THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **KWG Living Group Holdings Limited**, you should at once hand this circular to the purchaser(s) or the transferee(s) or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).

合景悠活
KWG LIVING

KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

MAJOR TRANSACTION
ACQUISITION OF 80% EQUITY INTERESTS IN CEDAR TECHNOLOGY GROUP CO., LTD.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

Financial adviser to the Company

邁時資本
MAXA CAPITAL

Capitalised terms used in this cover page shall have the same meaning as those defined in this circular.

A letter from the Board is set out on pages 5 to 19 of this circular.

A notice convening the EGM to be held at Infinity Room, 3rd Floor, W Guangzhou, 26 Xian Cun Road, Pearl River New Town, Tianhe District, Guangzhou, People's Republic of China on Monday, 5 July 2021 at 3:00 p.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for use at the meeting is enclosed. Whether or not you are able to attend the EGM, you are requested to complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible and in any event not less than 48 hours before the appointed time for holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

(i) Compulsory body temperature checks
(ii) Wearing of surgical face masks
(iii) No provision of refreshments and corporate gifts

Any attendee who does not comply with the precautionary measures (i) and (ii) above may be denied entry to the EGM venue.

For the health and safety of the shareholders, Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy instead of attending the EGM in person. If any Shareholders wishes to attend in person, the Shareholder is advised to pay attention to the latest epidemic-control and protection arrangements implemented by the Central Government of the People's Republic of China and the Government of the Hong Kong Special Administrative Region.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders shall check the Company's website (www.kwgliving.com) and/or the HKEXnews website (www.hkexnews.hk) for future announcements and updates on the EGM arrangements.

17 June 2021

CONTENTS

In this circular, the following expressions have the following meanings unless the context otherwise requires:

"Acquisition"	the acquisition of the Sale Interests by the Purchaser from the Vendor on the terms and subject to the conditions set forth in the Acquisition Agreement
"Acquisition Agreement"	the conditional sale and purchase agreement dated 17 January 2021 entered into between the Purchaser, the Vendor, the Guarantors and the Target Company in relation to the Acquisition
"Administrative Completion Date"	the date on which all administrative, managerial and operational documents and items of the Target Group having been passed to, and acknowledged receipt by, the Purchaser in accordance with the Acquisition Agreement
"Announcement"	the announcement of the Company dated 18 January 2021 in relation to the Acquisition
"Audited Net Profit"	the audited net profit after taxation and excluding extraordinary items of the Guaranteed Target Group in the manner agreed in the Acquisition Agreement
"Board"	the board of Directors
"Cedar Group"	雪松實業集團有限公司 (Cedar Industrial Group Limited*), a company established in the PRC with limited liability and is ultimately and beneficially owned by ZHANG Jing (張勁)
"Company"	KWG Living Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (Stock code: 3913)
"Completion"	completion of the Acquisition in accordance with the terms and conditions of the Acquisition Agreement and upon issuance of the new business licence of the Target Company
"Consideration"	the consideration for the Sale Interests, being RMB1,316,000,000
"Controlling Shareholders"	the group of controlling shareholders as defined in the Prospectus
"Director(s)"	the director(s) of the Company
"EGM"	the extraordinary general meeting of the Company to be convened to approve, among others, the Acquisition Agreement and the transactions contemplated thereunder

"Enlarged Group"	the Group as enlarged by the Target Group
"GFA"	gross floor area
"Global Offering"	the Hong Kong public offering and the international offering as defined in the Prospectus
"Group"	the Company and its subsidiaries
"Guaranteed Target Group"	the Target Group excluding 廣州松雲智慧城市科技有限公司 (Guangzhou Songyun Smart City Technology Co., Ltd.*), 上海長物網絡科技有限公司 (Shanghai Changwu Network Technology Co., Ltd.*) and 上海銀鑰匙網絡有限公司 (Shanghai Yinyaoshi Network Co., Ltd.*), and their subsidiaries
"Guarantors"	Cedar Group and Qixing Partnership
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"Independent Third Party(ies)"	a person, or in the case of a company, the company of its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
"Joint Representatives"	ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited
"Joint Sponsors"	ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited
"Latest Practicable Date"	10 June 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"PRC"	the People's Republic of China
"Prospectus"	the prospectus of the Company dated 19 October 2020
"Purchaser"	廣東省合景悠活控股集團有限公司 (Guangdong Hejing Youhuo Holdings Group Co., Ltd.*), a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company

"Qixing Partnership"	壽光市齊興企業管理中心(有限合夥) (Shouguang Qixing Enterprise Management Center (Limited Partnership)*), a limited partnership established in the PRC and is ultimately and beneficially owned as to approximately 32.32% by SU Qi (蘇齊), 25.9% by LIU Guifeng (劉桂鋒), 12.35% by CHUN Zhengxing (淳正興), 5.93% by LIAN Hancai (連漢才), 2.33% by DAI Yonghua (代勇華), 1.90% by MA Zeyan (馬澤雁), 1.84% by LI Hailing (李海玲), 1.84% by YIN Feng (尹鋒), 1.69% by ZHOU Shanshan (周姍姍), 1.69% by NIU Hongxia (牛紅霞), 1.48% by XIANG Yuan (向媛), 1.27% by ZHANG Quanmin (張泉敏), 1.06% by LU Kai (呂凱), 0.85% by CHANG Qing (常青), 0.85% by LU Changlei (陸常磊), 0.85% by LUO Xu (羅旭), 0.85% by DU Tiejun (杜鐵軍), 0.85% by XIAO Xianghua (肖祥華), 0.63% by TAN Yiping (譚一萍), 0.63% by ZHANG Xinfa (張新發), 0.63% by HOU Kai (侯凱), 0.55% by TANG Jun (唐俊), 0.43% by ZHONG Baojian (鐘寶劍), 0.43% by MEI Anping (梅安平), 0.42% by ZHOU Chunxiu (周春秀), 0.21% by LIN Peitian (林佩甜) and 0.21% by CUI Jijun (崔吉軍)
"Relevant Periods"	the two years ending 31 December 2022 and each a "Relevant Period"
"RMB"	Renminbi, the lawful currency of the PRC
"Sale Interests"	80% equity interests of the Target Company
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) in the share capital of the Company
"Share Charges"	the share charges to be granted respectively by the Guarantors in favour of the Purchaser over the 17% and 3% equity interests held respectively by the Guarantors in the Target Company as security for the Vendor's performance of its obligations under the Acquisition Agreement
"Shareholder(s)"	holder(s) of the Share(s)
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	雪松智聯科技集團有限公司 (Cedar Technology Group Co., Ltd.*), a company established in the PRC with limited liability, which is held as to 80% by the Vendor, 17% by Cedar Group and 3% by Qixing Partnership as at the Latest Practicable Date
"Target Group"	the Target Company and its subsidiaries

"Track Record Period"	the period comprising the three years ended 31 December 2020
"Vendor"	廣州市祥泰商務管理有限公司 (Guangzhou Xiangtai Business Management Co., Ltd.*), a company established in the PRC with limited liability and is ultimately and beneficially owned as to 60% by CHEN Yi (陳怡) and 40% by YE Shujun (葉淑君)
"Working Days"	any day which banks in the PRC are open for business, except Saturdays, Sundays and statutory holidays as announced by the PRC government
"%"	per cent

* *For identification purpose only*

Notes: Certain amounts and percentage figures set out in this circular have been subject to rounding adjustments.

合景悠活
KWG LIVING

KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

Executive Directors:
KONG Jiannan *(Chief Executive Officer)*
YANG Jingbo
WANG Yue

Non-executive Director:
KONG Jianmin *(Chairman)*

Independent Non-executive Directors:
LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum

Registered Office:
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

Principal Place of Business in Hong Kong:
Unit 8205A, Level 82
International Commerce Centre
1 Austin Road West
Kowloon
Hong Kong

17 June 2021

To the Shareholders

Dear Sir or Madam,

MAJOR TRANSACTION
ACQUISITION OF 80% EQUITY INTERESTS IN CEDAR TECHNOLOGY GROUP CO., LTD.
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the Announcement in relation to the Acquisition.

