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Central China New Life Limited
建業新生活有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9983)

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

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2020 amounted to RMB2,654.5 million, an increase of 51.3% compared with 2019.
- Gross profit for the year amounted to RMB860.7 million, an increase of 49.4% compared with 2019. Gross profit margin for the year was 32.4%, a slight decrease of 0.4 percentage points compared with 2019.
- Net profit for the year amounted to RMB440.7 million, an increase of 93.5% compared with 2019. Net profit margin for the year was 16.6%, an increase of 3.6 percentage points compared with 2019.
- Profit attributable to shareholders of the Company for the year amounted to RMB426.6 million, an increase of 82.3% compared with 2019.
- Basic earnings per share for the year was RMB0.38, an increase of RMB0.12 compared with 2019.
- The Board recommended to declare a final dividend of HK18.0 cents per share for the year ended 31 December 2020.

ANNUAL RESULTS

The board (the “Board”) of directors (the “Directors” and each a “Director”) of Central China New Life Limited (the “Company”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the year ended 31 December 2020 with comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

(Expressed in Renminbi)

| | Note | Year ended 31 December 2020 RMB'000 | 2019 RMB'000 |
|---|------|---|--------------------|
| Continuing operations | | | |
| Revenue | 4 | 2,654,499 | 1,754,402 |
| Cost of sales | 5 | <u>(1,793,782)</u> | <u>(1,178,118)</u> |
| Gross profit | | 860,717 | 576,284 |
| Selling and marketing expenses | 5 | (52,919) | (46,494) |
| Administrative expenses | 5 | (273,366) | (230,311) |
| Net impairment losses on financial assets | | (15,258) | (182) |
| Other income | | 17,547 | 20,463 |
| Other gains — net | | <u>6,546</u> | <u>4,096</u> |
| Operating profit | | 543,267 | 323,856 |
| Finance income/(cost) — net | | 13,643 | (16,286) |
| Share of net loss of an associate accounted for using the equity method | | <u>(1)</u> | <u>(29)</u> |
| Profit before income tax | | 556,909 | 307,541 |
| Income tax expenses | 6 | <u>(116,165)</u> | <u>(74,702)</u> |
| Profit from continuing operations | | 440,744 | 232,839 |
| Loss from discontinued operation | | <u>—</u> | <u>(5,054)</u> |
| Profit for the year | | 440,744 | 227,785 |
| Profit/(loss) for the year attributable to: | | | |
| — Shareholders of the Company | | 426,587 | 233,954 |
| — Non-controlling interests | | <u>14,157</u> | <u>(6,169)</u> |
| | | <u>440,744</u> | <u>227,785</u> |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)*For the year ended 31 December 2020**(Expressed in Renminbi)*

| | Year ended 31 December | |
|--|-------------------------------|-----------------------|
| | 2020 | 2019 |
| | RMB'000 | RMB'000 |
| Profit for the year | 440,744 | 227,785 |
| Other comprehensive loss for the year, net of tax | | |
| Items that may be reclassified to profit or loss | | |
| — Currency translation differences | <u>(125,188)</u> | <u>—</u> |
| Total comprehensive income for the year | <u>315,556</u> | <u>227,785</u> |
| Total comprehensive income/(loss) for the year is attributable to: | | |
| — Shareholders of the Company | 301,399 | 233,954 |
| — Non-controlling interests | <u>14,157</u> | <u>(6,169)</u> |
| | <u>315,556</u> | <u>227,785</u> |
| Total comprehensive income for the year attributable to shareholders of the Company arises from: | | |
| — Continuing operations | 301,399 | 232,132 |
| — Discontinued operations | <u>—</u> | <u>1,822</u> |
| | <u>301,399</u> | <u>233,954</u> |
| Earnings per share for profit from continuing operations attributable to the shareholders of the Company (expressed in RMB per share) | | |
| — Basic earnings per share | 7 0.38 | 0.26 |
| — Diluted earnings per share | 7 <u>0.37</u> | <u>0.26</u> |
| Earnings per share for profit attributable to the shareholders of the Company (expressed in RMB per share) | | |
| — Basic earnings per share | 7 0.38 | 0.26 |
| — Diluted earnings per share | 7 <u>0.37</u> | <u>0.26</u> |

CONSOLIDATED BALANCE SHEET

As at 31 December 2020

(Expressed in Renminbi)

| | | As at 31 December | |
|---|------|-------------------------|-------------------------|
| | | 2020 | 2019 |
| | Note | RMB'000 | RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Investment in an associate | | 970 | 971 |
| Property, plant and equipment | 9 | 56,313 | 18,082 |
| Intangible assets | 10 | 87,706 | 72,950 |
| Prepayments | 11 | 67,127 | 2,292 |
| Deferred income tax assets | | 10,749 | 6,962 |
| | | <u>222,865</u> | <u>101,257</u> |
| Current assets | | | |
| Inventories | | 8,896 | 5,179 |
| Contract assets | | 3,817 | 3,084 |
| Trade and other receivables and prepayments | 11 | 1,328,541 | 767,287 |
| Financial assets at fair value through profit or loss | | 467,041 | 1,530 |
| Restricted cash | | 1,035 | 312 |
| Cash and cash equivalents | | 2,217,784 | 584,795 |
| | | <u>4,027,114</u> | <u>1,362,187</u> |
| Total assets | | <u><u>4,249,979</u></u> | <u><u>1,463,444</u></u> |
| Equity | | | |
| Equity attributable to shareholders of the Company | | | |
| Share capital | 12 | 11,057 | 3 |
| Other reserves | 13 | 2,051,382 | 123,297 |
| Retained earnings | | 628,905 | 246,142 |
| | | <u>2,691,344</u> | <u>369,442</u> |
| Non-controlling interests | | <u>26,006</u> | <u>12,207</u> |
| Total equity | | <u><u>2,717,350</u></u> | <u><u>381,649</u></u> |

CONSOLIDATED BALANCE SHEET (CONTINUED)*As at 31 December 2020**(Expressed in Renminbi)*

| | | As at 31 December | |
|-------------------------------------|------|--------------------------|------------------|
| | | 2020 | 2019 |
| | Note | RMB'000 | RMB'000 |
| Liabilities | | | |
| Non-current liabilities | | | |
| Lease liabilities | | 10,333 | 1,256 |
| Contract liabilities | | 50,437 | 59,155 |
| Deferred income tax liabilities | | 3,977 | 3,717 |
| | | <u>64,747</u> | <u>64,128</u> |
| Current liabilities | | | |
| Lease liabilities | | 10,876 | 1,886 |
| Trade and other payables | 14 | 937,251 | 654,265 |
| Contract liabilities | | 423,847 | 310,852 |
| Current income tax liabilities | | 95,908 | 50,664 |
| | | <u>1,467,882</u> | <u>1,017,667</u> |
| Total liabilities | | <u>1,532,629</u> | <u>1,081,795</u> |
| Total equity and liabilities | | <u>4,249,979</u> | <u>1,463,444</u> |

NOTES:

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 16 October 2018 as an exempted company with limited liability under the Companies Law CAP. 22 of the Cayman Islands. The address of the Company's registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 15 May 2020 by way of its initial public offering ("IPO").

