⁾ sq.m.
<i>U-fun (悠方)</i>			
1. Yushan (譽山)	October 2018	Guangzhou	20,358
2. Longjing (瀧景)	December 2019	Foshan	13,545
3. Suzhou (蘇州)	April 2018	Suzhou	179,930
4. Chengdu (成都)	May 2018	Chengdu	231,526 ⁽⁴⁾
5. Nansha (南沙)	June 2019	Guangzhou	95,087
<i>M • CUBE (摩方)</i>			
1. Beijing (北京)	October 2018	Beijing	44,195
2. Chengdu (成都)	October 2020	Chengdu	67,291
Total			651,932

Notes:

- (1) Yushan U-fun, Suzhou U-fun, Chengdu U-fun, Chengdu M • CUBE and Beijing M • CUBE projects were solely developed and owned by KWG Group. Longjing U-fun and Nansha U-fun was jointly developed by KWG Group and an independent third party.
- (2) The Group typically starts to provide preparation stage services such as preliminary planning and consultancy services and tenant sourcing services before the opening of a shopping mall.
- (3) This represents the GFA to which the Group provided commercial operational services.
- (4) Chengdu U-fun commenced its new operation of U8 Pub Street in 2020, therefore its GFA grew by 1,995 sq.m..

Not Yet in Operation

The table below sets forth certain information of the shopping mall for which the Group had been engaged to provide commercial operational services as of 31 December 2020. This commercial property project had not commenced operation as of 31 December 2020:

Project	Expected Opening date⁽¹⁾	Location	GFA⁽²⁾ sq.m.
Guangzhou Knowledge City U-fun (廣州知識城悠方)	June 2021	Guangzhou	77,138
Chongqing U-fun (重慶悠方)	December 2021	Chongqing	101,707
Tangshan Colour Fun (唐山彩立方) ⁽³⁾	August 2022	Tangshan	<u>135,664</u>
Total			<u><u>314,509</u></u>

Notes:

- (1) Expected opening date represents the date on which a shopping mall is expected to open pursuant to the confirmation from the property developer. The actual opening date of a shopping mall may change subject to various factors, including but not limited to construction process, tenant sourcing progress and other unforeseen circumstances.
- (2) This represents the GFA to which the Group will provide commercial operational services.
- (3) Tangshan Colour Fun (唐山彩立方) is an entrusted asset-light project developed by a third party. The Group provides commercial operation service for this project, such as positioning, renovation and tenant solicitation prior its opening, as well as commercial operational services and property management services subsequent to its opening, such as continuous tenant adjustment and marketing promotion.

Office Buildings

In Operation

The table below sets forth certain information of each of the office buildings to which the Group provided commercial operational services and was in operation as of 31 December 2020:

Project ⁽¹⁾	Opening date	Location	GFA ⁽²⁾ sq.m.
1. Guangzhou Hejing International Finance Place (廣州合景國際金融廣場)	October 2007	Guangzhou	102,400
2. Guangzhou International Metropolitan Plaza (廣州環球都會廣場)	May 2016	Guangzhou	33,333
3. International Commerce Place (環匯商業廣場)	October 2016	Guangzhou	73,697
4. Shanghai International Metropolitan Plaza (上海環球都會廣場)	June 2018	Shanghai	149,292
5. Chengdu International Commerce Place (成都環匯商業廣場)	August 2016	Chengdu	270,000
6. Suzhou Leader Plaza (蘇州領匯廣場)	December 2015	Suzhou	104,913
7. Guangxi Hejing International Finance Place (廣西合景國際金融廣場)	December 2018	Nanning	134,000
Total			<u><u>867,635</u></u>

Notes:

- (1) Except for Guangzhou International Metropolitan Plaza, which was jointly developed by KWG Group and other independent third parties, the rest of the office buildings operated by us were solely developed and owned by KWG Group.
- (2) Represents the GFA to which we provided commercial operational services.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from two business segments, namely the residential property management service segment and non-residential property management and commercial operational service segment.

The table below sets forth the breakdown of revenue of the Group by business segment for the periods indicated:

	For the year ended 31 December			
	2020		2019	
	Revenue (RMB'000)	Percentage %	Revenue (RMB'000)	Percentage %
Residential property management services	1,062,367	70.0	759,234	67.5
Non-residential property management and commercial operational services	454,860	30.0	365,644	32.5
Total	1,517,227	100.0	1,124,878	100.0

Residential Property Management Services

The following table sets forth a breakdown of the Group's revenue from residential property management services by service line for the periods indicated:

	Year ended 31 December			
	2020		2019	
	RMB'000	%	RMB'000	%
Pre-sale management services	258,921	24.4	221,810	29.2
Property management services	513,573	48.3	382,047	50.3
Community value-added services	289,873	27.3	155,377	20.5
Total	1,062,367	100.0	759,234	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment increased from RMB221.8 million in 2019 to RMB258.9 million in 2020. This increase was primarily due to the increase in the number of sales offices under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from RMB382.0 million in 2019 to RMB513.6 million in 2020. This increase was primarily due to the increase in the Group's GFA under management for residential properties from 18.3 million sq.m. as of 31 December 2019 to 29.1 million sq.m. as of 31 December 2020, resulting from the increase in the number of residential property projects under management from 106 as of 31 December 2019 to 183 as of 31 December 2020.