As set out in the Announcement, on 17 January 2021, the Purchaser (an indirect wholly-owned subsidiary of the Company), the Vendor, the Guarantors and the Target Company entered into the Acquisition Agreement, pursuant to which the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Interests, representing 80% equity interests of the Target Company, for the Consideration of RMB1,316,000,000 in cash.

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition; (ii) financial information of the Group; (iii) financial information of the Target Company; (iv) unaudited pro forma financial information of the Enlarged Group; (v) the business valuation report of the Sale Interests; and (vi) the notice of the EGM.

THE ACQUISITION AGREEMENT

The principal terms of the Acquisition Agreement are summarised as follows:

Date

17 January 2021

Parties

(1) the Purchaser;

(2) the Vendor;

(3) the Guarantors; and

(4) the Target Company.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor, the Target Company, the Guarantors and their respective ultimate beneficial owners are Independent Third Parties as at the Latest Practicable Date.

Assets to be acquired

Pursuant to the Acquisition Agreement, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the Sale Interests, representing 80% equity interests of the Target Company.

Consideration

The Consideration is RMB1,316,000,000, which was arrived at after arm's length negotiations between the Purchaser and the Vendor with reference to, among other things, (i) a preliminary valuation amount of the Sale Interests of RMB1,353,000,000 as at 30 November 2020 valued by an independent valuer using market approach; and (ii) the reasons and benefits as set out in the paragraph headed "Reasons for and benefits of the Acquisition" below. An updated valuation report as at 31 December 2020 is set out in Appendix V to this circular.

The Consideration shall be settled in cash using net proceeds raised from the Global Offering which were allocated for the purpose of strategic acquisition and investment. As at the Latest Practicable Date, the Directors confirm that the Target Company met the acquisition criteria as disclosed in the Prospectus.

Payment Schedule

The Consideration shall be payable according to the following schedule:

1st instalment

Within five (5) Working Days upon fulfilment of the following conditions, the Purchaser shall pay the 1st instalment in the amount of RMB658,000,000, being 50% of the Consideration to the Vendor:

(a) the passing by the Shareholders, who are entitled to vote and not required to be abstained from voting under the Listing Rules at the EGM to be convened and held, of the necessary ordinary resolution(s) to approve, among other things, the Acquisition Agreement and the transactions contemplated thereunder;

(b) within ten (10) Working Days upon fulfilment of condition (a), the fulfilment of the following conditions:

  (i) all necessary consents, internal approvals and resolutions having been obtained by the Vendor, the Guarantors and the Target Company that may be required under the applicable laws and regulations for and/or in connection with the transactions contemplated under the Acquisition Agreement and the Guarantors having waived their respective first right of refusal to acquire the Sale Interests;

  (ii) the Share Charges having been executed; and

  (iii) all representations and warranties given by the Vendor and the Target Company under the Acquisition Agreement remaining true and accurate and there having been no material adverse change to the business, assets and financial conditions of the Target Company since 30 November 2020.

The Target Company shall within two (2) Working Days upon the Vendor's receipt of the 1st instalment proceed with the registration of the transfer of the Sale Interests and the change in the Target Company's business particulars, and deliver the relevant acknowledgement receipts to the Purchaser accordingly.

2nd instalment

Within five (5) Working Days upon fulfilment of the following conditions, the Purchaser shall pay the 2nd instalment in the amount of RMB263,200,000, being 20% of the Consideration to the Vendor:

(a) the conditions set out in paragraphs (a) and (b) in relation to the payment of the 1st instalment of the Consideration being satisfied;

(b) the registration of the transfer of Sale Interests by the Vendor to the Purchaser and the change in the Target Company's business particulars having been completed, and the Target Company having obtained the new business license;

(c) the registration of the Share Charges having been completed; and

(d) passing of administrative, managerial and operational documents and items of the Target Group to the Purchaser in accordance with the Acquisition Agreement having been completed.

3rd instalment

Within ten (10) Working Days upon fulfilment of the following conditions, the Purchaser shall pay the 3rd instalment in the amount of RMB329,000,000, being 25% of the Consideration to the Vendor:

(a) the conditions set out in paragraphs (a) and (b) in relation to the payment of the 1st instalment of the Consideration being satisfied; and

(b) within three (3) months upon the fulfilment of the conditions set out in paragraphs (a) and (b) in relation to the payment of the 1st instalment of the Consideration, the registration of the change in legal representatives, directors, supervisors and senior management of the members of the Target Group as nominated by the Purchaser having been completed.

4th instalment

Within five (5) Working Days upon the expiry of six (6) months from the Administrative Completion Date, the Purchaser shall pay the 4th instalment in the amount of RMB65,800,000, being 5% of the Consideration (less any undisclosed or unsettled debts and liabilities pursuant to the Acquisition Agreement) to the Vendor.

Completion

Completion takes place upon fulfilment of condition (b) in relation to the payment of the 2nd instalment of the Consideration.

Upon Completion, the Purchaser will hold 80% interests in the Target Company and the Target Company will become an indirect non wholly-owned subsidiary of the Company and accordingly, the assets, liabilities and financial results of the Target Group will be consolidated into the consolidated financial statements of the Group.

NON-COMPETITION UNDERTAKING

Pursuant to the Acquisition Agreement, the Vendor and the Guarantors undertake that within the Relevant Periods, unless with the written consent of the Purchaser, each of them (including their respective shareholders and ultimate beneficial owners) shall not: (i) engage in any business which competes with the business of the Target Group; (ii) provide business consultancy services and technical services to the competitors of the Target Group; (iii) shall not form, whether directly or indirectly, joint venture which competes with the business of the Target Group or invest in the competitors of the Target Group; (iv) solicit, request, induce or encourage, whether directly or indirectly, the employees of the Target Group to leave the Target Group or employ them; and (v) engage in property management projects or engage in developing other businesses which may be competing with the business of the Target Group.

FINANCIAL GUARANTEES

Pursuant to the Acquisition Agreement, the Vendor irrevocably warrants and guarantees to the Purchaser that the Audited Net Profit of the Guaranteed Target Group for each of the Relevant Periods shall increase by not less than 5% as compared to that of the immediate financial year preceding each of the Relevant Period (the "**Guaranteed Profit**").

Upon expiry of the Relevant Periods, if the aggregate Audited Net Profit for the Relevant Periods (the "**Aggregate Audited Net Profit**") of the Guaranteed Target Group shall be less than the aggregate Guaranteed Profit for the Relevant Periods (the "**Aggregate Guaranteed Profit**"), the Guarantors shall compensate to the Purchaser in cash for the value of "A" below within ten (10) working days:

A = (Average of the Guaranteed Profit for the Relevant Periods — average of the Audited Net Profit for the Relevant Periods) x (projected valuation amount of the Target Group of RMB1,645,000,000 with reference to the Consideration/the audited net profit of the Target Group for the year ended 31 December 2020) x 80%

Upon expiry of the Relevant Periods, if the Aggregate Audited Net Profit shall be higher than the Aggregate Guaranteed Profit, (i) 50% of the excess net profit after taxation and excluding extraordinary items attributable to the Target Company (the "**Excess Net Profit**") shall be distributed to the management team designated by the Guarantors; and (ii) 80% and 20% of the remaining Excess Net Profit shall be distributed to the Purchaser and the Guarantors, respectively.

The Audited Net Profit for each Relevant Period shall be determined by qualified auditors within three (3) months after the end of 31 December 2021 and 2022.