The Company is an investment holding company. The Company and its subsidiaries (together, the "Group") are principally engaged in (i) provision of property management services and related value-added services (ii) provision of lifestyle services and (iii) provision of commercial property management and consultation services in the People's Republic of China (the "PRC"). The controlling shareholders of the Company are Enjoy Start Limited ("Enjoy Start"), a company incorporated under the laws of British Virgin Islands ("BVI") and Mr. Wu Po Sum (collectively the "Controlling Shareholders").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board on 26 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated 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 the Company and its subsidiaries.

Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (HKFRS) and the disclosure requirements of the Hong Kong Companies Ordinance (HKCO) Cap. 622.

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

(iii) The Company's functional currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The Company's shares have been listed on the Main Board of The Stock Exchange since 15 May 2020 where the Company received the listing proceeds and settled various expenses in Hong Kong Dollars ("HK\$") and is expecting to transact its future operating and financing activities primarily in HK\$. Consequently, the Company determined to change its functional currency from RMB to HK\$ on 15 May 2020. As the major operations of the Group are within the PRC, the Group determined to present its consolidated financial statements in RMB.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied are consistent with those in the preparation of the Group's financial statements for all the years presented, except for adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting year commencing 1 January 2020.

- Definition of Material — Amendments to HKAS 1 and HKAS 8
- Definition of a Business — Amendments to HKFRS 3
- Interest Rate Benchmark Reform — Amendments to HKFRS 7, HKFRS 9 and HKAS 39
- Revised Conceptual Framework for Financial Reporting
- Covid-19 Related Rent Concessions — Amendments to HKFRS 16

(b) New standards and interpretations not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

| | | Effective for accounting periods beginning on or after |
|---|--|---|
| HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16 (Amendments) | Interest Rate Benchmark Reform — Phase 2 | 1 January 2021 |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework | 1 January 2022 |
| HKAS 16 (Amendments) | Property, plant and equipment | 1 January 2022 |
| HKAS 37 (Amendments) | Onerous Contracts — Cost of Fulfilling a Contract | 1 January 2022 |
| Annual improvements to HKFRS 1 | First-time Adoption of HKFRS | 1 January 2022 |
| Annual improvements to HKFRS 9 | Financial instruments | 1 January 2022 |
| Annual improvements to HKFRS 16 | Leases | 1 January 2022 |
| Annual improvements to HKFRS 41 | Agriculture | 1 January 2022 |
| Revised Accounting Guideline 5 | Merger Accounting for Common Control Combination | 1 January 2022 |
| HKFRS 17 | Insurance contracts | 1 January 2023 |
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2023 |
| Hong Kong Interpretation 5 (2020) | Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023 |
| HKFRS 10 and HKAS 28 (Amendment) | Sale or contribution of assets between an investor and its associate or joint venture | To be determined |

4 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by chief operating decision-maker (“CODM”). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The CODM examines the Group’s performance from service line perspective and has identified three reportable segments of its business:

- Property management and value-added services: this part of business provides property management services of residential properties and commercial properties, and related value-added services, including consultancy services to property developers, community value-added services, intelligent community services, Central China Consumer Club and real estate marketing services.
- Lifestyle services: this part of business primarily comprise tourism services, sales of goods and provision of catering services.
- Commercial property management and consultation services: this part of business primarily comprise provision of hotel management services and management for agricultural and cultural tourism projects and commercial real-estate operation.

The Group mainly operates its businesses in the PRC and earns substantially all of the revenues from external customers attributed to the PRC. As at 31 December 2020, substantially all of the non-current assets of the Group were located in the PRC. Therefore, no geographical segments are presented.

The CODM assesses the performance of the operating segments mainly based on the measure of operating profit excluding other income, other gains, finance cost and interest from loans to other entities which are not directly related to the segment performance (“segment results”).

(a) Segment results

Segment results also excludes discontinued operations and the effects of significant items of expenditure which may have an impact on the quality of earnings such as central administration costs and listing expenses.

Interest income and finance cost are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

The segment results and the reconciliation with profit before income tax for the year ended 31 December 2020 are as follows:

For the year ended 31 December 2020

| | Property management and value-added services RMB'000 | Lifestyle services RMB'000 | Commercial property management and consultation services RMB'000 | Group RMB'000 |
|---|---|---|---|--------------------------|
| Gross segment revenue | 2,198,540 | 366,382 | 89,577 | 2,654,499 |
| Revenue | 2,198,540 | 366,382 | 89,577 | 2,654,499 |
| Revenue from contracts with customers | | | | |
| — at a point in time | 717,109 | 288,566 | 12,167 | 1,017,842 |
| — over time | 1,481,431 | 77,816 | 77,410 | 1,636,657 |
| Segment results | 511,385 | 71,068 | 9,986 | 592,439 |
| Other income | | | | 17,547 |
| Other gains — net | | | | 6,546 |
| Unallocated operating costs | | | | (73,266) |
| Finance income — net | | | | 13,643 |
| Profit before income tax from continuing operations | | | | 556,909 |
| Income tax expenses | | | | (116,165) |
| Profit for the year | | | | 440,744 |
| Depreciation | 17,389 | 2,074 | 1,652 | 21,115 |
| Amortisation | 3,563 | 1,527 | — | 5,090 |

The segment results and the reconciliation with profit before income tax for the year ended 31 December 2019 are as follows:

For the year ended 31 December 2019

| | Property management and value-added services <i>RMB'000</i> | Lifestyle services <i>RMB'000</i> | Commercial property management and consultation services <i>RMB'000</i> | Group <i>RMB'000</i> |
|--|--|---|---|-------------------------|
| Gross segment revenue | 1,341,092 | 308,575 | 104,735 | 1,754,402 |
| Revenue | 1,341,092 | 308,575 | 104,735 | 1,754,402 |
| Revenue from contracts with customers | | | | |
| — at a point in time | 453,143 | 159,988 | 47,074 | 660,205 |
| — over time | 887,949 | 148,587 | 57,661 | 1,094,197 |
| Segment results | 286,527 | 55,151 | 19,464 | 361,142 |
| Other income | | | | 20,463 |
| Other gains — net | | | | 4,096 |
| Unallocated operating costs | | | | (61,874) |
| Finance cost — net | | | | <u>(16,286)</u> |
| Profit before income tax from continuing operations | | | | 307,541 |
| Income tax expenses | | | | (74,702) |
| Profit for the year | | | | <u><u>232,839</u></u> |
| Depreciation | 7,945 | 881 | 1,546 | 10,372 |
| Amortisation | <u>2,185</u> | <u>1,495</u> | <u>—</u> | <u>3,680</u> |

5 EXPENSES BY NATURE

| | Year ended 31 December | |
|---------------------------------------|------------------------|------------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Employee benefit expenses | 737,698 | 546,042 |
| Construction and installation costs | 253,508 | 97,721 |
| Cost of goods sold | 245,158 | 77,542 |
| Greening and cleaning expenses | 236,071 | 140,197 |
| Security charges | 230,668 | 129,883 |
| Utilities | 87,327 | 67,070 |
| Outsourcing tourism services costs | 52,525 | 126,870 |
| Maintenance costs | 36,997 | 42,926 |
| Traveling and entertainment expenses | 27,758 | 21,021 |
| Depreciation and amortisation charges | 26,205 | 14,052 |
| Office expenses | 26,093 | 21,293 |
| Promotion expenses | 24,828 | 6,925 |
| Professional service fees | 23,933 | 32,369 |
| Listing expenses | 17,257 | 26,299 |
| Outsourcing labor costs | 17,244 | 51,743 |
| Community activities costs | 15,425 | 11,025 |
| Taxes and other levies | 10,768 | 7,759 |
| Auditor's remuneration | | |
| — Audit services | 3,700 | — |
| — Non-audit services | 849 | — |
| Others | 46,055 | 34,186 |
| | <u>2,120,067</u> | <u>1,454,923</u> |

6 INCOME TAX EXPENSES

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and accordingly, is exempted from Cayman Islands income tax. The Company's direct subsidiary in the BVI was incorporated under the International Business Companies Act of the BVI and, accordingly, is exempted from British Virgin Islands income tax.

