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ROISERV 榮万家

Roiserv Lifestyle Services Co., Ltd.

榮萬家生活服務股份有限公司

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

(Stock code: 2146)

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

2020 RESULTS HIGHLIGHTS

- Total revenue of the Group for the year amounted to approximately RMB1,807.2 million, representing a year-on-year increase of approximately 41.0%.
- Gross profit of the Group for the year amounted to approximately RMB507.5 million, representing a year-on-year increase of approximately 117.1%.
- Gross profit margin for the year was 28.1%, representing a year-on-year increase of 9.9 percentage points.
- Net profit of the Group for the year amounted to approximately RMB263.8 million, representing a year-on-year increase of approximately 133.1%.
- Adjusted net profit (excluding the Listing expenses and share-based payments) of the Group for the year was approximately RMB302.8 million, representing a year-on-year increase of approximately 165.2%.
- Profit attributable to the owners of the Company for the year amounted to RMB263.8 million, representing a year-on-year increase of approximately 132.9%.
- Contracted GFA for the year was approximately 90.2 million sq.m., representing an increase of approximately 12.8 million sq.m..
- GFA under management for the year was approximately 59.7 million sq.m., representing an increase of approximately 9.4 million sq.m..
- The Board recommends the payment of a final dividend of RMB0.15 per share (before tax) for the year ended December 31, 2020.

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Roiserv Lifestyle Services Co., Ltd. (the “**Company**”) is pleased to announce the consolidated annual results of the Company and its subsidiaries (the “**Group**”) for the year ended December 31, 2020 (the “**Relevant Year**”) with the comparative figures for the preceding financial year as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended December 31,	
		2020	2019
	Notes	RMB'000	RMB'000
Revenue	4	1,807,157	1,282,039
Cost of sales		(1,299,633)	(1,048,263)
Gross profit		507,524	233,776
Selling and marketing expenses		(9,403)	(2,163)
Administrative expenses		(155,389)	(116,605)
(Impairment losses)/reversal of impairment losses on financial assets		(9,670)	9,967
Other income	5	28,453	39,501
Other (losses)/gains — net		(5,673)	1,238
Operating profit		355,842	165,714
Finance income/(costs) — net		3,991	(13,147)
Profit before income tax		359,833	152,567
Income tax expenses	6	(96,077)	(39,409)
Profit and total comprehensive income for the year		<u>263,756</u>	<u>113,158</u>
Profit and total comprehensive income attributable to:			
— Owners of the Company		263,756	113,232
— Non-controlling interests		—	(74)
		<u>263,756</u>	<u>113,158</u>
Earnings per share (expressed in RMB per share)			
— Basic and diluted	7	<u>0.97</u>	<u>0.44</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		December 31,	
	<i>Notes</i>	2020	2019
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment		19,467	13,352
Investment properties		70,829	75,516
Intangible assets	8	8,261	1,084
Other receivables	9	16,828	71,824
Deferred income tax assets		8,085	12,629
		123,470	174,405
Total non-current assets		123,470	174,405
Current assets			
Inventories		28,801	16,403
Contract assets		41,064	50,804
Prepaid taxes		13,806	14,381
Trade and other receivables and prepayments	9	1,048,353	752,257
Loans and interest receivables due from related parties		—	482,076
Restricted cash		1,700	100,000
Cash and cash equivalents		603,186	228,867
		1,736,910	1,644,788
Total current assets		1,736,910	1,644,788
Total assets		1,860,380	1,819,193

		December 31,	
		2020	2019
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
EQUITY			
Equity attributable to owners of the Company			
Share capital/Paid-in capital	10	282,000	60,310
Reserves	11	216,217	129,768
Retained earnings		136,587	188,892
		<hr/>	<hr/>
Total equity		<u>634,804</u>	<u>378,970</u>
LIABILITIES			
Non-current liabilities			
Contract liabilities		19,873	20,723
Lease liabilities		12,462	57,748
Deferred income tax liabilities		4,322	5,202
		<hr/>	<hr/>
Total non-current liabilities		<u>36,657</u>	<u>83,673</u>
Current liabilities			
Contract liabilities		311,541	237,880
Trade and other payables	12	831,941	1,003,671
Borrowings		—	90,000
Current income tax liabilities		42,678	16,091
Lease liabilities		2,759	8,908
		<hr/>	<hr/>
Total current liabilities		<u>1,188,919</u>	<u>1,356,550</u>
		<hr/>	<hr/>
Total liabilities		<u>1,225,576</u>	<u>1,440,223</u>
		<hr/>	<hr/>
Total equity and liabilities		<u>1,860,380</u>	<u>1,819,193</u>

NOTES TO FINANCIAL STATEMENTS

1 GENERAL INFORMATION

1.1 General information

Roiserv Lifestyle Service Co., Ltd. (the “**Company**”, formerly known as “**Langfang RiseSun Property Service Co., Ltd.**”) was incorporated in the People’s Republic of China (the “**PRC**”) on November 2, 2000 as a limited liability company under the Company Law of the PRC. The address of the Company’s registered office is East Daxiang Line and North Heyuan Road (within Xianghe Xiandai Water Industry Co., Ltd), Jiangxintun Town, Xianghe County, Langfang, Hebei Province, PRC.

On January 15, 2021, the Company was listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Listing**”).

The Company and its subsidiaries (together, the “**Group**”) are principally engaged in the provision of property management services, value-added services to non-property owners and community value-added services in the PRC.

The Company’s parent company is RiseSun Real Estate Development Co. Ltd. (“**RiseSun Development**”), a real estate company established in the PRC and listed on the Shenzhen Stock Exchange Co., Ltd (stock code SZ 002146).

These consolidated financial statements are presented in Renminbi (“**RMB**”).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with the Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties, financial assets at fair value through profit or loss (“**FVPL**”).

The preparation of the consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies.

All effective standards, amendments to standards and interpretations, which are mandatory for the financial year beginning on January 1, 2020, are retrospectively and consistently applied to the Group for both years presented.

2.2 Changes in accounting policy and disclosures

New standards and interpretations not yet adopted

Up to the date of issuance of this report, the HKICPA has issued the following new standards and amendments to existing standards which are not yet effective and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKFRS 9, HKAS 39, HKFRS 4 and HKFRS 16	Interest rate benchmark reform — phase 2	January 1, 2021
Amendments to HKFRS 3	Reference to the conceptual framework	January 1, 2022
Amendments to HKAS 16	Property, plant and equipment: proceeds before intended use	January 1, 2022
Amendments to HKAS 37	Onerous contracts — cost for fulfilling a contract	January 1, 2022
Annual improvements project	Annual improvements to HKFRSs 2018–2020 (amendments)	January 1, 2022
Revised accounting guideline 5	Merger accounting for common control combinations	January 1, 2022
Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	Annual improvements to HKFRS standards 2018–2020	January 1, 2022
Amendments to HKAS 1	Classification of liabilities as current or non-current	January 1, 2023
HKFRS 17	Insurance contracts (new standard)	January 1, 2023
HKFRS 17	Amendments to HKFRS 17	January 1, 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	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has commenced an assessment of the impact of these new standards and amendments to standards. According to the preliminary assessment made by the directors, no significant impact on the Group's financial performance and position is expected when they become effective.