The main purpose of the Acquisition is to accelerate growth in GFA under management of the Group, enhance market development capability and generally increase market shares of the Group in the industry. Although the three companies, namely 廣州松雲智慧城市科技有限公司 (Guangzhou Songyun Smart City Technology Co., Ltd.*), 上海長物網絡科技有限公司 (Shanghai Changwu Network Technology Co., Ltd.*) and 上海銀鑰匙網絡有限公司 (Shanghai Yinyaoshi Network Co., Ltd.*), and their subsidiaries are included in the Target Group, their main business scope is to provide consulting service to both other members of the Target Group and other property management companies in the industry and their operating models are different from other companies in the Target Group. Based on the information available to the Company, the financial contribution of these companies was immaterial compared with the rest of the Target Group in 2020. Given that the Guaranteed Target Group includes all main operating companies which drive the GFA growth of the Target Group and the immaterial contribution of such excluded companies to the Target Group, the Company considered it appropriate to exclude such companies from the Guaranteed Target Group after arm's length negotiation with the Vendor. After completion of the Acquisition, the aforementioned excluded companies will continue to provide consulting services to the Enlarged Group and other property management companies in the industry, it is expected that they will not incur any material losses in the Relevant Periods.

INFORMATION ON THE PARTIES TO THE AGREEMENT

The Purchaser

The Purchaser is a company established in the PRC with limited liability and is an indirect wholly-owned subsidiary of the Company. The Purchaser is principally engaged in property management.

The Vendor

The Vendor is a company established in the PRC with limited liability and is principally engaged in provision of consultancy services. Based on public information available and as at the Latest Practicable Date, the Vendor is ultimately and beneficially owned as to 60% by CHEN Yi (陳怡) and 40% by YE Shujun (葉淑君).

The Guarantors

Cedar Group is a company established in the PRC with limited liability and is principally engaged in real estate development and investment. Based on public information available and as at the Latest Practicable Date, Cedar Group is ultimately and beneficially owned by ZHANG Jing (張勁).

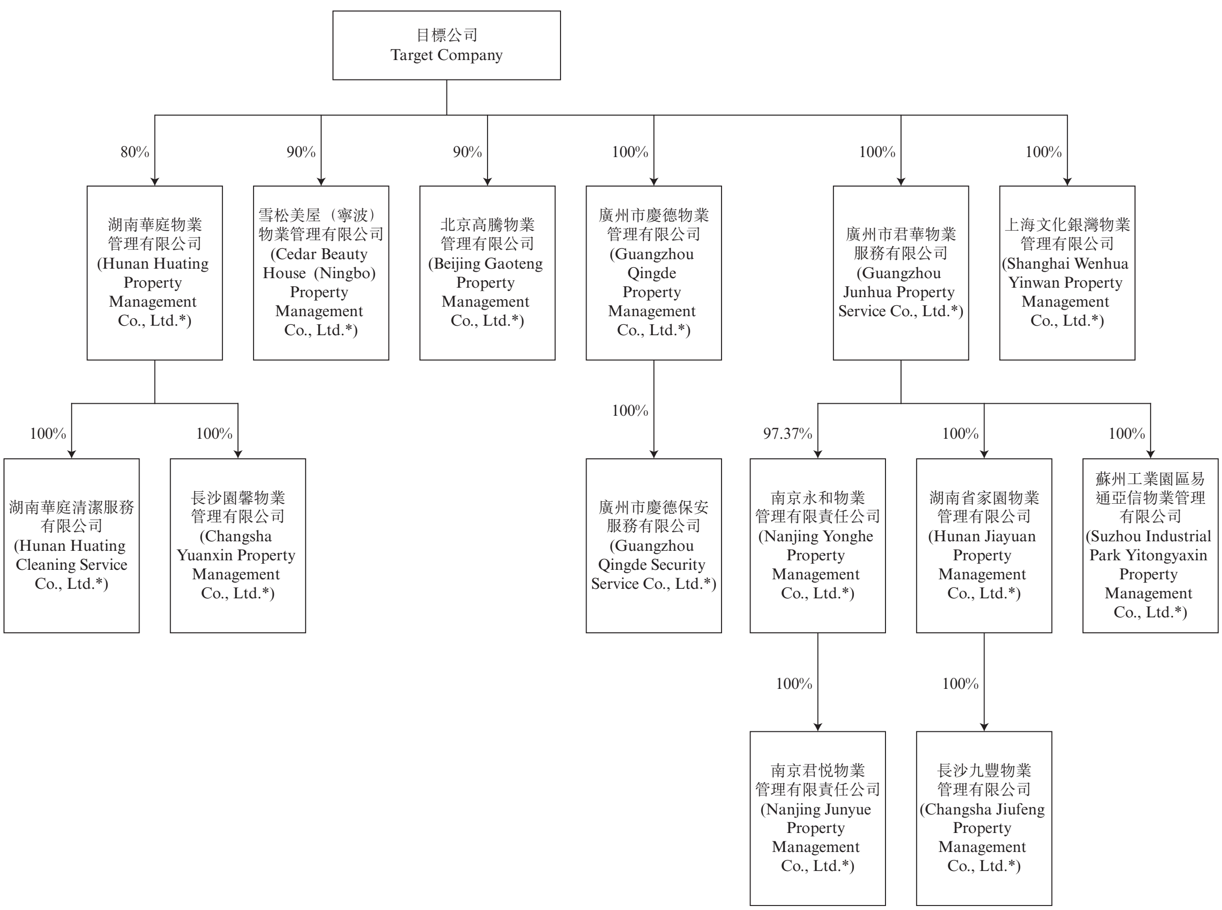
Qixing Partnership is a limited partnership established in the PRC and formed with the purpose of investing in the business of the Target Group. Based on public information available as at the Latest Practicable Date, Qixing Partnership is ultimately and beneficially owned as to approximately 32.32% by SU Qi (蘇齊), 25.9% by LIU Guifeng (劉桂鋒), 12.35% by CHUN Zhengxing (淳正興), 5.93% by LIAN Hancai (連漢才), 2.33% by DAI Yonghua (代勇華), 1.90% by MA Zeyan (馬澤雁), 1.84% by LI Hailing (李海玲), 1.84% by

YIN Feng (尹鋒), 1.69% by ZHOU Shanshan (周姍姍), 1.69% by NIU Hongxia (牛紅霞), 1.48% by XIANG Yuan (向媛), 1.27% by ZHANG Quanmin (張泉敏), 1.06% by LU Kai (呂凱), 0.85% by CHANG Qing (常青), 0.85% by LU Changlei (陸常磊), 0.85% by LUO Xu (羅旭), 0.85% by DU Tiejun (杜鐵軍), 0.85% by XIAO Xianghua (肖祥華), 0.63% by TAN Yiping (譚一萍), 0.63% by ZHANG Xinfa (張新發), 0.63% by HOU Kai (侯凱), 0.55% by TANG Jun (唐俊), 0.43% by ZHONG Baojian (鐘寶劍), 0.43% by MEI Anping (梅安平), 0.42% by ZHOU Chunxiu (周春秀), 0.21% by LIN Peitian (林佩甜) and 0.21% by CUI Jijun (崔吉軍).

The Target Group

The Target Company is a company established in the PRC with limited liability and is principally engaged in property management.

The simplified corporate and shareholding structure of the Target Group is set out below:



Each of 雪松美屋(寧波)物業管理有限公司 (Cedar Beauty House (Ningbo) Property Management Co., Ltd.*), 北京高騰物業管理有限公司 (Beijing Gaoteng Property Management Co., Ltd.*), 廣州市君華物業服務有限公司 (Guangzhou Junhua Property Service Co., Ltd*), 長沙園馨物業管理有限公司 (Changsha Yuanxin Property Management Co., Ltd.*), 南京永和物業管理有限責任公司 (Nanjing Yonghe Property

Management Co., Ltd*), 湖南省家園物業管理有限公司 (Hunan Jiayuan Property Management Co., Ltd.*), 蘇州工業園區易通亞信物業管理有限公司 (Suzhou Industrial Park Yitongyaxin Property Management Co., Ltd.*), 南京君悦物業管理有限責任公司 (Nanjing Junyue Property Management Co., Ltd.*) and 長沙九豐物業管理有限公司 (Changsha Jiufeng Property Management Co., Ltd.*) is a company established in the PRC with limited liability and is principally engaged in property management.