Hong Kong profits tax rate is 16.5%. No provision for Hong Kong profits tax was provided as the Group did not have assessable profit in Hong Kong for the year ended 31 December 2020 (2019: same).

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the year, based on the existing legislation, interpretations and practices in respect thereof.

The general corporate income tax rate in PRC is 25% according to Corporate Income Tax Law of the PRC (the “CIT Law”) effective on 1 January 2008. Henan Aiou Electronic Technology Co., Ltd. was qualified as “High and New Technology Enterprises” (“HNTE”) in 2018. Jiyuan City Zhongbang Environmental Sanitation Co., Ltd. was qualified as HNTE in 2019, Henan One Family Network Technology Co., Ltd. and Song Yun (Beijing) Information Service Co., Ltd. were qualified as HNTE in 2020. Accordingly, these four subsidiaries of the Group are entitled to a preferential income tax rate of 15% for a three-year period. Certain of the Group’s subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based on 25% or 50% of their taxable income.

| | Year ended 31 December | |
|---------------------|-------------------------------|----------------|
| | 2020 | 2019 |
| | RMB’000 | RMB’000 |
| Current income tax | 120,729 | 69,086 |
| Deferred income tax | (4,564) | 5,616 |
| | <u>116,165</u> | <u>74,702</u> |

7 EARNINGS PER SHARE

The weighted average number of ordinary shares for the purpose of basic and diluted earnings per share for the year ended 31 December 2019 has been retroactively adjusted for the effects of the issue of shares in connection with the capitalisation.

(a) Basic earnings per share

The basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2020 | 2019 |
| Profit attributable to shareholders of the Company (RMB’000) | | |
| — From continuing operations | 426,587 | 232,132 |
| — From discontinued operation | — | 1,822 |
| | <u>426,587</u> | <u>233,954</u> |
| Weighted average number of ordinary shares in issue (in thousands) | <u>1,114,716</u> | <u>898,662</u> |
| Basic earnings per share attributable to the shareholders of the Company during the year (expressed in RMB per share) | | |
| — From continuing operations | 0.38 | 0.26 |
| — From discontinued operation | — | 0.00 |
| | <u>0.38</u> | <u>0.26</u> |

(b) Diluted earnings per share

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares arising from share options granted by the Company.

| | Year ended 31 December | |
|---|-------------------------------|----------------|
| | 2020 | 2019 |
| Profit attributable to shareholders of the Company (RMB'000) | | |
| — From continuing operations | 426,587 | 232,132 |
| — From discontinued operation | <u>—</u> | <u>1,822</u> |
| | 426,587 | <u>233,954</u> |
| Weighted average number of ordinary shares in issue (in thousands) | 1,114,716 | 898,662 |
| Adjustments for share options (in thousands) | 41,850 | <u>—</u> |
| Weighted average number of ordinary shares for the calculation of diluted earnings per share (in thousands) | 1,156,566 | <u>898,662</u> |
| Diluted earnings per share attributable to shareholders of the Company during the year (expressed in RMB per share) | | |
| — From continuing operations | 0.37 | 0.26 |
| — From discontinued operation | <u>—</u> | <u>0.00</u> |
| | 0.37 | <u>0.26</u> |

8 DIVIDENDS

An interim dividend in respect of the six months ended 30 June 2020 of HK\$0.066 per ordinary share, approximately HK\$82,170,000 (approximately equivalent to RMB73,455,000) was declared by the Board of Directors of the Company on 27 August 2020 (the corresponding period of 2019: nil) and paid in cash.

A final dividend in respect of year ended 31 December 2020 of HK\$0.18 per ordinary share have been proposed by the Board of Directors of the Company and are subject to the approval of the shareholders at the Annual General Meeting to be held on 7 May 2021. The final dividend will be distributed out of the Company's share premium. These consolidated financial statements have not reflected these dividends payable.

9 PROPERTY, PLANT AND EQUIPMENT

| | Equipment and furniture | Machinery | Vehicles | Right-of-use asset | Total |
|------------------------------------|--|------------------|-----------------|-------------------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Year ended 31 December 2019 | | | | | |
| Opening net book amount | 16,325 | 893 | 770 | 3,113 | 21,101 |
| Additions | 8,707 | 4,180 | 1,259 | 3,470 | 17,616 |
| Acquisition of subsidiaries | 831 | 552 | 807 | — | 2,190 |
| Disposals | (25) | (47) | — | — | (72) |
| Disposals of subsidiaries | (10,954) | — | — | — | (10,954) |
| Depreciation charge | (7,238) | (611) | (819) | (3,131) | (11,799) |
| Closing net book amount | <u>7,646</u> | <u>4,967</u> | <u>2,017</u> | <u>3,452</u> | <u>18,082</u> |
| As at 31 December 2019 | | | | | |
| Cost | 22,646 | 6,804 | 3,947 | 8,818 | 42,215 |
| Accumulated depreciation | (15,000) | (1,837) | (1,930) | (5,366) | (24,133) |
| Net book amount | <u>7,646</u> | <u>4,967</u> | <u>2,017</u> | <u>3,452</u> | <u>18,082</u> |
| Year ended 31 December 2020 | | | | | |
| Opening net book amount | 7,646 | 4,967 | 2,017 | 3,452 | 18,082 |
| Additions | 13,175 | 3,451 | 4,046 | 35,021 | 55,693 |
| Acquisition of a subsidiary | 2,002 | 1,630 | 983 | — | 4,615 |
| Disposals | (30) | — | — | — | (30) |
| Depreciation charge | (8,167) | (1,454) | (1,056) | (10,438) | (21,115) |
| Currency translation difference | — | — | — | (932) | (932) |
| Closing net book amount | <u>14,626</u> | <u>8,594</u> | <u>5,990</u> | <u>27,103</u> | <u>56,313</u> |
| As at 31 December 2020 | | | | | |
| Cost | 37,793 | 11,885 | 8,976 | 43,839 | 102,493 |
| Accumulated depreciation | (23,167) | (3,291) | (2,986) | (16,736) | (46,180) |
| Net book amount | <u>14,626</u> | <u>8,594</u> | <u>5,990</u> | <u>27,103</u> | <u>56,313</u> |

No property, plant and equipment is restricted or pledged as security for borrowings as of 31 December 2020 (31 December 2019: same).