3 SEGMENT INFORMATION

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

During the years ended December 31, 2020 and 2019, the Group is principally engaged in the provision of property management services, community value-added services and value-added services to non-property owners in the PRC. Management views the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is used to make strategic decisions.

The major operating entity of the Group is domiciled in the PRC. Accordingly, the Group's revenue was derived in the PRC.

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

4 REVENUE

Revenue mainly comprises proceeds from property management services, value-added services to non-property owners and community value-added services. An analysis of the Group's revenue by category as of December 31, 2020 and 2019 is as follows:

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Property management services	897,662	703,218
Community value-added services	195,171	147,052
— Sales of goods	75,843	48,570
— Other value-added services	119,328	98,482
Value-added services to non-property owners	714,324	431,769
	<u>1,807,157</u>	<u>1,282,039</u>
Type of services		
Revenue from contract with customers:	1,797,676	1,279,184
— at a point in time	144,372	69,162
— over time	1,653,304	1,210,022
Revenue from other sources	9,481	2,855
	<u>1,807,157</u>	<u>1,282,039</u>

For the years ended December 31, 2019 and 2020, revenue from RiseSun Group contributed 38% and 42% of the Group's revenue, respectively. Other than RiseSun Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue during the years ended December 31, 2019 and 2020.

5 OTHER INCOME

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Interest income from loans due from related parties	22,558	30,487
Interest income on finance lease	3,539	8,617
Government grants (<i>Note (a)</i>)	2,356	397
	<u>28,453</u>	<u>39,501</u>

(a) There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any forms of government assistance.

6 INCOME TAX EXPENSES

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Current income tax		
— PRC corporate income tax	92,413	35,267
Deferred income tax		
— PRC corporate income tax	3,664	4,142
	<u>96,077</u>	<u>39,409</u>

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

	Year ended December 31,	
	2020	2019
	RMB'000	RMB'000
Profit before income tax	359,833	152,567
Tax charge at corporate income tax rate of 25%	89,958	38,142
Tax effects of:		
— Expenses not deductible for tax purposes	10,526	2,826
— Effect of different tax rates available to different subsidiaries and branches of the Group	(4,303)	(1,666)
— Tax losses and deductible temporary differences for which no deferred income tax asset was recognised	—	107
— Utilisation of previously unrecognised tax losses	(104)	—
PRC corporate income tax	<u>96,077</u>	<u>39,409</u>

The effective income tax rate was 25.8% and 26.7% for the years ended December 31, 2019 and 2020, respectively.

PRC corporate income tax

Income tax provision of the Group in respect of operations in the PRC 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%. Certain subsidiaries and branches of the Group were qualified as “Small Low-Profit Enterprise” and will be taxed at the reduced tax rate of 20% from January 1, 2008. Starting from January 1, 2019 to December 31, 2021, “Small Low-Profit Enterprise” was entitled to a preferential income tax rate that was calculated in accordance with the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first RMB1 million of the taxable income of qualified entities are taxed at 5%, and the taxable income above RMB1 million and less than RMB3 million are taxed at 10%.

7 EARNINGS PER SHARE

On April 23, 2020, the Company was converted into a joint stock company. For the purpose of computing basic and diluted earnings per share, ordinary shares were assumed to have issued and allocated on January 1, 2017 as if the Company has been converted from a limited liability company into a joint stock company by then. On May 22, 2020, the Group adopted a share incentive scheme by issuing 23,733,000 shares to Shengyide Commercial, under which, the Group did not have legal obligation to repurchase the incentive shares that fail to meet the vesting conditions.

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the year ended December 31, 2019 and 2020. The Company did not have any potential ordinary shares outstanding during the years ended December 31, 2019 and 2020. Diluted earnings per share is equal to basic earnings per share.

	Year ended December 31,	
	2020	2019
Profit for the year attributable to owners of the Company (RMB'000)	263,756	113,232
Weighted average number of ordinary shares deemed to be in issue (in thousands)	272,767	258,267
Basic and diluted earnings per share attributable to the owners of the Company during the year (expressed in RMB per share)	<u>0.97</u>	<u>0.44</u>

8 INTANGIBLE ASSETS

	Software RMB'000
As at January 1, 2020	
Cost	1,292
Accumulated amortisation	<u>(208)</u>
Net book amount	<u>1,084</u>
Year ended December 31, 2020	
Opening net book amount	1,084
Additions	8,010
Amortisation	<u>(833)</u>
Closing net book amount	<u>8,261</u>
As at December 31, 2020	
Cost	9,301
Accumulated amortisation	<u>(1,040)</u>
Net book amount	<u>8,261</u>
As at January 1, 2019	
Cost	111
Accumulated amortisation	<u>(109)</u>
Net book amount	<u>2</u>
Year ended December 31, 2019	
Opening net book amount	2
Additions	1,181
Amortisation	<u>(99)</u>
Closing net book amount	<u>1,084</u>
As at December 31, 2019	
Cost	1,292
Accumulated amortisation	<u>(208)</u>
Net book amount	<u>1,084</u>

No intangible asset is restricted or pledged as security for liabilities as at December 31, 2019 and 2020.

9 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables (<i>Note (a)</i>)		
— Related parties	442,985	248,577
— Third parties	254,226	140,389
	<u>697,211</u>	<u>388,966</u>
Note receivables	<u>184,647</u>	49,017
	<u>881,858</u>	<u>437,983</u>
Less: allowance for impairment of trade receivables	<u>(17,082)</u>	<u>(8,732)</u>
	<u>864,776</u>	<u>429,251</u>
Other receivables		
— Related parties	56,709	243,758
— Third parties	37,383	26,979
	<u>94,092</u>	<u>270,737</u>
Less: allowance for impairment of other receivables	<u>(5,742)</u>	<u>(4,513)</u>
	<u>88,350</u>	<u>266,224</u>
Prepayments to suppliers		
— Related parties	17,086	7,698
— Third parties	40,350	24,608
	<u>57,436</u>	<u>32,306</u>
Prepaid listing expenses	<u>36,060</u>	10,561
Total trade and other receivables and prepayments	<u>1,046,622</u>	<u>738,342</u>
Finance lease receivables (<i>Note (b)</i>)	18,559	85,739
Less: non-current portion of finance lease receivables (<i>Note (b)</i>)	<u>(16,828)</u>	<u>(71,824)</u>
	<u>1,731</u>	<u>13,915</u>
Current portion of trade and other receivables and prepayments	<u><u>1,048,353</u></u>	<u><u>752,257</u></u>

- (a) Trade receivables mainly represent the receivables of outstanding property management service fees and the receivables of related value-added service income.

Property management services income and value-added service income are received in accordance with the terms of the relevant services agreements, and due upon issuance of invoice.

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

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Up to 1 year	635,987	339,353
1 to 2 years	54,536	38,348
2 to 3 years	2,527	4,176
3 to 5 years	1,680	6,296
Over 5 years	2,481	793
	<u>697,211</u>	<u>388,966</u>

The Group applies the simplified approach to provide for expected credit losses prescribed by HKFRS 9. As at December 31, 2019 and 2020, a provision of RMB8,732,000 and RMB17,082,000 was made against the gross amounts of trade receivables, respectively.