The minority shareholders of 湖南華庭物業管理有限公司 (Hunan Huating Property Management Co., Ltd.*), 雪松美屋(寧波)物業管理有限公司 (Cedar Beauty House (Ningbo) Property Management Co., Ltd.*) and 北京高騰物業管理有限公司 (Beijing Gaoteng Property Management Co., Ltd.*) are 長沙德潤涵貿易有限公司 (Changsha Derunhan Trade Co, Ltd.*), TU Yuanwei (屠元偉) and YU Hongbo (于洪波), respectively. 長沙德潤涵貿易有限公司 (Changsha Derunhan Trade Co, Ltd.*) is held as to 90% and 10% by YIN Feng (尹鋒) and YIN Bin (尹斌), respectively. All of the minority shareholders and their ultimate beneficial owners stated above are Independent Third Parties.

The information on Guangzhou Qingde Property Management Co., Ltd.*, Hunan Huating Property Management Co., Ltd.*, Shanghai Wenhua Yinwan Property Management Co., Ltd.*, Beijing Gaoteng Property Management Co., Ltd.* and their subsidiaries are disclosed in the paragraph headed "Reasons for and benefits of the Acquisition" below.

Apart from the above, the Target Group has 10 other wholly-owned subsidiaries and 11 other non wholly-owned subsidiaries which are immaterial as compared to the size of the Target Group as at the Latest Practicable Date.

Set forth below is the audited consolidated financial information of the Target Group for the two years ended 31 December 2020:

	For the year ended 31 December 2019 *(RMB'000)*	**For the year ended 31 December 2020** *(RMB'000)*
Revenue	928,848	1,235,945
Net profit before tax	95,912	140,849
Net profit after tax	65,363	100,105

As at 31 December 2020, the audited total assets value and net assets value of the Target Group amounted to approximately RMB1,652,659,000 and RMB927,739,000, respectively.

As disclosed in the Prospectus, the Group has entered into agreements to acquire the equity interests of, *inter alia*, 南京君悦物業管理有限責任公司 (Nanjing Junyue Property Management Co., Ltd.*), 長沙九豐物業管理有限公司 (Changsha Jiufeng Property Management Co., Ltd.*), 長沙園馨物業管理有限公司 (Changsha Yuanxin Property Management Co., Ltd.*) and 蘇州工業園區易通亞信物業管理有限公司 (Suzhou Industrial Park Yitongyaxin Property Management Co., Ltd.*) (the "**Subject Entities**") (the "**Post-TRP Acquisitions**").

As at the date of the Acquisition Agreement, each of the Subject Entities is a member of the Target Group and the Post-TRP Acquisitions have yet to be completed. As a result of the Acquisition, the respective agreements entered in respect of the Post-TRP Acquisitions will no longer proceed further. Nevertheless, upon Completion, each of the Subject Entities will become subsidiary of the Group and the assets, liabilities and financial results of the Subject Entities will be consolidated into the consolidated financial statements of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

It is envisaged that the Acquisition will enable the Group to swiftly expand its GFA under management nationwide and optimise the mix of the Company's principal operations to forge an advantage for development underpinned by diversification and multiple brands; the Acquisition can generate synergies which will facilitate the growth of the Group into a nationwide provider of smart operating services with a comprehensive business profile covering multiple brands and the entire industry chain. The Acquisition will enable the Company to deliver greater benefit, value and return to the Shareholders.

Leaping growth in GFA under management and swift expansion of regional footprint

The Target Group is a leading "smart city" service operator in the PRC. As of 31 December 2020, the Target Group managed over 1,000 projects with an aggregate GFA under management of over 86 million square metres. Following the Completion, the Group's aggregate GFA under management is expected to exceed 120 million square metres. Meanwhile, the extensive presence in various city clusters in the PRC already established by the Target Group, including East China, South China, Central and West China, will be conducive to the swift completion of the Group's nationwide strategic deployment. Through the Acquisition, the Group's dominant position in the Guangdong-Hong Kong-Macao Greater Bay Area and Yangtze River Delta Area will be further strengthened with increasing market shares in these regions; in the meantime, the Acquisition will also enable the Group to swiftly expand into and cover key regions with enormous potential for development, such as regions in Bohai Economic Rim and Central and West China, as well as to enhance the Group's competitiveness in regional markets.

Diversification and multi-brand development covering all business profiles and the entire industry chain

The Target Group is committed to the integration of diversified property management business profiles and the creation of service standards for different business profiles such as businesses, residential properties, schools, hospitals, municipal facilities and offices, in order to forge core competitiveness and service brands in different business profiles. Meanwhile, the Target Group owns a number of well-known property enterprise brands with high brand recognition nationwide as well as in regional markets. Its subordinate brands have strong market leadership and influence in sub-segment service markets for infrastructure facilities such as residential properties, urban public space, government offices, industry parks, schools and hospitals. Following the Completion, the premium brands of the Target Group will complement and substantially enhance the brand of the Group, laying a solid foundation for the nationwide expansion of the Group in scalable and professional areas.

Enhancing market development capability and generally increasing market shares

The Target Group is one of the largest and fastest-growing enterprises in the PRC with a strong capability in endogenous market development. Through the Acquisition, the Group and the Target Group will consolidate and share market resources, and the market development capability of the Group will be comprehensively enhanced through the integration of the market development teams of both parties and with the benefit of their complementary regional advantages, thereby laying a solid foundation for the Company to become a leading property enterprise.

The subsidiaries of the Target Group enjoy the first-mover advantage in the city clusters and business profiles in which they have established their presence and are recognised leaders in selected regional markets. Following the Acquisition, the Group's GFA under management in the core city clusters of Central and West China, respectively, will each exceed 50 million square metres, and the Group will become a leading enterprise in the regional market in terms of market shares and achieve the economies of scale associated with regional hubs.

Comprehensive development empowered by smart technologies lending enormous growth opportunities for revenue from operation

The Target Group has developed proprietary smart cloud platforms on the back of its premium resources and formidable technological strengths, as it consistently empowers management services for various business profiles such as commercial and residential properties, schools, hospitals and urban public space for the construction of a novel smart city service ecology. Following the Acquisition, the Group will make strong efforts to intensify the development of technology-based smart services. Through integration with the smart cloud platform with the Target Group, the digitalisation, standardisation, delivery via mobile devices and smart operation of property services and urban services will be achieved for the creation of a new experience in the pleasant life enabled by smart city.

Through the Acquisition, the Group will come into possession of more customer resources in residential communities, commercial and office properties and public properties. On the back of the Group's formidable business strengths in various operating services, the Group will fully integrate the contents and resources of various operating services of projects managed by the Target Group and further identify new growth niche in various operating services of projects under the management of the Target Group. Through the integration of resources, the Group is expected to realise rapid growth in revenue from various operating services.

Overview of the Target Group and its service brands

Established in 2001, the Target Group is a subsidiary of Cedar Group engaged in the provision of "smart city" living services and a leading "smart city" service operator in the PRC. The Target Group develops specialised servicing systems and brands in urban living services for commercial and residential properties, municipal facilities, schools and hospitals through the integration of resources to help facilitate the construction of novel smart cities and improve the residential living environment of cities.

The Target Group owns more than 10 well-known first-tier property enterprises and Yinyaoshi Alliance (銀鑰匙聯盟), the largest alliance in the property sector in the PRC. Its service covers GFA of more than 86 million square metres nationwide, with more than 1,100 franchisee property enterprises and a business presence covering 17 provinces and 109 cities across the nation, serving approximately 31 million property owners.