10 INTANGIBLE ASSETS

| | Goodwill <i>RMB'000</i> | Platform and Know-How <i>RMB'000</i> | Order- Backlog and customer relationship <i>RMB'000</i> | Software and others <i>RMB'000</i> | Total <i>RMB'000</i> |
|------------------------------------|-----------------------------------|--|---|--|--------------------------------|
| Year ended 31 December 2019 | | | | | |
| Opening net book amount | — | — | — | 8,333 | 8,333 |
| Additions | — | — | — | 568 | 568 |
| Acquisition of subsidiaries | 42,319 | 19,549 | 13,394 | — | 75,262 |
| Disposals of subsidiaries | — | — | — | (7,294) | (7,294) |
| Amortisation | — | (1,623) | (1,499) | (797) | (3,919) |
| Closing net book amount | <u>42,319</u> | <u>17,926</u> | <u>11,895</u> | <u>810</u> | <u>72,950</u> |
| As at 31 December 2019 | | | | | |
| Cost | 42,319 | 19,549 | 13,394 | 3,839 | 79,101 |
| Accumulated amortisation | — | (1,623) | (1,499) | (3,029) | (6,151) |
| Net book amount | <u>42,319</u> | <u>17,926</u> | <u>11,895</u> | <u>810</u> | <u>72,950</u> |
| Year ended 31 December 2020 | | | | | |
| Opening net book amount | 42,319 | 17,926 | 11,895 | 810 | 72,950 |
| Additions | — | — | — | 663 | 663 |
| Acquisition of a subsidiary | 12,361 | — | 6,822 | — | 19,183 |
| Amortisation | — | (2,286) | (2,071) | (733) | (5,090) |
| Closing net book amount | <u>54,680</u> | <u>15,640</u> | <u>16,646</u> | <u>740</u> | <u>87,706</u> |
| As at 31 December 2020 | | | | | |
| Cost | 54,680 | 19,549 | 20,216 | 4,502 | 98,947 |
| Accumulated amortisation | — | (3,909) | (3,570) | (3,762) | (11,241) |
| Net book amount | <u>54,680</u> | <u>15,640</u> | <u>16,646</u> | <u>740</u> | <u>87,706</u> |

11 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|--|-------------------------|-----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables (Note (a)) | | |
| — Related parties | 859,368 | 491,741 |
| — Third parties | <u>341,538</u> | <u>186,434</u> |
| | 1,200,906 | 678,175 |
| Note receivables | 4,500 | — |
| Less: allowance for impairment of trade receivables | <u>(28,775)</u> | <u>(13,328)</u> |
| | <u>1,176,631</u> | <u>664,847</u> |
| Other receivables | <u>62,673</u> | <u>85,502</u> |
| Less: allowance for impairment of other receivables | <u>(956)</u> | <u>(1,145)</u> |
| | 61,717 | 84,357 |
| — Prepayments for listing expense | — | 10,767 |
| — Other prepayments | <u>157,320</u> | <u>9,608</u> |
| Total | <u>1,395,668</u> | <u>769,579</u> |
| Less: non-current portion of prepayments | <u>(67,127)</u> | <u>(2,292)</u> |
| Current portion of trade and other receivables and prepayments | <u>1,328,541</u> | <u>767,287</u> |

(a) As at 31 December 2020 and 2019, the aging analysis of the trade receivables based on recognition date of trade receivables were as follows:

| | As at 31 December | |
|--------------|-------------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0–180 days | 856,153 | 473,562 |
| 181–365 days | 200,751 | 162,567 |
| 1 to 2 years | 111,347 | 17,687 |
| 2 to 3 years | 17,325 | 14,126 |
| 3 to 4 years | 10,009 | 6,545 |
| Over 4 years | <u>5,321</u> | <u>3,688</u> |
| | <u>1,200,906</u> | <u>678,175</u> |

12 SHARE CAPITAL

| | Number of ordinary shares | Share capital HK\$'000 | Equivalent share capital RMB'000 |
|---|------------------------------|---------------------------|--|
| Authorised | | | |
| As at 1 January 2019 | 38,000,000 | 380 | 335 |
| Increase of authorised shares (Note (a)) | <u>339,000</u> | <u>3</u> | <u>3</u> |
| As at 31 December 2019 | <u><u>38,339,000</u></u> | <u><u>383</u></u> | <u><u>338</u></u> |
| As at 1 January 2020 | 38,339,000 | 383 | 338 |
| Increase of authorised shares (Note (b)) | <u>4,961,661,000</u> | <u>49,617</u> | <u>42,457</u> |
| As at 31 December 2020 | <u><u>5,000,000,000</u></u> | <u><u>50,000</u></u> | <u><u>42,795</u></u> |
| Issued | | | |
| As at 1 January 2019 | 38,000,000 | — | — |
| Issue of new ordinary shares to new investor (Note (a)) | <u>339,000</u> | <u>3</u> | <u>3</u> |
| As at 31 December 2019 | <u><u>38,339,000</u></u> | <u><u>3</u></u> | <u><u>3</u></u> |
| As at 1 January 2020 | 38,339,000 | 3 | 3 |
| Issue of shares in connection with the capitalisation issue (Note (b)) | 861,661,000 | 8,617 | 7,885 |
| Issue of shares in connection with the Company's listing (Note (c)) | 345,000,000 | 3,450 | 3,159 |
| Share option scheme-issued shares | <u>1,215,000</u> | <u>12</u> | <u>10</u> |
| As at 31 December 2020 | <u><u>1,246,215,000</u></u> | <u><u>12,082</u></u> | <u><u>11,057</u></u> |

- (a) The Company was incorporated on 16 October 2018 with an authorised share capital of HK\$380,000 divided into 38,000,000 ordinary shares of HK\$0.01 each. On the same date, 38,000,000 ordinary shares of HK\$0.01 each were issued, totaling HK\$380,000 (equivalent to approximately RMB335,000), to Enjoy Start Limited, which had not been paid yet.

On 15 March 2019, the Company issued 339,000 shares with a cash consideration of HK\$11,000,000 (equivalent to approximately RMB9,435,000) to OP Financial Limited and the authorised number of ordinary shares of the Company was increased to 38,339,000 with a par value of HK\$0.01 each.

- (b) On 29 April 2020, the authorised share capital of the Company increased to 5,000,000,000 shares with par value of HK\$0.01 each.

Pursuant to the shareholder's written resolution on 29 April 2020, conditional upon the share premium account of the Company being credited as a result of the Global Offering, the Company capitalised an amount of HK\$8,617,000 (equivalent to approximately RMB7,885,000) standing as credit of its share premium account in paying up in full of 861,661,000 shares at par which were allotted and issued to shareholders of the Company at close of business on 14 May 2020 in proportion to their respective shareholdings.

- (c) On 15 May 2020, the Company issued a total of 300,000,000 ordinary shares at a price of HK\$6.85 per share. On 1 June 2020, the Company issued a total of 45,000,000 ordinary shares at a price of HK\$6.85 by exercising the over-allotment option in full. The net proceeds of HK\$2,280,826,000 (equivalent to RMB2,088,694,000) were credited to share capital and premium after deduction of the capitalised listing expenses.