- (b) A maturity analysis of finance lease receivables of the Group during the years ended December 31, 2020 and 2019 is shown in the table below:

	As at December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease receivable due:		
— Within one year	3,286	13,915
— More than one year but not exceeding two years	4,558	14,131
— More than two years but not exceeding five years	8,622	50,065
— Later than five years	8,829	37,918
	<u>25,295</u>	<u>116,029</u>
Less: Future finance income	<u>(6,736)</u>	<u>(30,290)</u>
Present value of finance lease receivables	<u>18,559</u>	<u>85,739</u>

10 SHARE CAPITAL/PAID-IN CAPITAL

The paid-in capital/share capital of the Company as at December 31, 2019 and 2020 was RMB60,310,000 and RMB282,000,000, respectively. The movements are as follows:

	Number of ordinary shares	Paid-in capital/ Share capital RMB'000
As at January 1, 2019	N/A	55,000
Capital injection from shareholder of the Company	N/A	5,310
As at December 31, 2019	N/A	60,310
Issue of shares upon the Company's conversion from a limited liability company into a joint stock company (<i>Note (a)</i>)	258,267,000	197,957
Issue of shares to Shengyide Commercial (<i>Note (b)</i>)	23,733,000	23,733
As at December 31, 2020	<u>282,000,000</u>	<u>282,000</u>

- (a) The Company was converted to a joint stock company on April 23, 2020, 258,267,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders on July 31, 2019. RMB130,084,000 of retained earnings and RMB67,873,000 of reserves were capitalised as share capital.
- (b) On May 22, 2020, the Company issued 23,733,000 shares of the Company to Shengyide Commercial at a price of RMB4.414 per share as a share incentive plan and received capital contribution amounting to RMB104,757,700 in cash from Shengyide Commercial. RMB23,733,000 and RMB81,024,700 were recorded as share capital and share premium, respectively.

11 RESERVES

	Share premium <i>RMB'000</i>	Capital reserve <i>RMB'000</i>	Share-based compensation reserve <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total <i>RMB'000</i>
Balance at January 1, 2020	—	93,671	—	20,482	15,615	129,768
Effect of the Company's conversion from a limited liability company into a joint stock company	—	(57,522)	—	(10,351)	—	(67,873)
Issue of shares	81,025	—	—	—	—	81,025
Share-based payment	—	—	36,780	—	—	36,780
Share-based payment to RiseSun Group's employees	—	—	5,950	—	(5,950)	—
Appropriation of statutory reserves	—	—	—	36,517	—	36,517
Balance at December 31, 2020	81,025	36,149	42,730	46,648	9,665	216,217
Balance at January 1, 2019	—	21	—	11,220	17,500	28,741
Capital injection from shareholder of the Company	—	93,650	—	—	—	93,650
Appropriation of statutory reserves	—	—	—	9,262	—	9,262
Deemed distribution to RiseSun Group	—	—	—	—	(1,885)	(1,885)
Balance at December 31, 2019	—	93,671	—	20,482	15,615	129,768

- (a) In accordance with relevant rules and regulations in the PRC, the PRC group entities 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 group entities.

12 TRADE AND OTHER PAYABLES

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Trade payables (<i>Note (a)</i>)		
— Related parties	10,969	12,107
— Third parties	290,567	195,243
	<u>301,536</u>	<u>207,350</u>
Other payables		
— Related parties	4,975	323,800
— Third parties	380,772	356,530
	<u>385,747</u>	<u>680,330</u>
Accrued payroll	104,419	85,322
Other taxes payables	29,162	22,387
Advance rent receipt	11,077	8,162
Interest payable	—	120
	<u>831,941</u>	<u>1,003,671</u>

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

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

	As at December 31,	
	2020	2019
	RMB'000	RMB'000
Up to 1 year	273,150	201,707
1 to 2 years	24,317	5,449
2 to 3 years	3,909	173
Over 3 years	160	21
	<u>301,536</u>	<u>207,350</u>

The balances of trade payables over 1 year mainly represent the amounts due to third party contractors for renovation and maintenance services that have not yet been settled.

13 DIVIDENDS

According to a shareholder resolution dated August 18, 2020, the Company declared a dividend of RMB149,460,000 to its shareholders. The dividends have been settled by the Company on September 1, 2020.

14 EVENT AFTER THE BALANCE SHEET DATE

On January 15, 2021, 94,000,000 H shares were issued upon the Listing at a price of HK\$13.46 per share raising net proceeds of approximately HK\$1,168 million.

On March 29, 2021, a dividend for the year 2020 of RMB0.15 per share amounting to a total of approximately RMB56.40 million has been proposed by the Board and is subject to approval by the shareholders of the Company at the forthcoming annual general meeting.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

The Group is a comprehensive property management service provider deeply rooted in the Bohai Economic Rim with a service network across China strategically covering core geographical areas such as the Yangtze River Delta region and the Greater Bay Area. As of December 31, 2020, the Group had a total of 305 property management projects under management with an aggregate gross floor area (“GFA”) under management of 59.7 million sq.m., covering 33 cities across 16 provinces, municipalities and autonomous regions in China. As of December 31, 2020, the Group was contracted to manage 434 property management projects with an aggregate contracted GFA of 90.2 million sq.m., covering 62 cities across 19 provinces, municipalities and autonomous regions in China.

The Group provides diversified services through three business lines, namely, property management services, value-added services to non-property owners and community value-added services. Its portfolio of managed properties comprises (i) residential properties and (ii) non-residential properties, including (a) commercial properties, such as shopping malls, office buildings and serviced apartments, and (b) public and other properties, such as industry parks, schools, factories and parks.

BUSINESS MODEL

The Group owns three major businesses, namely (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services, which constitute the comprehensive services that the Group provides to its customers, and cover the entire value chain of property management.

- **Property management services:** The Group provides property developers, property owners and residents with a wide range of property management services, primarily including security, cleaning, greening and gardening, and repair and maintenance services. Its portfolio of managed properties comprises (i) residential properties and (ii) non-residential properties, including (a) commercial properties, such as shopping malls, office buildings and serviced apartments, and (b) public and other properties, such as industry parks, schools, factories and parks. During the year ended December 31, 2020, all of the Group’s property management fees were charged on a lump sum basis.

- Value-added services to non-property owners: The Group offers a comprehensive range of value-added services to non-property owners, primarily property developers. These services primarily comprise (i) property engineering services; (ii) sales assistance services and (iii) other services which primarily include preliminary planning and design consultancy services, property delivery services and aftersales services.
- Community value-added services: The Group provides community value-added services to property owners and residents. It categorizes these services into two types: (i) home-living services which primarily include community retail and commercial procurement services and home repairs, maintenance and housekeeping services and (ii) property space management services which primarily include turnkey furnishing services and property brokerage services.

PROPERTY MANAGEMENT SERVICES

Continuous high-quality growth in GFA size

The Group adheres to the strategic objective of rapidly expanding the GFA under management, and has been rapidly expanding its property management service portfolio by obtaining new property management service contracts. As of December 31, 2020, its contracted GFA was approximately 90.2 million sq.m. under 434 projects, representing an increase of approximately 16.5% and 20.2% as compared with December 31, 2019, respectively. As of December 31, 2020, the GFA under management was approximately 59.7 million sq.m. under 305 property management projects, representing an increase of approximately 18.7% and 16.9% as compared with December 31, 2019, respectively.