Community Value-Added Services

Revenue generated from community value-added services under the Group's residential property management service segment increased from RMB155.4 million in 2019 to RMB289.9 million in 2020, primarily as the Group (i) provided more community value-added services driven by the increase in its GFA under management and (ii) diversified the types of community value-added services it provided for residential properties. The increase in revenue from its community value-added services was generally in line with the increase in its revenue generated from property management services under its residential property management service segment during the same year.

Non-residential Property Management and Commercial Operational Services

The following table sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational services by service line for the periods indicated:

	Year ended 31 December			
	2020		2019	
	<i>RMB'000</i>	%	<i>RMB'000</i>	%
Pre-sale management services	24,794	5.5	21,342	5.9
Property management services	279,740	61.5	259,766	71.0
Commercial operational services	96,606	21.2	42,570	11.6
Other value-added services	53,720	11.8	41,966	11.5
Total	454,860	100.0	365,644	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment increased from RMB21.3 million in 2019 to RMB24.8 million in 2020. This increase was primarily due to the increase in the number of sales offices under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased from RMB259.8 million in 2019 to RMB279.7 million in 2020. This increase was primarily due to the increase in its GFA under management for non-residential properties from 3.3 million sq.m. as of 31 December 2019 to 12.5 million sq.m. as of 31 December 2020, resulting from the increase in the number of residential property projects under management from 30 as of 31 December 2019 to 172 as of 31 December 2020.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment increased from RMB42.6 million in 2019 to RMB96.6 million in 2020. Such increase was mainly due to the increase in preliminary planning and consultancy services and tenant sourcing services we provided in 2020. In 2020, the Group stated to provide the third-party with commercial operational services prior to shopping mall's opening.

Other Value-Added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from RMB42.0 million in 2019 to RMB53.7 million in 2020. This increase was primarily due to the increase in its value-added services provided driven by the increase in its GFA under management for commercial properties and was generally in line with the increase in its revenue from property management services under our non-residential property management and commercial operational service segment.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the year ended 31 December 2020, the total cost of sales of the Group was approximately RMB878.7 million, which was increased by approximately RMB173.6 million or approximately 24.6% as compared to approximately RMB705.1 million for the year ended 31 December 2019. The rate of increase in cost of sales was lower than that of the

Group's revenue, primarily due to the control and standardisation of various services and processes by the technological means of the Group so as to improve efficiency and save costs.

Gross Profit and Gross Profit Margin

Based on the above reasons, the gross profit of the Group increased by RMB218.7 million or 52.1% to RMB638.5 million in 2020 from RMB419.8 million in 2019. The gross profit margin of the Group increased by 4.8 percentage points in 2020, primarily due to the Group's successful implementation of energy-saving and efficiency improvement measures in its property management offices including the implementation of conference systems, equipment testing systems and energy-saving upgrades.

Other Income and Gains

The other income and gains of the Group increased by RMB6.3 million or 121.2% to RMB11.5 million in 2020 from RMB5.2 million in 2019, which was primarily due to (i) the increase in tax incentives on value-added tax; and (ii) the increase in government grants. The government grants obtained by the Group in 2020 were primarily anti-pandemic subsidies and employment subsidies.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; (iii) office expenses; and (iv) listing expenses of RMB27.4 million. For the year ended 31 December 2020, the total administrative expenses of the Group were approximately RMB193.6 million, which increased by approximately RMB29.2 million or approximately 17.8% as compared to approximately RMB164.4 million for the year ended 31 December 2019. Such increase was mainly due to the Group's business expansion and the listing expenses incurred for the Listing.

Income Tax Expense

For the year ended 31 December 2020, the income tax of the Group was approximately RMB121.9 million (2019: RMB65.6 million). The increase was primarily due to the increase in taxable income.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 31 December 2020 amounted to approximately RMB606.7 million, representing an increase of approximately RMB39.4 million or 6.9% as compared to approximately RMB567.3 million as at 31 December 2019, which was consistent with the trend of revenue growth.

Prepayments, other receivables and other assets

Prepayments, other receivables and other assets decreased by 71.5% from RMB704.6 million as at 31 December 2019 to RMB200.9 million as of 31 December 2020. The decrease was primarily due to the settlement made by the Group's related parties regarding the cash advances made by the Group to these related parties in connection with the centralised treasury management conducted by KWG Group prior to Listing.

Trade Payables

The Group's trade payables as at 31 December 2020 amounted to approximately RMB154.5 million representing a decrease of approximately RMB22.0 million or 12.5% as compared to approximately RMB176.5 million as at 31 December 2019, mainly due to settlement of amounts due to related parties.