13 OTHER RESERVES

| | Capital reserves <i>RMB'000</i> | Share premium <i>RMB'000</i> | Employee share-based compensation reserves <i>RMB'000</i> | Statutory reserves <i>RMB'000</i> | Foreign currency translation <i>RMB'000</i> | Total other reserves <i>RMB'000</i> |
|--|---------------------------------------|------------------------------------|---|---|--|--|
| Balance at 1 January 2019 | 82,840 | — | — | — | — | 82,840 |
| Issue of new ordinary shares to new investor | — | 9,432 | — | — | — | 9,432 |
| Share option scheme-value of employee services | — | — | 9,382 | — | — | 9,382 |
| Appropriation of statutory reserves (Note (a)) | — | — | — | 21,643 | — | 21,643 |
| Balance at 31 December 2019 | <u>82,840</u> | <u>9,432</u> | <u>9,382</u> | <u>21,643</u> | <u>—</u> | <u>123,297</u> |
| Balance at 1 January 2020 | 82,840 | 9,432 | 9,382 | 21,643 | — | 123,297 |
| Issue of shares in connection with the capitalisation issue (Note 12(b)) | — | (7,885) | — | — | — | (7,885) |
| Issue of shares in connection with the Company's listing (Note 12(c)) | — | 2,085,535 | — | — | — | 2,085,535 |
| Share option scheme-value of employee services | — | — | 6,447 | — | — | 6,447 |
| Share option scheme-issued shares | — | 1,165 | (541) | — | — | 624 |
| Currency translation differences | — | — | — | — | (125,188) | (125,188) |
| Acquisition of equity interest from non-controlling interests | (1,817) | — | — | — | — | (1,817) |
| Dividend distribution to shareholders | — | (73,455) | — | — | — | (73,455) |
| Appropriation of statutory reserves (Note(a)) | — | — | — | 43,824 | — | 43,824 |
| Balance at 31 December 2020 | <u>81,023</u> | <u>2,014,792</u> | <u>15,288</u> | <u>65,467</u> | <u>(125,188)</u> | <u>2,051,382</u> |

(a) **PRC statutory reserves**

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

14 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---------------------------|-------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables (Note (a)) | 307,577 | 177,419 |
| Other payables | 346,313 | 297,440 |
| Accrued payroll | 237,144 | 151,793 |
| Other taxes payables | 46,217 | 27,613 |
| | <u>937,251</u> | <u>654,265</u> |

As at 31 December 2020 and 2019, the carrying amounts of trade and other payables approximated its fair values.

(a) As at 31 December 2020 and 2019, the aging analysis of the trade payables based on invoice date were as follows:

| | As at 31 December | |
|--------------|-------------------|----------------|
| | 2020 | 2019 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0–180 days | 282,175 | 170,413 |
| 181–365 days | 16,503 | 5,011 |
| 1 to 2 years | 7,286 | 462 |
| 2 to 3 years | 373 | 537 |
| Over 3 years | 1,240 | 996 |
| | <u>307,577</u> | <u>177,419</u> |

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

Over the years, we have successfully expanded our business from property management and value-added services to lifestyle services and commercial property management and consultation services. Our business now consists of three major segments. In 2020, with rapid growth in its business, the Group continuously optimized its income structure and steadily enhanced its operating efficiency. During the period, the Group's revenue amounted to RMB2,654.5 million, representing an increase of 51.3% as compared with RMB1,754.4 million in the 2019. Net profit was RMB440.7 million, representing an increase of 93.5% as compared with RMB227.8 million in the 2019.

Property management services and value-added services. We have provided traditional property management services such as security, cleaning and greening services since 1994, and over the years, we have expanded our service offerings to include value-added services aimed at elevating the living quality of the residents in the properties we manage. We provide intelligent community solutions to property developers as well as residents. Furthermore, utilizing our strong network of property buyers with purchasing power, we provide property agency services to property developers found within buyers and sellers. Further, as part of our value-added services, we also provide personalized services and intelligent community solutions to VIPs of the Central China Consumers Club, who are an exclusive group of high-net-worth customers. As of 31 December 2020, our property management and value-added services covered all 18 prefecture-level cities (and also 97 of the 104 county-level cities) in Henan as well as Haikou, Hainan, Korla, Bayingolin, Xinjiang and Hengshui, Hebei and we served more than 1.5 million property owners and residents in 427 properties. We manage a diversified portfolio of properties, including residential properties, shopping malls, cultural tourism complexes, commercial apartments, office buildings, schools, hospitals, city services, factories and properties of governmental agencies. As of 31 December 2020, the GFA under management and contracted GFA reached 100.0 million sq.m. and 186.6 million sq.m. respectively, representing a respective growth of 75.5% and 62.7% as compared with that as at 31 December 2019.

Lifestyle services. Lifestyle services include products and services we offer on our Jianye+ (建業+) platform, travel services, and management services we provide in Cuisine Henan Foodcourts (建業大食堂). The Jianye+ (建業+) platform is an O2O one-stop service platform which integrates our internal and external, online and offline resources in order to provide our customers with more convenient and more affordable goods and services. The Jianye+ (建業+) platform provides three main online services: (i) membership benefits; (ii) concierge services; and (iii) goods and services from One Family Community (一家公社). As of 31 December 2020, we were cooperating with over 730 suppliers, some of which were well-known brands that were listed on NASDAQ or the Stock Exchange.

We also offer a wide range of benefits, including exclusive offers with hotels, malls and restaurants in Henan. Our travel services offer four distinct types of tours to customers, namely leisure tours, corporate tours, sports and health tours and educational tours. The nine Cuisine Henan Foodcourts (建業大食堂) we manage hosted over 453 vendors as of 31 December 2020, offering a wide variety of food options to consumers.

Commercial property management and consultation services. Unlike property management services where we offer a series of traditional property management services to property developers, property owners and property occupants, our commercial property management and consultation services focus on enhancing the value of properties by streamlining operations of a property to reduce costs and attracting business to increase income. Our commercial property management and consultation services comprise (i) hotel management, (ii) commercial asset management and (iii) cultural tourism complex management. For hotels, we manage a hotel's overall operations, supervise hotel operations performed by an existing operator and provide consultancy services. For other commercial assets, we provide pre-opening consultation and post-opening management services. For commercial asset management, our Company primarily manages shopping malls by providing two main categories of services: (i) pre-opening consultation, which includes services such as market research on vendor and clientele demographics, financial analysis, vendor solicitation and management and strategic planning; and (ii) post-opening management services, which includes services such as vendor management, sales and operation management, and training management. As for cultural tourism complex management, our Company's services include the branding and overall operations management, consultancy services, technical support on technology research and promotion (including the selection and assessment of seeds to be used), agricultural product sale, agricultural product planting and project planning. For cultural tourism complexes, our services include overall operations and consultancy services. In each area, we strive to help our clients achieve asset value appreciation and sustainable development. As of 31 December 2020, our portfolio of commercial properties under management consisted of three cultural tourism complexes (with an aggregate site area of approximately 10.1 million sq.m.), seven shopping malls (with a total GFA of approximately 0.6 million sq.m.) and nine hotels (with a total GFA of approximately 0.3 million sq.m.).

Prospects and Strategies

As a new lifestyle services provider, the Group possesses a more extensive service system and portfolio of products and services as compared to traditional property management companies. With the high-net-worth, high purchase frequency and high stickiness of the Group's customers, the consumption pattern of the Group's customers are characterized by increasing consumption power and diversified needs. Therefore, the Group is able to build an enriched and high-quality supply ecosystem to provide its customers with a one-stop convenient and enriched life by leveraging its strength in high quality, high density and rich resources.

Property services are the foundation and cornerstone of the Group and also the primary driver for the continuous development of the Group. The size of GFA under management is one of the crucial factors in the valuation of a property management company in the capital market. In order to maintain our leading position in central China region, the Group will continue to strengthen its efforts on property development by focusing on mergers and acquisitions.