In addition, as of December 31, 2020, the Group had entered into 46 framework agreements and strategic cooperation agreements with independent third party property developers, which typically set forth their intention to engage the Group as the property management services provider, the relevant project proposed to be managed by the Group and its GFA, and the proposed scope of the Group's services and property management fees. As at December 31, 2020, the properties proposed to be managed by the Group under these framework agreements and strategic cooperation agreements had an aggregate GFA of approximately 50.2 million sq.m..

The table below indicates the respective movements of the Group's contracted GFA and GFA under management for the years ended December 31, 2020 and 2019:

	Year ended December 31,			
	2020		2019	
	Contracted GFA (<i>'000 sq.m.</i>)	GFA under management (<i>'000 sq.m.</i>)	Contracted GFA (<i>'000 sq.m.</i>)	GFA under management (<i>'000 sq.m.</i>)
As of the beginning of the year	77,440	50,305	63,435	41,576
New engagements ⁽¹⁾	14,474	9,941	14,005	8,729
Terminations ⁽²⁾	1,706	550	—	—
As of the end of the year	<u>90,208</u>	<u>59,696</u>	<u>77,440</u>	<u>50,305</u>

Notes:

- (1) In relation to residential communities and non-residential communities the Group managed, new engagements primarily include preliminary property management service contracts for new properties developed by property developers and property management service contracts for residential communities replacing their previous property management service providers.
- (2) These terminations include certain property management service contracts that the Group did not renew on a voluntary basis, which are because it allocated its resources to more profitable contracts to optimise its property management portfolio.

GEOGRAPHIC PRESENCE

Since the establishment of the Group, its business footprint has extended across the country. As of December 31, 2020, the Group established business presence in 62 cities in 19 provinces, municipalities and autonomous regions in the PRC.

The following table sets out the breakdown of the total GFA under management by geographic region as of the dates indicated:

	Year ended December 31,			
	2020		2019	
	'000 sq.m.	%	'000 sq.m.	%
Bohai Economic Rim ⁽¹⁾	35,427	59.3%	28,663	57.0%
Yangtze River Delta region ⁽²⁾	14,730	24.7%	13,298	26.4%
Greater Bay Area and surrounding regions ⁽³⁾	1,801	3.0%	1,964	3.9%
Central and Western China ⁽⁴⁾	7,738	13.0%	6,380	12.7%
Total	<u>59,696</u>	<u>100.0%</u>	<u>50,305</u>	<u>100.0%</u>

Notes:

- (1) In this region, the Group provided property management services to projects located in Hebei, Liaoning, Inner Mongolia and Shandong.
- (2) In this region, the Group provided property management services to projects located in Shanghai, Jiangsu and Zhejiang.
- (3) In these regions, the Group provided property management services to projects located in Huizhou in the Greater Bay Area and other cities in Guangdong.
- (4) In this region, the Group provided property management services to projects located in Guizhou, Henan, Hunan, Sichuan, Anhui and Chongqing.

Continuous growth in average property management fees

While growing rapidly, the Group also maintains high-quality development requirements. By continuously optimising the service projects under management, increasing the charging standards for new projects under management, and increasing the prices of some projects under management, the Group has achieved a stable growth in its average property management fees. For the years ended December 31, 2020 and 2019, the unit price of the Group's consolidated average property fees was RMB1.7/sq.m./month and RMB1.6/sq.m./month, respectively.

Diversified portfolio of property management services

The Group has a diversified portfolio of properties under management comprising (i) residential properties and (ii) non-residential properties, including (a) commercial properties, such as shopping malls, office buildings and serviced apartments, and (b) public and other properties, such as industry parks, schools, factories and parks.

The tables below set forth a breakdown of the GFA under management and the number of projects under management under the Group's property management services by type of property as of the dates or for the periods indicated:

	Year ended December 31,			
	2020		2019	
	GFA under management '000 sq.m.	Number of projects under management	GFA under management '000 sq.m.	Number of projects under management
Residential properties	54,958	257	46,188	222
Non-residential properties				
— Commercial properties	1,703	38	2,169	33
— Public and other properties	3,035	10	1,948	6
Subtotal	<u>4,738</u>	<u>48</u>	<u>4,117</u>	<u>39</u>
Total	<u>59,696</u>	<u>305</u>	<u>50,305</u>	<u>261</u>

In addition, under the strong support of RiseSun Group, and leveraging the Group's extensive industry experience and brand recognition, the Group has been expanding business cooperation with independent third party property developers. As of December 31, 2020, the Group had an aggregate GFA under management of approximately 917,100 sq.m. and an aggregate contracted GFA of approximately 4.4 million sq.m. with respect to properties developed by independent third party property developers.

The following table sets out the breakdown of the total GFA under management by the type of property developers for the years ended December 31, 2020 and 2019 as of the dates indicated:

	Year ended December 31,			
	2020		2019	
	'000 sq.m.	%	'000 sq.m.	%
RiseSun Group ⁽¹⁾	58,779	98.5%	50,051	99.5%
Properties developed by independent third party property developers	917	1.5%	254	0.5%
Total	<u>59,696</u>	<u>100.0%</u>	<u>50,305</u>	<u>100.0%</u>

Note:

- (1) Including the projects independently developed by RiseSun Group and the properties jointly developed by RiseSun Group and other property developers in which RiseSun Group holds a controlling interest.

Value-added services to non-property owners

The Group provides a wide spectrum of value-added services to non-property owners, primarily property developers, through different phases of the property development and sales process, primarily including property engineering services, sales assistance services and other services. In 2020, the revenue from value-added services to non-property owners increased by 65.4% from RMB431.8 million in 2019 to approximately RMB714.3 million.

The Group improved its independent operation capabilities by optimizing business structure of property engineering services, adjusting business models, and establishing professional engineering management teams; relieved geographical restrictions, coordinated and deployed engineering resources, implemented a headquarters-branch linkage model, and further standardized the engineering business management of property companies, thus achieving cost reduction and efficiency enhancement, and accomplishing the annual performance indicators better than expected.

Through intelligent operation and standardized process, the Group provides customers with standardized and high-quality services while improving operational efficiency. The Group provides smart community designing services to property developers who expect to use its property management expertise to refine their property project designs, including but not limited to the design of smart access control systems, security patrolling systems, public facilities monitoring systems and car park management systems, so as to achieve staff reduction and efficiency enhancement. At the same time, a series of business instruction manuals such as the operation manual of the film-like service system have been formulated to clarify service standards and enhance the value of property services.

COMMUNITY VALUE-ADDED SERVICES

In order to improve the community living experience of owners and residents in the properties under the Group's management and create more value for its services, the Group provides a wide variety of community value-added services to property owners and residents, primarily including home-living services and property space management services. The revenue from community value-added services in 2020 was RMB195.2 million, representing an increase of 32.7% from RMB147.1 million in 2019.

Home-living services

The Group offers home-living services to property owners and residents with a focus on their daily needs. The primary home-living services provided by the Group include: community retail and commercial procurement services and home repairs, maintenance and housekeeping services. The revenue from home-living services in 2020 significantly increased by 16.9% from approximately RMB105.3 million in 2019 to approximately RMB123.1 million.