Other Payables and Accruals

Other payables and accruals decreased by 48.0% from RMB1,209.0 million as of 31 December 2019 to RMB628.4 million as of 31 December 2020. The decrease was primarily due to the settlement made by the Group to its related parties regarding the cash advances made by these related parties to the Group in connection with the centralised treasury management conducted by KWG Group prior to Listing.

Current ratio

Our current ratio increase from 1.11 in 2019 to 3.15 in 2020, which was mainly due to the increase in cash as a result of receiving proceeds from the Listing.

Pledge of Assets

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

Contingent Liabilities

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

Interest Rate Risk

As the Group had no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rate.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. As at 31 December 2020, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Acquisition of Guangzhou Runtong

Pursuant to an acquisition agreement entered into by Guangdong Hejing Youhuo Holdings Group Co., Ltd. (“**Hejing Youhuo**”), being an indirect wholly-owned subsidiary of the Company, and the shareholders of Guangzhou Runtong dated 7 December 2020, the Group acquired the 80% equity interests in Guangzhou Runtong at a cash consideration of RMB214.4 million. Guangzhou Runtong is principally engaged in property management. Since completion of such acquisition in December 2020, Guangzhou Runtong has become a subsidiary of the Group. Details of the acquisition are set out in the Company’s announcements dated 7 December 2020 and 30 December 2020.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the year ended 31 December 2020.

EVENTS AFTER THE REPORTING PERIOD

On 17 January 2021, Hejing Youhuo entered into an acquisition agreement pursuant to which it conditionally agreed to acquire 80% equity interests in Cedar at a cash consideration of RMB1,316.0 million from Guangzhou Xiangtai Business Management Co., Ltd.

The acquisition is expected to complete later this year. Upon completion, Cedar will become a subsidiary of the Group and it is expected that the GFA under the Group’s management will reach 127 million sq.m.. Details of the acquisition are set out in the Company’s announcement date 18 January 2021.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company were listed on the Main Board of the Stock Exchange on the Listing Date by way of Global Offering, raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately HK\$2,913.1 million.

By using the allocations basis as stated in the Prospectus, the Group intended to use the net proceeds as follows: (i) approximately 60%, or approximately HK\$1,747.9 million (equivalent to approximately RMB1,515.8 million) pursue strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and commercial and other non-residential property management and operational service market; (ii) approximately 25%, or approximately HK\$728.3 million (equivalent to approximately RMB631.6 million) for upgrade the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately 10%, or approximately HK\$291.3 million (equivalent to approximately RMB252.6 million) for further diversify its value-added services; and (iv) approximately 5%, or approximately HK\$145.6 million (equivalent to approximately RMB126.3 million) for its general corporate purposes and working capital.

The proceeds would be allocated and used according to the purposes set out in the Prospectus. RMB80.0 million of the proceeds has been used for strategic acquisition as at 31 December 2020.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2020, the Group has more than 9,380 employees. Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of RMB6 cents per ordinary share for the year ended 31 December 2020. The proposed final dividend, if approved at the 2021 annual general meeting of the Company (the “**2021 AGM**”), will be payable in cash on or around Friday, 6 August 2021 to the Shareholders whose names appear on the register of members of the Company on Friday, 23 July 2021.

ANNUAL GENERAL MEETING

The 2021 AGM will be held on Thursday, 3 June 2021 and the notice of the 2021 AGM will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk) and despatched to the shareholders of the Company (the "Shareholders") in due course.

CLOSURE OF REGISTER OF MEMBERS

- (i) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Monday, 31 May 2021 to Thursday, 3 June 2021 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 AGM, all transfer documents accompanied by the relevant share certificates (together the "**Share Transfer Documents**") must be lodged with the Company's Hong Kong share registrar ("**Hong Kong Share Registrar**"), Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 28 May 2021.
- (ii) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 21 July 2021 to Friday, 23 July 2021 (both days inclusive) during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, the Share Transfer Documents must be lodged with the Hong Kong Share Registrar at the address specified above not later than 4:30 p.m. on Tuesday, 20 July 2021.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of our Shareholders and to enhance corporate value and accountability. The Company has complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the period from the Listing Date to 31 December 2020. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 of the Listing Rules as its own code of conduct regarding Directors' securities transactions. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the period from the Listing Date until 31 December 2020.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

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

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF INDEPENDENT AUDITOR

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

ANNUAL REPORT

The 2020 annual report of the Company containing all the financial and other related information of the Group required by the Listing Rules will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk), and printed copies will be sent to the Shareholders before the end of April 2021.

By order of the Board
KWG Living Group Holdings Limited
Mr. KONG Jianmin
Chairman

Hong Kong, 22 March 2021

As at the date of this announcement, the Board of Directors of the Company comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan (Chief Executive Officer), Ms. YANG Jingbo and Mr. WANG Yue as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.