Set out below is the overview of city life service brands, the core business under the Target Group:

1. **Guangzhou Qingde**

Established in 2000, 廣州市慶德物業管理有限公司 (Guangzhou Qingde Property Management Co., Ltd.*) ("**Guangzhou Qingde**"), a subsidiary of the Target Group, is an urban living service brand specialised in school services and hospital services. In 2019, Guangzhou Qingde was ranked the 84th among the Top 500 PRC Property Service Enterprises in Comprehensive Strengths (中國物業服務企業綜合實力500強) and was named among the "Top 100 PRC Property Service Enterprises" (中國物業服務百強企業) for the third year in a row, in addition to numerous honours such as the "Outstanding Education Properties Management Enterprise of the PRC (中國教育物業管理優秀企業), Outstanding Hospital Security Service Enterprise of the PRC (中國醫院安全服務優秀企業), Contract-compliant and Credit-worthy Enterprise of Guangdong Province (廣東省守合同重信用企業), Vanguard Entity of Guangdong Province (廣州市先進集體), Champion of Youth Civilisation of Guangzhou (廣州市青年文明號) and AAA Grade Enterprise in Harmonious Labour Relations of Guangzhou (廣州市勞動關係和諧AAA級企業)", among others.

Currently, as one of the market leaders in the third-party provision of services to schools and hospitals, Guangzhou Qingde is committed to becoming a specialised provider of logistics services covering the full life cycle of the industry. It has currently established extensive business presences in schools, hospitals, the rehabilitation sector, administrative institutions and high-end office buildings, covering major administrative districts in Guangzhou as well as neighbouring provinces and cities.

廣州市慶德保安服務有限公司 (Guangzhou Qingde Security Service Co., Ltd.*), a subsidiary of Guangzhou Qingde engaged in professional security services, has been named a "Vanguard Security Service Unit" of Guangzhou (廣州市"先進保安從業單位") and an "Outstanding Security Service Unit Providing Security Service at the 70th Anniversary Celebrations of New China" (新中國成立70周年大慶安保工作優秀保安從業單位).

2. Hunan Huating

Established in 2005, 湖南華庭物業管理有限公司 (Hunan Huating Property Management Co., Ltd.*) ("**Hunan Huating**"), a subsidiary of the Target Group, is an urban living service brand specialised in municipal cleaning services. Its subsidiary, 湖南華庭清潔服務有限公司 (Hunan Huating Cleaning Service Co., Ltd.*), is a specialised branded enterprise principally engaged in property cleaning services, road hygiene and cleaning, maintenance of municipal facilities, cleaning of city bridges and tunnels, exterior wall cleaning, and maintenance of stone materials.

Hunan Huating has been specialised in municipal cleaning services for 15 years and has extensive experience in cleaning service management. It holds Class I national qualifications in property management and cleaning services, and has received ISO9001: 2000 accreditation for quality management systems, ISO14001: 2004 accreditation for environmental management systems and GB/T28001 accreditation for occupational health management. It is named among the Top 10 Property Management Service Enterprises of Changsha (長沙市物業服務企業十強), Star Enterprises in "Municipal Environmental" Hygiene Cleaning Industry of Hunan Province (湖南省"市政環衛"清潔行業明星企業), Trustworthy Enterprise in the Cleaning Industry of Hunan Province (湖南省清潔行業誠信企業) and Top 100 Enterprises in the Cleaning Service Industry of the PRC (中國清潔服務行業百強企業).

3. Shanghai Yinwan

Established in 1996, 上海文化銀灣物業管理有限公司 (Shanghai Wenhua Yinwan Property Management Co., Ltd.*) ("**Shanghai Yinwan**"), a subsidiary of the Target Group, is an urban living service brand specialised in commercial and residential property services. It has been specialised in the property industry for 24 years and holds Class I national qualifications in property management. It is a national leader in terms of the provision of comprehensive community and is currently one of the largest branded enterprises for modern smart property services in the PRC. A number of its service projects have been rated as outstanding property management projects and exemplary projects (national level: 3, provincial level: 55, municipal level: 286). The business presence of Shanghai Yinwan covers 50 cities in 15 provinces in the country with more than 800 service projects, serving over 20 million property owners.

In view of the business prospects of the Target Group and leveraging on its profound experience in creating advanced technological service platforms, the Directors consider the Acquisition to be a good investment opportunity to enhance the service quality of the Group's property management services, and to bring long-term enhancement of value to the Shareholders. Based on the above, the Directors are of the view that the terms and conditions of the Acquisition Agreement are fair and reasonable and on normal commercial terms, and the Acquisition is in the interests of the Company and the Shareholders as a whole.

4. **Beijing Gaoteng**

北京高騰物業管理有限公司 (Beijing Gaoteng Property Management Co., Ltd.*) ("**Beijing Gaoteng**") was established in 1999. It has more than 20 years of experience in municipal services and is committed to provide socialized management of logistics for government agencies. It has now become a smart municipal service brand that provides property management service to state party and government agencies in the capital, featuring services for public security in the capital. Beijing Gaoteng currently has 1,500 employees, and its service footprint covers all major areas in Beijing, such as Dongcheng District, Xicheng District, Chaoyang District, Haidian District, Fengtai District and Tongzhou District. With excellent service, professionalism and dedication, it has provided high quality services to more than 60 agencies including the Central Political and Legal Affairs Commission, Beijing Municipal Public Security Bureau, Criminal Investigation Science and Technology Building, Population Management Corps, Immigration Management Corps, Public Security Management Corps, Tiananmen Branch and Haidian Detention Center. A number of projects under the management of Beijing Gaoteng have been awarded "National Model Projects for Property Management" for many times.

EFFECTS ON EARNINGS AND ASSETS AND LIABILITIES OF THE GROUP

Upon Completion, the Target Company will become an indirect non-wholly owned subsidiary of the Company and its financial results, assets and liabilities will be consolidated into the consolidated financial statements of the Group. It is expected that the Acquisition will have the following financial effects on the Group:

Assets and Liabilities

As illustrated in the unaudited pro forma financial information as set out in Appendix IV to this circular, assuming that completion of the Acquisition had taken place on 31 December 2020, the total assets of the Enlarged Group as at 31 December 2020 would increase from approximately RMB4,228.5 million to approximately RMB5,185.5 million on a pro forma basis, and the total liabilities of the Enlarged Group as at 31 December 2020 would increase from approximately RMB1,235.1 million to approximately RMB1,968.9 million on a pro forma basis. The net assets of the Enlarged Group would increase from approximately RMB2,993.5 million to approximately RMB3,216.6 million on a pro forma basis.

Earnings

Based on the consolidated financial information of the Target Company for the three years ended 31 December 2020 as set out in Appendix II to this circular, the consolidated revenue of the Target Group was approximately RMB546.4 million, RMB928.8 million and RMB1,235.9 million, respectively. The consolidated net profit after tax of the Target Group was approximately RMB28.5 million, RMB65.4 million and RMB100.1 million, respectively, for the three years ended 31 December 2020.

Upon Completion, it is expected that the Group's revenue and earnings will be increased. In view of the business prospects of the Target Group, its profound experience in smart technology and development of diversified property management business profiles, it is anticipated that the Acquisition will contribute positively to the Enlarged Group's financial performance and trading prospects in the future.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceeds 25% but all of them are less than 100%, the Acquisition constitutes a major transaction of the Company, and is subject to the reporting, announcement, circular and Shareholders' approval requirements pursuant to Chapter 14 of the Listing Rules.

GENERAL

The EGM will be convened for the Shareholders to consider, and if thought fit, approve, among other things, the Acquisition Agreement and the transaction contemplated thereunder.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the Acquisition and therefore no Shareholder is required to abstain from voting on the resolution to approve the Acquisition Agreement and the transactions contemplated thereunder at the EGM.

Completion of the Acquisition is subject to the satisfaction of the conditions precedent in the Acquisition Agreement and may or may not proceed. Shareholders and potential investors of the Company are reminded to exercise caution when dealing in the securities of the Company.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM (or at any adjournment thereof), the register of members of the Company will be closed from Tuesday, 29 June 2021 to Monday, 5 July 2021 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 28 June 2021.