For community retail and commercial procurement services, the Group launched a comprehensive retail model integrating its online shopping, offline convenience stores and home delivery services. Its online shopping mall focuses on high-end consumer goods and its offline convenience stores focus on groceries. The targeted retail model lowers its operating costs and ensures product quality. Its headquarters directly manage the offline convenience stores. With such a streamlined management structure, the Group is able to respond to requests and resolve issues in a timely manner. It believes its comprehensive retail model, coupled with its home delivery services where it helps customers shop and deliver groceries to the customer's door, provide convenient shopping experience to the customers. As of December 31, 2020, the Group had a total of 36 offline convenience stores which were located in the communities under its management, with over 59,507 stock keeping units or SKUs and approximately 770,000 registered users on Rice Mall (米飯公社). The monthly average activity of the Rice Mall APP increased by 60.1% as compared to the same period of 2019.

Property space management services

The Group provides property space management services to property owners and residents, and provide turnkey furnishing services that can improve property value and convenient property brokerage services by leveraging the active engagement and close relationships with the residents that it has nurtured through its property management operations. The revenue from property space management services in 2020 significantly increased by 72.6% from approximately RMB41.8 million in 2019 to approximately RMB72.1 million.

For turnkey furnishing services, the Group successfully held events such as meetings with property owners to build communication bridges for property owners and merchants, and provided merchants with more product demonstration opportunities by recruiting candidates for sample rooms, to enable property owners to experience the life scenes in future and release their needs, and provides property owners with one-stop shopping experience and professional decoration consultation services to achieve a win-win situation.

For property brokerage business, the Group deploys a Sales and Lease Operation System (租售業務系統) which consists of a “property dictionary” system and a “resident-property matching” system. These systems securely manage customer information and efficiently match supplies and demands of the properties, provide millions of property owners with convenient rental and sales channels, and create a better service experience. Meanwhile, the Group gave full play to the personnel advantages in the industry, adopted a full-staff marketing model, formulated detailed sales plans, and actively expanded various resources, thus eventually achieving the successful completion of property brokerage indicators.

OUTLOOK

In 2021, the Group will closely follow contemporary trends and continue developing its three core business lines of property management services, value-added services to non-property owners, and community value-added services, with strong emphasis on brand leadership and customers. Taking advantage of the rapid growth and transformation of the property management industry in China, the Group believes that it is well-positioned to achieve high-quality growth focusing on both profitability and scale with access to capital and technology.

Looking forward to 2021, the Group will (i) keep customer-oriented, focus on the quality of basic services as the foundation for development, and provide meticulous on-site services, while improving the initial involvement system to start involvement from project planning and design and give play to the role of initial involvement from the perspective of customers and property services at the later stage, so as to help enhance product strength, and accomplish the change of customers’ feeling to the property services from “satisfactory” to “emotionally moved”; (ii) formulate clear strategic objectives, build teams of reasonable compositions, set a clear strategic layout, and make use of precise strategic tools to strengthen investment and expansion capabilities, enrich service forms, and promote a national strategic layout; (iii) establish maintenance and greening sharing center to break the inherent boundaries of the projects, integrate the Company’s internal resources, achieve professional management and control, and reduce cost and enhance efficiency; (iv) enrich the types of community value-added service, and develop the community economy around the “full life cycle” of property owners, add value for customers, bring growth for development, and increase the proportion of value-added services; (v) strengthen information construction, optimize and conduct platform-based transformation of the core software systems for the basic business under the two core objectives of improving operating efficiency and supporting business growth, and build a big data technology model to reduce operating costs and achieve technology empowerment, thereby improving the efficiency and quality of the Company’s decision-making process; and (vi) create an excellent corporate culture, implement semi-military management, establish precise positioning in line with the Company’s development strategy, exert equal efforts on external introduction and internal training, optimize the talent structure, and expand talent reserve.

FINANCIAL REVIEW

Revenue

During the Relevant Year, the Group derived its revenue from three business lines, namely (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

The following table sets forth the details of the Group's revenue recognised by business line for the years indicated:

	Year ended December 31,		Change in
	2020	2019	percentage
	<i>RMB'000</i>	<i>RMB'000</i>	%
Property management services	897,662	703,218	27.7
Value-added services to non-property owners	714,324	431,769	65.4
Community value-added services	195,171	147,052	32.7
Total	<u>1,807,157</u>	<u>1,282,039</u>	<u>41.0</u>

The Group's revenue increased by approximately 41.0% from RMB1,282.0 million for the year ended December 31, 2019 to RMB1,807.2 million for the year ended December 31, 2020. The increase in revenue was mainly attributable to:

- (i) the increase in revenue from property management services by approximately 27.7% from RMB703.2 million for the year ended December 31, 2019 to RMB897.7 million for the year ended December 31, 2020, which was primarily driven by the Group's business expansion, of which the GFA under management increased by approximately 18.7% from 50.3 million sq.m. as of December 31, 2019 to 59.7 million sq.m. as of December 31, 2020;
- (ii) the increase in revenue from value-added services to non-property owners by approximately 65.4% from RMB431.8 million for the year ended December 31, 2019 to RMB714.3 million for the year ended December 31, 2020, which was primarily driven by the increase in number of projects for which the Group provided services and the optimization of the charging standards for the value-added services to non-property owners; and

(iii) the increase in revenue from community value-added services by approximately 32.7% from RMB147.1 million for the year ended December 31, 2019 to RMB195.2 million for the year ended December 31, 2020, which was primarily attributable to the rapid growth of the Group's merchandise sales business and property brokerage business.

Property management services

The following table sets forth a breakdown of the Group's revenue from property management services by type of property developers for the years indicated:

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
RiseSun Group ⁽¹⁾	889,224	99.1%	701,678	99.8%
Properties developed by independent third party property developers	8,438	0.9%	1,540	0.2%
Total	<u>897,662</u>	<u>100.0%</u>	<u>703,218</u>	<u>100.0%</u>

Note:

(1) Including the projects independently developed by RiseSun Group and the properties jointly developed by RiseSun Group and other property developers in which RiseSun Group holds a controlling interest.

To facilitate the management of the property management network, the Group divides its geographic coverage into four major regions in the PRC, namely Bohai Economic Rim, Yangtze River Delta region, Greater Bay Area and surrounding regions, and Central and Western China. The following table sets out the total revenue for the years indicated from the provision of property management services by geographical coverage on the dates indicated:

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Bohai Economic Rim	530,494	59.0%	426,169	60.6%
Yangtze River Delta region	241,937	27.0%	187,815	26.7%
Greater Bay Area and surrounding regions	44,638	5.0%	36,747	5.2%
Central and Western China	80,593	9.0%	52,487	7.5%
Total	<u>897,662</u>	<u>100.0%</u>	<u>703,218</u>	<u>100.0%</u>

Value-added services to non-property owners

The Group offers a comprehensive range of value-added services to non-property owners, primarily property developers, mainly including property engineering services, on-site services and other services. The following table sets out the components of the revenue from value-added services to non-property owners for the years indicated:

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property engineering services	293,941	41.1	211,587	49.0
On-site services	209,181	29.3	158,091	36.6
Other services ⁽¹⁾	211,202	29.6	62,091	14.4
Total	<u>714,324</u>	<u>100.0</u>	<u>431,769</u>	<u>100.0</u>

Note:

- (1) Mainly including preliminary planning and design consultancy services, property delivery services and aftersales services.