Technology empowerment is the only way to reduce costs and increase efficiency. We will focus on increasing investment in intelligent properties, evaluating the achievement of technology investment, and integrating organizational management to achieve the goal of reducing costs and increasing efficiency as soon as possible.

Financial Review

Revenue

For the year ended 31 December 2020, the Group recorded a revenue of RMB2,654.5 million (2019: RMB1,754.4 million), representing an increase of 51.3% as compared with 2019. The revenue of the Group were generated from three main business segments: (i) property management and value-added services; (ii) lifestyle services; and (iii) commercial property management and consultation services.

The following table sets forth a breakdown of our revenue by business segment for the record period:

| | Year ended 31 December | | | |
|--|---------------------------|---------------------|---------------------------|---------------------|
| | 2020 | | 2019 | |
| | Revenue <i>RMB'000</i> | % | Revenue <i>RMB'000</i> | % |
| Property management and value-added services | 2,198,540 | 82.8 | 1,341,092 | 76.4 |
| Lifestyle services | 366,382 | 13.8 | 308,575 | 17.6 |
| Asset management services | 89,577 | 3.4 | 104,735 | 6.0 |
| Total revenue | <u>2,654,499</u> | <u>100.0</u> | <u>1,754,402</u> | <u>100.0</u> |

Property management and value-added services

During the year, the revenue from our property management and value-added services reached RMB2,198.5 million (2019: RMB1,341.1 million), representing an increase of 63.9% as compared with last year. The increase was primarily attributable to (i) an increase in our total GFA under management from 57.0 million sq.m. as of 31 December 2019 to 100.0 million sq.m. as of 31 December 2020, resulting in an increase of revenue from property management; (ii) the increase of business volume for value-added services such as agency services and intelligent communities, resulting in an increase of revenue from value-added services.

| | Year ended 31 December | | | |
|---|---------------------------|---------------------|---------------------------|---------------------|
| | 2020 | | 2019 | |
| | Revenue <i>RMB'000</i> | % | Revenue <i>RMB'000</i> | % |
| Property management services | 860,267 | 39.1 | 592,356 | 44.2 |
| Value-added services: | | | | |
| Community value-added services | 623,702 | 28.4 | 284,966 | 21.2 |
| Value-added services to non-property owners | 714,571 | 32.5 | 463,770 | 34.6 |
| Total | <u>2,198,540</u> | <u>100.0</u> | <u>1,341,092</u> | <u>100.0</u> |

During the year, revenue from property management services amounted to RMB860.3 million (2019: RMB592.4 million), representing an increase of 45.2% as compared to last year, which was mainly attributable to the increase in property management income as a result of the increase in the GFA under management of the Group's property management from 57.0 million sq.m. as at 31 December 2019 to 100.0 million sq.m. as at 31 December 2020.

The Group's value-added services include community value-added services and value-added services to non-property owners. Community value-added services mainly include decoration management and inspection, public area management, turnkey and move-in furnishing services, intelligent community solutions and the services of the Central China Consumers Club. Value-added services to non-property owners mainly include pre-launch intermediary services, on-site management, property inspection income, pre-delivery cleaning and other services.

During the year, revenue from community value-added services amounted to RMB623.7 million (2019: RMB285.0 million), representing an increase of 118.9% as compared to last year, which was mainly attributable to (i) revenue of RMB71.1 million from the new turnkey and move-in furnishing business in 2020 (2019: Nil); (ii) increase of operation service fee income from RMB47.2 million in 2019 to RMB94.4 million in 2020 due to the increase in memberships of the Central China Consumers Club; and (iii) increase of income from intelligent community business from RMB179.9 million in 2019 to RMB363.9 million in 2020 due to the acquisition of intelligent community business in early 2019, which started to develop steadily in the second half of 2019.

Revenue from value-added services to non-property owners amounted to RMB714.6 million (2019: RMB463.8 million), representing an increase of 54.1% as compared to last year, which was mainly attributable to (i) increase of revenue from pre-launch intermediary services and on-site management from RMB174.5 million in 2019 to RMB261.0 million in 2020 as a result of active expansion of third-party business; (ii) revenue of RMB20.6 million from the pre-delivery cleaning business in 2020 (2019: Nil); and (iii) due to the impact of the COVID-19 pandemic, property agency commission generally increased, and property agency commission income increased from RMB195.9 million in 2019 to RMB347.6 million in 2020.

As of 31 December 2020, the total GFA under management of the Group was 100.0 million sq.m., representing an increase of 43.0 million sq.m. or 75.5% as compared with 57.0 million sq.m. as of 31 December 2019. The increase was mainly attributable to the increase in projects delivered by the CCRE Group and its associates or joint ventures. For the year ended 31 December 2020, the average property management fee rate charged by the Group was approximately RMB1.81 per sq.m./month (for the year ended 31 December 2019: 1.82 per sq.m./month).

The table below sets out the breakdown of our total GFA under management for our property management services attributable to the properties developed by the CCRE Group (and its associates or joint ventures) and third-party property developers as of the dates indicated.

| | As of 31 December 2020 | | As of 31 December 2019 | |
|---|------------------------|---------------------|------------------------|---------------------|
| | GFA | | GFA | |
| | '000 sq.m. | % | '000 sq.m. | % |
| The CCRE Group and its associates or joint ventures | 54,917 | 54.9 | 39,272 | 68.9 |
| Third-party property developers | <u>45,101</u> | <u>45.1</u> | <u>17,711</u> | <u>31.1</u> |
| Total | <u>100,018</u> | <u>100.0</u> | <u>56,983</u> | <u>100.0</u> |

Lifestyle services

For lifestyle services, we offer a wide range of lifestyle services, which include (i) products and services we offer on our Jianye+ (建業+) platform, (ii) travel services, and (iii) management services we provide in Cuisine Henan Foodcourts (建業大食堂). During the year, the revenue from our lifestyle services reached RMB366.4 million (2019: RMB308.6 million), representing an increase of 18.7% as compared with last year. The increase was primarily attributable to the increase of registered users on our Jianye+ (建業+) platform from approximately 2.2 million as of 31 December 2019 to approximately 3.7 million as of 31 December 2020, and the increase in revenue due to the growth in user base and user consumption.

| | Year ended 31 December | | | |
|--------------------------|------------------------|---------------------|-----------------------|---------------------|
| | 2020 | | 2019 | |
| | RMB'000 | % | RMB'000 | % |
| Jianye+ (建業+) | 286,529 | 78.2 | 156,316 | 50.6 |
| Travel services | 54,810 | 15.0 | 138,789 | 45.0 |
| Cuisine Henan Foodcourts | <u>25,043</u> | <u>6.8</u> | <u>13,470</u> | <u>4.4</u> |
| Total | <u>366,382</u> | <u>100.0</u> | <u>308,575</u> | <u>100.0</u> |

Commercial property management and consultation services

For commercial property management and consultation services, we offer services in respect of (i) hotel management; (ii) commercial asset management; and (iii) cultural tourism complex management. During the year, the revenue from our commercial property management and consultation services reached RMB89.6 million (2019: RMB104.7 million), representing a decrease of 14.5% as compared with last year. The decrease was mainly attributable to the development limitation of our hotel management and cultural tourism complex management business under the COVID-19 pandemic, resulting in a decrease in revenue during the year.

| | Year ended 31 December | | | |
|-------------------------------------|------------------------|---------------------|-----------------------|---------------------|
| | 2020 | | 2019 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| Hotel management | 8,162 | 9.1 | 17,499 | 16.7 |
| Commercial property management | 26,781 | 29.9 | 16,451 | 15.7 |
| Cultural tourism complex management | 54,634 | 61.0 | 70,785 | 67.6 |
| Total | <u>89,577</u> | <u>100.0</u> | <u>104,735</u> | <u>100.0</u> |

Cost of sales

Our cost of sales primarily consists of employee benefit expenses, outsourcing labor costs, greening and cleaning expenses, cost of goods sold, outsourcing costs of tourism services, utilities, selling expenses, maintenance business costs, construction costs, professional service fees, security charges, depreciation and amortization charges, travelling and entertainment expenses, office expenses, taxes and other levies and other costs.