RECOMMENDATION

The Directors consider that the terms of the Acquisition Agreement and the transactions contemplated thereunder are fair and reasonable and are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Acquisition Agreement and the transactions contemplated thereunder.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

1. SUMMARY OF FINANCIAL INFORMATION OF THE GROUP

The consolidated financial information of the Group for the year ended 31 December 2017, 2018, 2019 and 2020 are disclosed in the following documents which have been published on the respective websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kwgliving.com/) and are incorporated by reference into this circular:

- the Prospectus for each of the three years ended 31 December 2019 and the four months ended 30 April 2020 (pages I-1 to I-71):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2020/1019/2020101900037.pdf

- annual report of the Company for the year ended 31 December 2020 published on 22 April 2021 (pages 101-179):

  https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200759.pdf

2. INDEBTEDNESS

Debts and borrowings

As at the close of business on 30 April 2021, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Enlarged Group had outstanding borrowings and lease liabilities of approximately RMB12,542,000. Detail of which are set out as follows:

	The Enlarged Group *RMB'000*
Borrowings	
— Unsecured and unguaranteed	3,000
Lease Liabilities	9,542
Total	12,542

Contingent Liabilities

As at the close of business on 30 April 2021, the Enlarged Group did not have any material contingent liabilities.

Save as disclosed and apart from intra-group liabilities and normal trade payables in the ordinary course of business, as at the close of business on 30 April 2021, the Enlarged Group did not have any other debt securities issued and outstanding, or authorized or otherwise created but unissued, loans or any term loans (secured, unsecured, guaranteed or otherwise), any other borrowings or indebtedness in the nature of borrowing including bank overdrafts and any liabilities under acceptances (other than normal trade bills) or other similar indebtedness, acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, guarantees or other material contingent liabilities.

3. SUFFICIENCY OF WORKING CAPITAL

Taking into account the effect of the Acquisition and the financial resources available to the Enlarged Group, including without limitation, the existing bank balances and cash, internally generated funds and available credit facilities, the Directors are of the opinion that the Enlarged Group will have sufficient working capital to satisfy its requirements for at least the next 12 months from the date of this circular in the absence of unforeseeable circumstances.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS OF THE ENLARGED GROUP

The Group is principally engaged in the provision of comprehensive property management services for both residential and non-residential properties.

Despite delays in property constructions in the PRC property market brought by the unexpected outbreak of COVID-19 in early 2020, the Group's property management business has been relatively unscathed, and has recorded a consistent growth in its business performance. Upon Completion, property management will remain as the principal business segment of the Enlarged Group. It is expected that by holding a controlling stake in the Target Company, the Acquisition will enable the Group to swiftly expand its GFA under management nationwide and establish a greater presence in key economic regions in the PRC. The Board is positive that together with the premium brands of the Target Group and the increase in coverage of intelligent service systems by the Target Group, the Group's market competitiveness and performance will be further improved, thus assuring continuing financial prospects in the long run.

Looking forward, the Group will continue to proactively pursue strategic acquisition and investment opportunities to further expand its market share in the residential and non-residential property management service market when appropriate, and will also prudently manage its financial position to maintain sustainable growth and generate greater return for the Shareholders.

The following is the text of a report received from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

EY 安永

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ACCOUNTANTS' REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF KWG LIVING GROUP HOLDINGS LIMITED

Introduction

We report on the historical financial information of Cedar Technology Group Co. Ltd. (the "**Target Company**") and its subsidiaries (together, the "**Target Group**") set out on pages II-5 to II-86, which comprises the consolidated statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Target Group for each of the years ended 31 December 2018, 2019 and 2020 (the "**Relevant Periods**"), the consolidated statements of financial position of the Target Group as at 31 December 2018, 2019 and 2020 and a summary of significant accounting policies and other explanatory information (together, the "**Historical Financial Information**"). The Historical Financial formation set out on pages II-5 to II-86 forms an integral part of this report, which has been prepared for inclusion in the circular of KWG Living Group Holdings Limited (the "**Company**") dated 17 June 2021 (the "**Circular**") in connection with the acquisition of 80% equity interests in the Target Company by Guangdong Hejing Youhuo Holdings Group Co., Ltd., an indirect wholly-owned subsidiary of the Company.

Directors' responsibility for the Historical Financial Information

The directors of the Target Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants' responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants' judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity's preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants' report, a true and fair view of the financial position of the Target Group as at 31 December 2018, 2019 and 2020 and of the financial performance and cash flows of the Target Group for each of the Relevant Periods in accordance with the basis of preparation set out in note 2.1 to the Historical Financial Information.

Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page II-4 have been made.

Dividends

We refer to note 11 to the Historical Financial Information which states that no dividends have been paid by the Target Company in respect of the Relevant Periods.

No historical financial statements for the Target Company

As at the date of this report, no statutory financial statements have been prepared for the Target Company since its date of incorporation.

Ernst & Young
Certified Public Accountants
Hong Kong
17 June 2021

I HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants' report.

The financial statements of the Target Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") (the "**Underlying Financial Statements**").

The Historical Financial Information is presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand (RMB'000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Section II Notes	Year ended 31 December		
		2018	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
REVENUE	*5*	546,357	928,848	1,235,945
Cost of sales		(449,542)	(731,151)	(969,567)
Gross profit		96,815	197,697	266,378
Other income and gains	*5*	5,991	7,885	16,688
Selling and distribution expenses		(959)	(1,618)	(656)
Administrative expenses		(51,134)	(97,733)	(117,453)
Other expenses		(7,246)	(10,135)	(22,259)
Finance costs	*7*	(342)	(206)	(1,873)
Share of profit of an associate		—	22	24
PROFIT BEFORE TAX	*6*	43,125	95,912	140,849
Income tax expense	*10*	(14,634)	(30,549)	(40,744)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR		28,491	65,363	100,105
Attributable to:				
Owners of the Target Company		29,403	57,384	89,040
Non-controlling interests		(912)	7,979	11,065
		28,491	65,363	100,105
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET COMPANY				
Basic and diluted	*12*	N/A	N/A	N/A

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Section II Notes	Year ended 31 December 2018	2019	2020
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT ASSETS				
Property, plant and equipment	*13*	9,868	16,411	11,269
Investment properties	*14*	2,560	5,892	6,234
Right-of-use assets	*15*	3,100	2,285	4,534
Goodwill	*16*	93,512	293,617	525,852
Other intangible assets	*17*	25,017	75,012	150,796
Investment in an associate	*18*	—	1,000	—
Deferred tax assets	*19*	6,558	5,981	9,423
Prepayments	*21*	38,189	13,568	5,800
Total non-current assets		178,804	413,766	713,908
CURRENT ASSETS				
Trade receivables	*20*	176,107	335,649	478,990
Prepayments, other receivables and other assets	*21*	50,916	254,157	154,298
Due from a shareholder	*21*	—	—	98,912
Financial assets at fair value through profit or loss	*22*	13,734	1,536	20,558
Restricted cash	*23*	—	2,264	3,320
Cash and cash equivalents	*23*	47,216	191,184	182,673
Total current assets		287,973	784,790	938,751
CURRENT LIABILITIES				
Trade payables	*24*	46,525	91,899	124,246
Other payables and accruals	*25*	312,821	729,706	353,306
Contract liabilities	*5*	66,720	114,355	116,532
Interest-bearing bank and other borrowings	*26*	1,000	14,941	7,263
Lease liabilities	*15*	702	712	1,273
Tax payable		15,500	51,297	82,738
Total current liabilities		443,268	1,002,910	685,358
NET CURRENT ASSETS/ (LIABILITIES)		(155,295)	(218,120)	253,393
TOTAL ASSETS LESS CURRENT LIABILITIES		23,509	195,646	967,301

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (Continued)

	Section II Notes	Year ended 31 December		
		2018	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
NON-CURRENT LIABILITIES				
Lease liabilities	*15*	2,243	1,411	3,160
Interest-bearing bank and other borrowings	*26*	—	63	—
Deferred tax liabilities	*19*	5,380	18,184	36,402
Total non-current liabilities		7,623	19,658	39,562
Net assets		15,886	175,988	927,739
EQUITY				
Share capital	*27*	15,000	99,589	787,500
Reserves	*28*	(2,481)	54,903	112,913
Equity attributable to owners of the Target Company		12,519	154,492	900,413
Non-controlling interests		3,367	21,496	27,326
Total equity		15,886	175,988	927,739