Community value-added services

The Group provides two types of community value-added services, namely (i) home-living services which primarily include community retail and commercial procurement services and home repairs, maintenance and housekeeping services; and (ii) property space management services which primarily include turnkey furnishing services and property brokerage services. The community value-added services provided by the Group aim to provide property owners and residents with access to a wide range of products and services through a variety of channels, bringing more convenience to them and enhancing their living experience. The following table sets forth the components of the revenue from community value-added services for the years indicated:

	Year ended December 31,			
	2020		2019	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Home-living services	123,107	63.1	105,300	71.6
Property space management services	72,064	36.9	41,752	28.4
Total	<u>195,171</u>	<u>100.0</u>	<u>147,052</u>	<u>100.0</u>

Cost of sales

The Group's cost of sales mainly consists of (i) employee benefit expenses; (ii) maintenance costs; (iii) engineering costs; (iv) greening and cleaning expenses; (v) costs of goods sold; (vi) utilities; (vii) taxes and other levies; (viii) cost of consumables; (ix) office expenses; (x) travelling and entertainment expenses; (xi) depreciation and amortization charges; and (xii) others. The Group's cost of sales increased by approximately 24.0% from RMB1,048.3 million for the year ended December 31, 2019 to RMB1,299.6 million for the year ended December 31, 2020. The increase in the cost of sales was lower than the increase in revenue, mainly due to the impact of related policies and the effective control over employee benefits and maintenance costs.

Gross profit and gross profit margin

	Year ended December 31,			
	2020		2019	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Property management services	238,696	26.6	131,501	18.7
Value-added services to non-property owners	202,997	28.4	54,505	12.6
Community value-added services	65,831	33.7	47,770	32.5
Total	<u>507,524</u>	<u>28.1</u>	<u>233,776</u>	<u>18.2</u>

Gross profit represents revenue less cost of sales. As a result of the foregoing, the Group's gross profit increased by approximately 117.1% from RMB233.8 million for the year ended December 31, 2019 to RMB507.5 million for the year ended December 31, 2020.

The gross profit margin of the Group increased from 18.2% for the year ended December 31, 2019 to 28.1% for the year ended December 31, 2020, which was mainly attributable to the increase in the proportion and gross profit margin of value-added services to non-property owners.

Selling and marketing expenses

The Group's selling and marketing expenses mainly consist of employee benefit expenses and office expenses for its sale and marketing staff. The Group's expenses increased by approximately 334.7% from RMB2.2 million for the year ended December 31, 2019 to RMB9.4 million for the year ended December 31, 2020, primarily due to the expansion of the Group's goods sales business and greater marketing efforts.

Administrative expenses

The Group's administrative expenses mainly consist of (i) employee benefit expenses; (ii) travelling and entertainment expenses; (iii) professional service fees, primarily including legal fees and information technology usage and maintenance fees for its mobile application; (iv) office expenses; (v) bank charges; (vi) listing expenses; (vii) depreciation and amortization charges for the Group's office equipment; (viii) auditors' remuneration; (ix) cost of consumables; and (x) others. The Group's administrative expenses increased by approximately 33.3% from RMB116.6 million for the year ended December 31, 2019 to RMB155.4 million for the year ended December 31, 2020, primarily due to the increase in employee benefit expenses resulting from the implementation of share incentive scheme.

Other income

The Group's other income mainly includes (i) interest income from loans due from related parties, representing interest income derived from the Group's non-ABS loans due from related parties; (ii) interest income on financial lease from sub-leasing certain car parks and retail units; and (iii) government grants. The Group's other income decreased by approximately 28.0% from RMB39.5 million for the year ended December 31, 2019 to RMB28.5 million for the year ended December 31, 2020, primarily due to the decrease in the interest income from loans due from related parties and the decrease in the interest income on finance lease.

Other (losses)/gains — net

The Group's net other (losses)/gains mainly consist of (i) net gains from fair value change of financial assets at FVPL, including fund products and wealth management products; (ii) fair value gains on investment properties, including retail units and car parks held for rental income and capital appreciation; (iii) net losses from early termination of lease agreements and derecognition of right-of-use assets related to certain retail units and car parks the Group leased from certain property owners and residents in the properties managed by it; and (iv) others. For the year ended December 31, 2020, the Group recorded net other losses of RMB5.7 million, mainly attributable to the losses from early termination of lease agreements and derecognition of right-of-use assets.

Income tax expenses

The Group's income tax expenses mainly comprise PRC corporate income tax. The Group's income tax expenses increased by approximately 143.8% from RMB39.4 million for the year ended December 31, 2019 to RMB96.1 million for the year ended December 31, 2020. Such increase was primarily due to the increase in the Group's profit before tax as a result of its business expansion. The effective income tax rate of the Group remained relatively stable at 25.8% and 26.7% for the years ended December 31, 2019 and 2020, respectively. Such rate was higher than the PRC statutory corporate income tax rate of 25%, primarily because that certain expenses were not deductible for tax purposes (such as share-based payments).

Profit and adjusted profit for the year

As a result of the aforementioned changes in the Group's financial conditions, the Group's profit for the year increased by approximately 133.1% from RMB113.2 million for the year ended December 31, 2019 to RMB263.8 million for the year ended December 31, 2020. After excluding the Listing expenses and share-based payments (net of tax), the Group's adjusted profit for the year increased by approximately 165.2% from RMB114.2 million for the year ended December 31, 2019 to RMB302.8 million for the year ended December 31, 2020.

Non-generally accepted accounting principles (“GAAP”) financial measure

Adjusted profit is a non-GAAP measure used by the management of the Group to provide additional information on its operating performance and is not a standard measure under HKFRSs. Adjusted profit takes out the impact of the Listing expenses and share-based payments, which are non-recurring and not indicative for evaluating the actual performance of the Group's business. The management of the Group believes that such a non-GAAP measure provides additional information to investors and others in understanding and evaluating the consolidated results of operations in the same manner as the management of the Group. The following table sets forth a reconciliation between the profit for the year and adjusted profit for the year:

	Year ended December 31,	
	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	263,756	113,158
Adjusted for:		
Listing expenses (net of tax)	2,236	1,030
Share-based payments (net of tax)	36,780	—
Adjusted profit for the year	<u>302,772</u>	<u>114,188</u>

The definition of adjusted profit should not be considered in isolation or be construed as an alternative to profit for the year or any other standard measure under HKFRSs or as an indicator of operating performance. Adjusted profit of the Group may not be comparable to similarly titled measures used by other companies.

Property, plant and equipment

The Group's property, plant and equipment comprise office equipment, machinery, vehicles, leasehold improvements and right-of-use assets. As at December 31, 2019 and 2020, the Group's property, plant and equipment amounted to RMB13.4 million and RMB19.5 million, respectively. The increase in the Group's property, plant and equipment during the year ended December 31, 2020 was primarily attributable to the procurement of office equipment and machinery to support our business expansion.

Investment properties

The Group's investment properties represent car parks and retail units held to earn rentals and for capital appreciation. Its investment properties decreased from RMB75.5 million as of December 31, 2019 to RMB70.8 million as of December 31, 2020, primarily because the increase of disposal of investment properties outpaced that of purchase.

Intangible assets

The Group's intangible assets mainly include computer software. The Group's intangible assets increased from RMB1.1 million as of December 31, 2019 to RMB8.3 million as of December 31, 2020, primarily because the Group accelerated the upgrade of its information technology system.