During the year, the cost of sales of the Group was RMB1,793.8 million (2019: RMB1,178.1 million), representing an increase of 52.3% as compared with last year. This is mainly because the Group was in a rapid development stage, and the cost of sales increased correspondingly with the increase in revenue of the Group.

Gross profit and gross profit margin

The following table sets forth our gross profit and gross profit margin by business segment during the year:

| | Year ended 31 December | | | |
|--|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2020 | | 2019 | |
| | Gross profit <i>RMB'000</i> | Gross profit margin % | Gross profit <i>RMB'000</i> | Gross profit margin % |
| Property management and value-added services: | | | | |
| Property management services | 149,908 | 17.4 | 91,990 | 15.5 |
| Community value-added services | 209,470 | 33.6 | 97,076 | 34.1 |
| Value-added services to non-property owners | <u>327,722</u> | 45.9 | <u>216,875</u> | 46.8 |
| | 687,100 | 31.3 | 405,941 | 30.3 |
| Lifestyle services | 119,867 | 32.7 | 101,245 | 32.8 |
| Commercial property management and consultation services | <u>53,750</u> | 60.0 | <u>69,098</u> | 66.0 |
| Total | <u><u>860,717</u></u> | 32.4 | <u><u>576,284</u></u> | 32.8 |

During the year, the gross profit of the Group was RMB860.7 million (2019: RMB576.3 million), representing an increase of 49.4% as compared with last year. The gross profit margin of the Group decreased slightly from approximately 32.8% for the year ended 31 December 2019 to approximately 32.4% for the year ended 31 December 2020.

The gross profit margin of our property management and value-added services increased from 30.3% for the year ended 31 December 2019 to 31.3% for the year ended 31 December 2020, which was mainly attributable to the increase in the GFA under management in 2020, where economies of scale led to an increase of 1.9 percentage points for the gross profit margin of our property management services.

The gross profit margin of our lifestyle services for the year ended 31 December 2020 was approximately 32.7%, which was at a similar level as approximately 32.8% for the year ended 31 December 2019.

The gross profit margin of our commercial property management and consultation services decreased from approximately 66.0% as of 31 December 2019 to approximately 60.0% as of 31 December 2020. The decrease was mainly attributable to the partial exemption of the commercial property management fee of the Group in the first half of 2020 under the pandemic.

Selling and marketing expenses

During the year, the selling and marketing expenses of the Group amounted to RMB52.9 million, representing an increase of 13.8% as compared with RMB46.5 million in 2019, and accounting for approximately 2.0% of our revenue, which was a decrease of 0.7 percentage points as compared with 2019. This was mainly attributable to (i) an increase in the number of employees we hired due to the expansion in our business scale; and (ii) an increase in salaries, employee benefits and other expenses paid to our sales, sales support and marketing personnel, which was in line with our revenue growth and business expansion.

Administrative expenses

During the year, the administrative expenses of the Group amounted to RMB273.4 million, representing an increase of 18.7% as compared with RMB230.3 million in 2019, and accounting for approximately 10.3% of our revenue, which was a decrease of 2.8 percentage points as compared with 2019. This was mainly attributable to an increase in the number of employees we hired in connection to the expansion in our business scale, resulting in a corresponding increase in salaries and benefits. This was in line with our revenue growth and business expansion.

Other income

During the year, other income of the Group amounted to RMB17.5 million (2019: RMB20.5 million), representing a decrease of 14.3% as compared with in 2019. The above decrease was mainly a result of the decrease in interest income from loans to external parties.

Income tax

During the year, income tax expense of the Group amounted to RMB116.2 million (2019: RMB74.7 million). The income tax rate was 20.9% (2019: 24.3%), representing a decrease of 3.4 percentage points as compared with 2019, mainly due to certain subsidiaries of the Group continue to enjoy preferential EIT rate.

Profit

During the year, the net profit of the Group amounted to RMB440.7 million, representing an increase of 93.5% as compared with RMB227.8 million in 2019. The net profit margin was 16.6%, representing an increase of 3.6 percentage points as compared

with 13.0% in 2019. This was benefited from the fact that while the business of the Group underwent rapid growth, the economies of scale resulted in a lower increase rate of administrative expenses as compared with that of revenue. During the year, the profit attributable to owners of the Company amounted to RMB426.6 million, representing an increase of 82.3% as compared with RMB234.0 million in 2019. Basic earnings per share amounted RMB0.38.

Financial resources management and capital structure

We have adopted comprehensive treasury policies and internal control measures to review and monitor our financial resources. As at 31 December 2020, the Group's cash and cash equivalents amounted to approximately RMB2,217.8 million (31 December 2019: approximately RMB584.8 million). The increase is mainly attributable to receipt of IPO proceeds. The Group maintained at net cash position as at 31 December 2020 without any borrowings. Subsequent to the reporting period, the Company has declared a final dividend of approximately RMB190.9 million in total to the shareholders of the Company in relation to profit attributable to the year ended 31 December 2020.

The gearing ratio is calculated as total borrowings divided by total equity, and the sum of long-term and short-term interest bearing bank loans and other loans as of the corresponding date divided by the total equity as of the same date. As of 31 December 2020, the gearing ratio was nil.

Trade and other receivables

As of 31 December 2020, trade and other receivables amounted to RMB1,238.3 million, representing an increase of 65.3% as compared with that of RMB749.2 million as of 31 December 2019, which was primarily attributable to the scale expansion of the Group.

Trade and other payables

As of 31 December 2020, trade and other payables amounted to RMB653.9 million, representing an increase of 37.7% as compared with that of RMB474.9 million as of 31 December 2019, which was primarily attributable to (i) the scale expansion of the Group due to the increase in the GFA under management and subcontracting of more services to independent third-party service providers; and (ii) the expansion of the intelligent community solution business under the property management services and value-added services segment.

Proceeds from the Listing

The Company's ordinary shares were listed on the main board of the Stock Exchange (the "Listing") on 15 May 2020 (the "Listing Date"). After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK\$2,280.8 million (equivalent to RMB2,088.7 million). As of 31 December 2020, the Group has used approximately RMB179.03 million of the proceeds, of which:

| Major categories | Percentage of total proceeds | Proceeds RMB'000 | Actual expenditures RMB'000 | Unused net proceeds RMB'000 |
|--|------------------------------|---------------------|--------------------------------|--------------------------------|
| 1. Strategic investment, cooperation and acquisition | 60% | 1,253,216 | 74,993 | 1,178,223 |
| 2. Enhancement of Jianye+ (建業+) platform to optimize user experience | 15% | 313,304 | 39,738 | 273,566 |
| 3. Investment in advanced information technology systems | 15% | 313,304 | 19,865 | 293,439 |
| 4. General working capital | 10% | 208,870 | 44,433 | 164,437 |
| Total | | <u>2,088,694</u> | <u>179,029</u> | <u>1,909,665</u> |

The unused proceeds are expected to be used for the above purposes within three years upon the Listing Date.