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2018

	Attributable to owners of the Target Company						
	Issued capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus funds* *RMB'000* *Note 28*	Retained profits/ (accumulated losses)* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2018	15,000	—	1,135	(34,152)	(18,017)	(1,470)	(19,487)
Profit/(loss) for the year	—	—	—	29,403	29,403	(912)	28,491
Total comprehensive income/ (loss) for the year	—	—	—	29,403	29,403	(912)	28,491
Acquisition of subsidiaries *(note 29)*	—	—	—	—	—	8,882	8,882
Acquisition of non-controlling interests	—	1,133	—	—	1,133	(3,133)	(2,000)
Appropriation to statutory reserve fund	—	—	4,218	(4,218)	—	—	—
At 31 December 2018	15,000	1,133	5,353	(8,967)	12,519	3,367	15,886

Year ended 31 December 2019

	Attributable to owners of the Target Company						
	Issued capital *RMB'000*	Capital reserve* *RMB'000*	Statutory surplus funds* *RMB'000* *Note 28*	Retained profits/ (accumulated losses)* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
At 1 January 2019	15,000	1,133	5,353	(8,967)	12,519	3,367	15,886
Profit for the year	—	—	—	57,384	57,384	7,979	65,363
Total comprehensive income for the year	—	—	—	57,384	57,384	7,979	65,363
Contribution from a shareholder *(note 27)*	84,589	—	—	—	84,589	—	84,589
Acquisition of subsidiaries *(note 29)*	—	—	—	—	—	10,923	10,923
Disposal of a subsidiary *(note 30)*	—	—	—	—	—	287	287
Dividend paid to a non-controlling shareholder	—	—	—	—	—	(1,060)	(1,060)
Appropriation to statutory reserve fund	—	—	6,466	(6,466)	—	—	—
At 31 December 2019	99,589	1,133	11,819	41,951	154,492	21,496	175,988

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Continued)

Year ended 31 December 2020

	Attributable to owners of the Target Company						
	Issued capital	Capital reserve*	Statutory surplus funds*	Retained profits*	Total	Non-controlling interests	Total equity
	RMB'000	*RMB'000*	*RMB'000* *Note 28*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	99,589	1,133	11,819	41,951	154,492	21,496	175,988
Profit for the year	—	—	—	89,040	89,040	11,065	100,105
Total comprehensive income for the year	—	—	—	89,040	89,040	11,065	100,105
Contribution from shareholders *(note 27)*	687,911	—	—	—	687,911	—	687,911
Acquisition of subsidiaries *(note 29)*	—	—	—	—	—	10,567	10,567
Acquisition of non-controlling interests	—	(31,030)	—	—	(31,030)	(16,204)	(47,234)
Disposal of a subsidiary *(note 30)*	—	—	—	—	—	522	522
Dividends paid to non-controlling shareholders	—	—	—	—	—	(120)	(120)
Appropriation to statutory reserve fund	—	—	7,979	(7,979)	—	—	—
At 31 December 2020	787,500	(29,897)	19,798	123,012	900,413	27,326	927,739

* *These reserve accounts comprised the negative reserves of RMB2,481,000, reserves of RMB54,903,000 and RMB112,913,000 in the consolidated statements of financial position as at 31 December 2018, 2019 and 2020, respectively.*

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Section II Notes	Year ended 31 December 2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax		43,125	95,912	140,849
Adjustments for:				
Bank interest income	*5*	(68)	(202)	(725)
Finance costs	*7*	342	206	1,873
Fair value gains on financial assets through profit or loss	*5*	(104)	(36)	(59)
Investment income from proceeds of financial assets	*5*	(136)	(140)	(434)
Changes in fair value of investment properties	*5*	(394)	(82)	(217)
Impairment of trade receivables	*6*	3,914	4,033	6,678
Impairment of prepayments, other receivables and other assets	*6*	1,975	2,299	3,804
Depreciation of property, plant and equipment	*6*	2,489	4,729	5,958
Amortisation of other intangible assets	*6*	2,695	9,254	20,627
Depreciation of right-of-use assets	*6*	447	983	1,419
Share of profit of an associate		—	(22)	(24)
Loss on disposal of an associate	*6*	—	—	44
Gain on disposal of subsidiaries	*6*	—	(492)	(637)
Gain on bargain purchase of a subsidiary	*5*	(2,198)	—	—
(Gain)/loss on disposal of items of property, plant and equipment	*6*	(38)	162	4,730
		52,049	116,604	183,886
Increase in trade receivables		(61,562)	(90,683)	(135,576)
Decrease/(increase) in prepayments, other receivable and other assets		8,951	(170,416)	28,106
Decrease/(increase) in restricted cash		—	6,631	(1,056)
Increase in trade payables		13,024	34,903	30,281
Increase/(decrease) in contract liabilities		35,259	(983)	(6,521)
Increase/(decrease) in other payables and accruals		5,800	323,421	(308,545)
Cash generated from/(used in) operations		53,521	219,477	(209,425)
Bank interest income		68	202	725
Income tax paid		(21,549)	(9,154)	(24,137)
Net cash flows from/(used in) operating activities		32,040	210,525	(232,837)

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Section II Notes	Year ended 31 December 2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from disposal of items of property, plant and equipment		127	1,957	343
Disposal of subsidiaries	*30*	—	(185)	(1,703)
Purchase of items of property, plant and equipment		(5,429)	(3,724)	(4,244)
Purchase of items of other intangible assets		(5,338)	(684)	(1,654)
Purchases of investment properties		(2,166)	(3,250)	(125)
Purchases and investment income of financial assets at fair value through profit or loss, net		(13,494)	—	(18,529)
Proceeds from disposal of items of property, plant and equipment		—	12,374	—
Acquisition of subsidiaries, net of cash acquired	*29*	(23,659)	(157,182)	(377,815)
Acquisition of non-controlling interests		(2,000)	—	(47,234)
Net cash flows used in investing activities		(51,959)	(150,694)	(450,961)
CASH FLOWS FROM FINANCING ACTIVITIES				
New bank and other loans		—	11,304	12,379
Repayment of bank and other loans		—	(9,500)	(21,670)
Proceeds from issue of shares		—	84,589	687,911
Principal portion of lease payments		(571)	(1,091)	(1,546)
Bank loan interest paid		(247)	(105)	(1,667)
Dividends paid to non-controlling shareholders		—	(1,060)	(120)
Net cash flows from/(used in)financing activities		(818)	84,137	675,287
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		(20,737)	143,968	(8,511)
Cash and cash equivalents at beginning of the year		67,953	47,216	191,184
CASH AND CASH EQUIVALENTS AT END OF YEAR		47,216	191,184	182,673

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

	Section II Notes	**Year ended 31 December**		
		2018	**2019**	**2020**
		RMB'000	*RMB'000*	*RMB'000*
ANALYSIS OF CASH AND CASH EQUIVALENTS				
Cash and bank balances		47,216	191,184	182,673
Cash and cash equivalents as stated in the consolidated statements of financial position and statements of cash flows		47,216	191,184	182,673

II NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE INFORMATION

Cedar Technology Group Co., Ltd. (the "**Target Company**") is a limited liability company established in the People's Republic of China (the "**PRC**") on 29 July 2014. Its registered address is No. 12, Room 405, No. 4 Hengjun street, Baiyun District, Guangzhou City, Guangdong Province, the PRC.

The Target Company is an investment holding company. During the Relevant Periods, the Target Company's subsidiaries were involved in the provision of residential property management services and non-residential property management services in the PRC.

In the opinion of the Target Company's directors, the immediate and ultimate holding company of the Target Company is Guangzhou Xiangtai Business Management Co., Ltd. ("**Guangzhou Xiangtai**").