Trade and other receivables and prepayments

The Group's trade and other receivables comprise trade receivables, note receivables, finance lease receivables, other receivables and prepayments to suppliers. As at December 31, 2020, the Group's trade and other receivables and prepayments amounted to RMB1,048.4 million, representing an increase of approximately 39.4% from RMB752.3 million as at December 31, 2019.

The Group's trade receivables mainly arise from the services provided under the Group's property management services, value-added services to non-property owners and community value-added services. As at December 31, 2020, the Group's trade receivables amounted to RMB864.8 million, representing an increase of approximately 101.4% from RMB429.3 million as at December 31, 2019, mainly due to the increase in revenue of the Group after its business expansion and the fact that the settlement speed of the customers did not accelerate.

As of December 31, 2020, the Group recorded finance lease receivables in the amount of RMB18.6 million, primarily resulting from the finance lease agreements it entered into for sub-leasing certain car parks and retail units.

The Group's other receivables primarily consist of other receivables from related parties, payments made on behalf of property owners and residents related to utility fees, tender deposits and advances to employees. Its other receivables decreased from RMB266.2 million as of December 31, 2019 to RMB88.4 million as of December 31, 2020, primarily due to a decrease in other receivables from related parties as a result of its efforts to gradually reduce its non-trade related party balance.

As at December 31, 2020, the Group's prepayments amounted to RMB57.4 million, representing an increase of approximately 77.8% from RMB32.3 million as at December 31, 2019, primarily due to an increase in energy fees prepaid to the power supply bureau as a result of an increase in the number of properties under management.

Trade and other payables

The Group's trade and other payables comprise trade payables, other payables, accrued payroll, other taxes payables and interests payable. As at December 31, 2020, the Group's trade and other payables amounted to RMB831.9 million, representing a decrease of approximately 17.1% from RMB1,003.7 million as at December 31, 2019.

The Group's trade payables primarily represent its obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers, including purchase of materials. As at December 31, 2020, the Group's trade payables amounted to RMB301.5 million, representing an increase of approximately 45.4% from RMB207.4 million as at December 31, 2019, mainly due to the increase in procurement costs driven by the business expansion.

The Group's other payables mainly represent deposits from property owners or residents and suppliers, maintenance funds for the properties under the Group's management, cash collected on behalf of property developers and owners, utility fees paid on behalf of property owners and residents and accrued listing expenses. As at December 31, 2020, the Group's other payables amounted to RMB385.7 million, representing a decrease of approximately 43.3% from RMB680.3 million as at December 31, 2019, mainly due to a decrease in other payables to related parties as a result of its efforts to gradually reduce its non-trade related party balance.

As at December 31, 2020, accrued payroll amounted to RMB104.4 million, representing an increase of approximately 22.4% from RMB85.3 million as at December 31, 2019, mainly due to the increase in number of employees and salary increment in line with business expansion.

Working capital

The Group believes that, taking into account the financial resources available to it, it has sufficient working capital to meet the needs for working capital, capital expenditure and other capital needs.

Net current assets

As at December 31, 2020, the Group's net current assets amounted to RMB548.0 million (December 31, 2019: RMB288.2 million). The Group's total current assets increased by approximately 5.6% from RMB1,644.8 million as at December 31, 2019 to RMB1,736.9 million as at December 31, 2020. The Group's total current liabilities decreased by approximately 12.4% from RMB1,356.6 million as at December 31, 2019 to RMB1,188.9 million as at December 31, 2020. The increase in the Group's total current assets was primarily attributable to the increase in trade receivables caused by business expansion and the increase in the cash and cash equivalents resulting from the accelerated settlement and recovery of non-trade receivables due from related parties.

Cash and cash equivalents

As at December 31, 2020, the Group's cash and cash equivalents amounted to RMB603.2 million, representing an increase of approximately 163.5% from RMB228.9 million as at December 31, 2019, mainly due to the acceleration of the collection of non-trade receivables from related parties.

Indebtedness

As at December 31, 2020, the Group did not have any bank loan or convertible loan (December 31, 2019: RMB90 million).

Pledge of assets

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

SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any significant investment or significant acquisition of subsidiaries, associates and joint ventures during the year ended December 31, 2020.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group intends to utilise the net proceeds raised from the Listing according to the plans set out in the section headed “Future Plans and Use of Proceeds” in the prospectus of the Company dated December 31, 2020 (the “**Prospectus**”).

Financial risks

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

Market risk

(i) *Foreign exchange risk*

The Group’s businesses are principally conducted in RMB. As at December 31, 2020, major non-RMB liabilities were other receivables which were denominated in Hong Kong dollar (“**HK\$**”) or US dollar (“**US\$**”). Fluctuation of the exchange rates of RMB against HK\$ or US\$ could affect the Group’s results of operations.

As at December 31, 2020, if RMB had strengthened/weakened by 5%, against US\$ and HK\$ with all other variables held constant, post-tax profit for the Relevant Year would have been RMB301,000 (2019: RMB222,000) higher/lower, respectively.

(ii) *Cash flow and fair value interest rate risk*

The Group’s interest rate risks arise from borrowings. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at December 31, 2020, the Group was not exposed to any material cash flow and fair value interest rate risk since all borrowings had been repaid.

Credit risk

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets, cash deposits at banks and financial assets at FVPL. The carrying amounts of trade and other receivables, cash and cash equivalents and financial assets at FVPL represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group expects that there is no significant credit risk associated with cash deposits at banks since they are substantially deposited at banks of high credit ratings. Management does not expect that there will be any significant losses from non-performance by these counterparties.

The Group expects that there is no significant credit risk associated with financial assets at FVPL since the Group furnishes investment mandates to commercial banks, and these mandates require them to invest in wealth management products with high market credit rating, liquidity and stable return. Management expects that there will be no significant losses from non-performance by these counterparties.

The Group assessed that the expected credit loss (ECL) rate for trade and note receivables and contract assets from related parties were low considering the good financial position and credit history of the related parties. The Directors believe that there is no material credit risk inherent in trade and note receivables and contract assets from related parties.

Apart from trade receivables and contract assets due from related parties, the Group has a large number of customers and there was no concentration of credit risk.

The Group expects the credit risk associated with other receivables due from related parties (including the loans due from related parties) to be low, since these entities have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from these entities are immaterial under the 12 month ECL method and considered them to have low credit risk, and thus the loss allowance is immaterial.

For other receivables due from third parties, the management makes periodic collective assessments as well as individual assessment on the recoverability of other receivables based on historical settlement records and past experience. The Directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables.

Liquidity risk

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

CONTINGENT LIABILITIES AND LITIGATIONS

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

COMMITMENTS

As at December 31, 2020, the Group had no capital commitment (December 31, 2019: nil), and the lease commitment of the Group as a lessee amounted to RMB0.7 million (December 31, 2019: RMB0.04 million).

KEY FINANCIAL RATIOS

As at December 31, 2020, the current ratio was 1.46 (December 31, 2019: 1.21) and its liabilities to assets ratio was 65.9% (December 31, 2019: 79.2%).

Current ratio is calculated based on the total current assets divided by the total current liabilities as at the respective dates and multiplied by 100%. Liabilities to assets ratio is calculated based on the total liabilities, which represent the sum of current liabilities and non-current liabilities, divided by total assets, which represent the sum of current assets and non-current assets, as at the respective dates and multiplied by 100%.