Pledge of assets

As of 31 December 2020, the Group did not have any pledged assets for its loan guarantee.

Major acquisition and disposals

Acquisition of equity interest in Jiyuan Zhongbang

Pursuant to an equity transfer agreement entered into by the Group and the shareholders of Jiyuan City Zhongbang Environmental Sanitation Co., Ltd. ("Jiyuan Zhongbang") on 25 September 2020, the Group acquired 51% equity interest in Jiyuan Zhongbang at a cash consideration of RMB16.98 million. Jiyuan Zhongbang is a waste disposal company located in Jiyuan City, Henan Province, the PRC, which provides environmental hygiene and cleaning management services, and possesses advanced technology on the production

and operation of waste disposal equipment. The equity transfer registration arrangement was completed in September 2020. Since then, Jiyuan Zhongbang has become a subsidiary of the Group.

For details, please refer to the Company's announcements dated 25 September 2020.

Save as disclosed in this announcement, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, affiliates and joint venture enterprises, nor was there any plan authorized by the Board for other material investments or additions of capital assets at the date of this announcement.

Major investment

As of 31 December 2020, the Group did not hold any significant investment.

Contingent liabilities and capital commitment

As of 31 December 2020, the Group did not have any significant contingent liabilities and capital commitment.

Events after the Reporting Period

Acquisition of equity interest in Taihua Jinye

Pursuant to an equity transfer agreement entered into by the Group and the shareholders of Taihua Jinye on 28 December 2020, the Group acquired 51% equity interest in Taihua Jinye at a cash consideration of RMB100.00 million. Taihua Jinye is a property management company located in Hengshui City, Hebei Province, the PRC. As at 31 August 2020, Taihua Jinye had an aggregate gross floor area under management of approximately 9.38 million sq.m. and contracted gross floor area reserve of 3.10 million sq.m. The acquisition was completed in January 2021. Since then, Taihua Jinye has become a subsidiary of the Group.

Save as above, there are no significant events subsequent to 31 December 2020 which would materially affect the Group's operating and financial performance as of the date of this announcement.

Employees and remuneration policy

As of 31 December 2020, we had more than 5,413 full time employees, substantially all of whom were located in Henan province.

In order to promote healthy competition among employees and motivate them to deliver their best performance, the Company has further optimised its existing remuneration and incentive system and established a performance-oriented management concept and remuneration and incentive system, according to which the remuneration levels, remuneration adjustment and job transfer of employees will be determined based on their

performance appraisal results. The overall remuneration system of the Company will also be adjusted regularly with reference to the prevailing market remuneration level to ensure the external competitiveness and internal equity of the remunerations of our employees and provide guarantees for retaining and attracting talent.

In addition, the Company has formulated and implemented human resource policies which are conducive to the sustainable development of the Company. Adhering to the talent concept of “professional spirit and professional quality”, the Company takes professional ethics and professional ability as important standards for selecting and employing employees and strengthens employee training and continuous education to constantly improve their quality. Meanwhile, the Company also places high emphasis on the career development of its employees. It assists employees to plan out their career paths according to their expertise and capabilities, provides them with various career channels and development opportunities, and cultivates and retains talent for key posts to promote the continuous improvement of its organising ability.

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the superiority, steadiness and rationality of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. During the period from the Listing Date to 31 December 2020 the Company has complied with all code provisions and mandatory disclosure requirements and where appropriate, adopted the recommended best practices set out in the Corporate Governance Code in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”) with the exception of code provision A.2.1 as addressed below.

Code provision A.2.1 — Pursuant to this code provision, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Wang Jun is currently the chairman of the Board and the chief executive officer of the Company, responsible for formulating and executing our business strategies, annual operational and financial plans of the Company.

The Board believes that vesting the roles of both chairman and chief executive officer in Mr. Wang Jun has the benefit of ensuring consistency and continuous leadership within the Group and also maximizes the effectiveness and efficiency of overall planning and execution of its strategies. The Board considers that the balance of power and authority, accountability and independent decision-making under its present arrangement will not be impaired in light of the diverse background and experience of its three independent non-executive Directors. Further, the Audit Committee of the Company comprises exclusively of independent non-executive Directors has free and direct access to the Company’s external auditors and independent professional advisers when it considers necessary. Therefore, our Directors consider that the deviation from Code Provision A.2.1 of the Corporate Governance Code is appropriate in such circumstance.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company’s securities. Having made specific enquires with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code throughout the period from the Listing Date to 31 December 2020.

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

During the year ended 31 December 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

AUDIT COMMITTEE

The audit committee of the Company has reviewed the Annual Results, including the accounting principles and practices adopted by the Group, and discussed auditing, risk management and internal control systems and financial reporting matters with the management as well as reviewed the consolidated financial statements for the year ended 31 December 2020.

REVIEW OF ANNUAL RESULTS

The Audit Committee has discussed with the management and the external auditor of the Company and has reviewed the annual results of the Group for the year ended 31 December 2020 together with the accounting standards and practices adopted by the Group. The Audit Committee has agreed with the management of the Company on the annual results of the Group for the year ended 31 December 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet, and the related notes thereto for the year ended 31 December 2020 as set out in this announcement have been agreed by the Group’s external auditor, PricewaterhouseCoopers, to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on this announcement.

FINAL DIVIDEND

The Board resolved to recommend a final dividend of HK18.0 cents (equivalent to RMB15.2 cents) per share for the year ended 31 December 2020. HK\$6.6 cents per share was distributed as interim dividend for the six months ended 30 June 2020.

ANNUAL GENERAL MEETING

The 2020 AGM will be held on Friday, 7 May 2021 and the notice thereof will be published and despatched to the shareholders of the Company in a manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining shareholders' eligibility to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Tuesday, 4 May 2021 to Friday, 7 May 2021 (both days inclusive), during which period no transfer of shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 3 May 2021, for registration.

For the purposes of determining the entitlement to the proposed final dividend, the register of members of the Company will be closed on Thursday, 13 May 2021, which no transfer of shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 12 May 2021, for registration.

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

This annual results announcement is published on the websites of the Company (www.ccnewlife.com.cn) and the Stock Exchange (<http://www.hkexnews.hk>). The Company's annual report for the year ended 31 December 2020 will be despatched to the shareholders and published on the aforesaid websites in due course.

By Order of the Board
Central China New Life Limited
Wang Jun
Chairman

Hong Kong, 26 March 2021

As at the date of this announcement, the Board comprises: (i) Mr. Wang Jun (Chairman) and Mr. Wang Qian as executive Directors; (ii) Ms. Wu Lam Li and Ms. Min Huidong as non-executive Directors; and (iii) Mr. Leong Chong, Ms. Luo Laura Ying and Ms. Xin Zhu as independent non-executive Directors. This announcement is available for viewing on the website of the Stock Exchange at www.hkexnews.hk and the Company's website at www.ccnewlife.com.cn.