OFF-BALANCE SHEET COMMITMENTS AND ARRANGEMENTS

As at December 31, 2020, the Group had no off-balance sheet commitments and arrangements.

PROCEEDS FROM LISTING

The H shares of the Company were listed on the main board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on January 15, 2021, with 94,000,000 new H shares issued. The net proceeds from the Listing amounted to approximately HK\$1,168 million. Such proceeds will be applied in the same manner as set out in the Prospectus:

- Approximately 60.0% will be used to pursue selective strategic investment and acquisition opportunities to further expand business scale and geographic coverage and broaden service offerings;
- Approximately 15.0% will be used to enrich the Group’s community value-added service offerings;
- Approximately 15.0% will be used to upgrade the Group’s information technology infrastructure and promote smart community management; and
- Approximately 10.0% will be used for general business purpose and working capital.

EMPLOYEE AND REMUNERATION POLICY

Human resource has always been the most valuable resource of the Group. As at December 31, 2020, the Group had a total of 8,813 full-time employees. For the year ended December 31, 2020, the staff cost recognised as expenses of the Group amounted to RMB592.9 million (2019: RMB583.0 million).

The Group has established a competitive compensation structure and a performance assessment system, providing equity incentives and performance-based salaries and bonuses. The Group provides incentives based on evaluation of employees' performance in a number of areas, such as business development, value-added services, basic service quality and overall performance. The Group provides incentives and bonuses on a combination of monthly, quarterly, annual and mid-to-long-term basis, and on regular and matter-specific basis, to motivate the employees' contribution. To retain talents and thus achieve the strategic and operating objectives of the Group, the Company adopted a share incentive scheme on May 22, 2020. According to the relevant PRC laws and regulations, the Group makes contributions to social insurance fund, including pension fund, medical insurance, unemployment insurance, work-related injury insurance, and maternity insurance, and housing provident fund for the benefit of the PRC employees.

In determining the remuneration of the Directors, the Board will make reference to the proposal of the remuneration committee of the Board, taking into account, among others, their respective duties and responsibilities, individual performance and the prevailing market conditions.

The Group focuses on cultivating talents and providing systematic trainings catering to individual needs. For example, the Group provides trainings on market analysis and operating strategy to senior management, trainings on team management and resource integration to mid-level management staff, and trainings on business professionalism and standardized operation to the project managers, and continuously establishes and optimizes a hierarchical talent cultivation system to clear the development path for talents. For the year ended December 31, 2020, the Group organized approximately 200 training sessions, and nearly 10,000 employees participated in these sessions.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

On January 15, 2021, the Company was listed on the main board of the Stock Exchange with the global offering of the Company's H shares with a par value of RMB1 each, including the public offering of 9,400,000 H shares in Hong Kong and the international offering of 84,600,000 H shares both at the price of HK\$13.46 per share (the "**Global Offering**"). The net proceeds from the Global Offering amounted to approximately HK\$1,168 million.

The over-allotment option regarding the Global Offering was not exercised and has lapsed on February 7, 2021.

Save as disclosed above, there have not been any significant events taken place that have a material impact on the Group from December 31, 2020 up to the date of this announcement.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

Since the Company was not a listed company during the year ended December 31, 2020, the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) did not apply to the Company during this period, but has been applicable to the Company from January 15, 2021 (the “**Listing Date**”). The Board has reviewed the Company’s corporate governance practices, and is satisfied that the Company has complied with the code provisions under the Corporate Governance Code and the recommended best practices therein from the Listing Date to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

Since the Company’s shares were not listed on the Stock Exchange as of December 31, 2020, the relevant rules of the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules were not applicable to the Company during the year ended December 31, 2020. The Company has made specific enquiries to all the Directors, and all the Directors confirmed that they have complied with the required criteria set out in the Model Code from the Listing Date to the date of this announcement.

AUDIT COMMITTEE

The Board has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Audit Committee are to review and monitor the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit. The Audit Committee consists of three members, namely Mr. Siu Chi Hung, Mr. Zhang Wenge and Mr. Jin Wenhui. The chairman of the Audit Committee is Mr. Siu Chi Hung, who holds appropriate accounting qualification.

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 December 31, 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 December 31, 2020.

SCOPE OF WORK OF PRICEWATERHOUSECOOPERS

The figures in respect of the Group's consolidated statement of profit or loss and comprehensive income, consolidated statement of financial position, and the related notes thereto for the year ended December 31, 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 Relevant 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 HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Since the Company was not listed on the Stock Exchange as of December 31, 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the year ended December 31, 2020.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, since the Listing Date and up to the date of this announcement, the Company had maintained sufficient public float of at least 25% of the Company's total number of issued shares as required under the Listing Rules.

ANNUAL GENERAL MEETING

The upcoming annual general meeting of the Company will be held on Wednesday, June 30, 2021 (the "2020 AGM"), and the Company will publish the notice of the 2020 AGM in the manner required by the Listing Rules and dispatch the notice of the 2020 AGM to the shareholders on or before April 30, 2021.

FINAL DIVIDEND

The Board recommends the payment of a final dividend of RMB0.15 per share (before tax) in the form of cash for the year ended December 31, 2020. The proposed final dividend is subject to the approval of the shareholders of the Company at the 2020 AGM. The proposed final dividend to the holders of domestic shares will be declared and payable in RMB, and that to the holders of H shares will be declared in Renminbi and payable in Hong Kong dollars. Subject to the approval of the Company's shareholders at the 2020 AGM, the proposed final dividend is expected to be paid on or before Tuesday, August 31, 2021.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2020 AGM

For determining the entitlement to attend and vote at the 2020 AGM, the register of members of the Company will be closed from Friday, June 25, 2021 to Wednesday, June 30, 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2020 AGM, unregistered holders of shares of the Company shall lodge all the share transfer documents accompanied by the relevant share certificates with the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the registration of transfer of shares not later than 4:30 p.m. on Thursday, June 24, 2021.

For determining the entitlement to the proposed final dividend

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, July 7, 2021 to Friday, July 9, 2021, both days inclusive, during which period no transfer of shares of the Company will be registered. In order to qualify for the proposed final dividend, unregistered holders of shares of the Company shall lodge all the share transfer documents accompanied by the relevant share certificates with the H share registrar of the Company, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for the registration of transfer of shares not later than 4:30 p.m. on Tuesday, July 6, 2021.

PUBLICATION OF 2020 ANNUAL RESULTS AND 2020 ANNUAL REPORT ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY

This announcement is published on the website of the Stock Exchange at www.hkexnews.hk as well as the website of the Company at www.roiserv.com. The annual report of the Company for the year ended December 31, 2020 will be dispatched to the shareholders of the Company and made available on the websites of the Stock Exchange and the Company on or before April 30, 2021.

By order of the Board
Roiserv Lifestyle Services Co., Ltd.
Geng Jianfu
Chairman and Executive Director

Hong Kong, March 29, 2021

As at the date of this announcement, the executive Directors are Mr. Geng Jianfu, Mr. Xiao Tianchi and Mr. Liu Yonggang, the non-executive Director is Mr. Zhang Wenge; and the independent non-executive Directors are Mr. Jin Wenhui, Mr. Siu Chi Hung and Mr. Tang Yishu.

Any discrepancy in any table between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.