As at the date of this report, the Target Company had direct and indirect interests in its subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

Name	*Notes*	**Place and date of incorporation/ registration and place of operations**	**Nominal value of issued ordinary/ registered share capital**	**Percentage of equity attributable to the Target Company**		**Principal activities**
				Direct	**Indirect**	
Beijing Gaoteng Property Management Co., Ltd.# ("**Beijing Gaoteng**")	*(1)*	PRC/Mainland China 15 March 1999	RMB30,000,000	90	—	Property Management
Shanghai Wenhua Yinwan Property Management Co., Ltd.# ("**Shanghai Yinwan**")	*(2)*	PRC/Mainland China 23 October 1998	RMB5,500,000	100	—	Property Management
Guizhou Yinwan Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 19 November 2008	RMB5,000,000	—	100	Property Management
Jiangxi Yinwan Property Management Co., Ltd.# ("**Jiangxi Yinwan**")	*(3)*	PRC/Mainland China 4 November 2008	RMB16,000,000	—	100	Property Management
Guangxi Yinwan Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 18 September 1996	RMB16,000,000	—	100	Property Management
Henan Yinwan Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 30 June 2009	RMB6,000,000	—	100	Property Management
Sichuan Yinwan Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 3 June 2011	RMB1,000,000	—	100	Property Management
Anhui Yinwan Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 24 April 2012	RMB1,000,000	—	100	Property Management

Name	Notes	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Jiangsu Yinwan Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 31 March 2012	RMB5,000,000	—	100	Property Management
Jinan Jiaxin Property Management Co., Ltd.#	*(2)*	PRC/Mainland China 12 January 2015	RMB500,000	—	100	Property Management
Hengyang Yinwan Hexie Property Management Co., Ltd.#	*(4)*	PRC/Mainland China 3 November 2020	RMB1,000,000	—	51	Property Management
Cedar Beauty House (Ningbo) Property Management Co., Ltd.# ("**Cedar Beauty House**")	*(5)*	PRC/Mainland China 30 September 1999	RMB11,000,000	90	—	Property Management
Ningbo Haishu Kaiming Property Service Co., Ltd.#	*(6)*	PRC/Mainland China 24 April 1997	RMB575,000	—	90	Property Management
Ningbo Beauty House Security Service Co., Ltd.#	*(7)*	PRC/Mainland China 6 January 2013	RMB10,000,000	—	90	Property Management
Ningbo Jiangbei Beauty House Property Management Co., Ltd.#	*(8)*	PRC/Mainland China 16 May 2002	RMB300,000	—	63	Property Management
Guangzhou Qingde Property Management Co., Ltd.#	*(9)*	PRC/Mainland China 27 April 2002	RMB60,000,000	100	—	Property Management
Guangzhou Qingde Security Service Co., Ltd.# ("**Qingde Security**")	*(10)*	PRC/Mainland China 14 August 2015	RMB10,000,000	—	100	Security Service
Guangdong Hongshun Property Service Co., Ltd.# ("**Guangdong Hongshun**")	*(11)*	PRC/Mainland China 11 January 2007	RMB51,800,000	—	51	Property Management
Hunan Huating Property Management Co., Ltd.# ("**Hunan Huating**")	*(12)*	PRC/Mainland China 24 May 2004	RMB20,000,000	80	—	Property Management
Hunan Huating Cleaning Service Co., Ltd.#	*(12)*	PRC/Mainland China 29 May 2014	RMB20,010,000	—	80	Property Management

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Changsha Yuanxin Property Management Co., Ltd.#	*(12)*	PRC/Mainland China 5 February 2010	RMB600,000	—	80	Property Management
Guangzhou Junhua Property Service Co., Ltd.#	*(13)*	PRC/Mainland China 15 May 2001	RMB5,000,000	100	—	Property Management
Zhoushan Putuo District Zhong'an Property Co., Ltd.# ("**Zhoushan Zhong'an**")	*(8)*	PRC/Mainland China 17 October 2005	RMB3,000,000	—	90	Property Management
Zhoushan Yinxia Property Management Co., Ltd.# ("**Zhoushan Yinxia**")	*(1)*	PRC/Mainland China 9 November 1998	RMB3,000,000	—	100	Property Management
Hunan Jiayuan Property Management Co., Ltd.#	*(14)*	PRC/Mainland China 8 January 2001	RMB76,000,000	—	100	Property Management
Suzhou Yishida Property Management Co., Ltd.#	*(15)*	PRC/Mainland China 20 April 2005	RMB5,000,000	—	100	Property Management
Changsha Jiufeng Property Management Co., Ltd.#	*(14)*	PRC/Mainland China 26 April 2005	RMB3,000,000	—	100	Property Management
Suzhou Industrial Park Yitongyaxin Property Management Co., Ltd.# ("**Yitong Yaxin**")	*(16)*	PRC/Mainland China 2 March 1998	RMB3,000,000	—	100	Property Management
Nanjing Yonghe Property Management Co., Ltd.#	*(17)*	PRC/Mainland China 21 June 1994	RMB5,000,000	—	97.37	Property Management
Nanjing Junyue Property Management Co., Ltd.#	*(18)*	PRC/Mainland China 25 April 2002	RMB500,000	—	97.37	Property Management
Shanghai Changwu Network Technology Co., Ltd.# ("**Shanghai Changwu**")	*(1)*	PRC/Mainland China 28 May 2015	RMB1,000,000	100	—	Technology
Guangzhou Songyun Smart City Technology Co., Ltd.#	*(19)*	PRC/Mainland China 13 February 2018	RMB10,000,000	100	—	Technology

Name	*Notes*	Place and date of incorporation/ registration and place of operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Target Company Direct	Indirect	Principal activities
Shanghai Yinyaoshi Network Co., Ltd.# ("**Shanghai Yinyaoshi**")	*(1)*	PRC/Mainland China 3 March 2016	RMB14,286,000	67.8	—	Technology
Shanghai Shengwu Enterprise Management Consulting Co., Ltd.#	*(1)*	PRC/Mainland China 27 June 2014	RMB5,000,000	—	67.8	Management consulting
Guangdong Yinwan Property Service Co., Ltd.# ("**Guangdong Yinwan**")	*(20)*	PRC/Mainland China 12 July 2018	RMB1,000,000	—	100	Property Management

\# The English names of these companies represent the best efforts made by the directors of the Target Company to translate the Chinese names of these companies as they do not have official English names.

Notes:

(1) These entity was acquired by the Target Group in 2020 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2020.

(2) These entities were acquired by the Target Group in 2019 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2019 and 2020.

(3) This entity was acquired by the Target Group in 2019. The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC generally accepted accounting principles ("**PRC GAAP**") and regulations have been audited by Yongtuo Certificated Public Accountants LLP Guangxi Branch (永拓會計師事務所(特殊普通合夥)廣西分所).

(4) This entity was established in 2020 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2020.

(5) This entity was acquired by the Target Group in 2018. The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP regulations have been audited by Ningbo Zhongxin United Certified Public Accountants GP (寧波眾信聯合會計師事務所(普通合夥)). The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Ningbo Ruihong Certified Public Accountants GP (寧波瑞鴻會計師事務所(普通合夥)). The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with PRC GAAP and regulations have been audited by Zhonghuihua (Ningbo) Certified Public Accountants Co., Ltd (中會華(寧波)會計師事務所有限公司).

(6) This entity was acquired by the Target Group in 2018 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2018, 2019 and 2020.

(7) This entity was acquired by the Target Group in 2018. The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Ningbo Ruihong Certified Public Accountants GP (寧波瑞鴻會計師事務所(普通合夥)). The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with PRC GAAP and regulations have been audited by Zhonghuihua (Ningbo) Certified Public Accountants Co., Ltd (中會華(寧波)會計師事務所有限公司).

(8) This entity was acquired by the Target Group in 2018.The statutory financial statements of this entity for the year ended 31 December 2020 prepared in accordance with PRC GAAP and regulations have been audited by Zhonghuihua (Ningbo) Certified Public Accountants Co., Ltd (中會華(寧波)會計師事務所有限公司).

(9) This entity was acquired by the Target Group in 2017. The statutory financial statements of this entity for the year ended 31 December 2018 and 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangzhou Yuehe Certified Public Accountants GP (廣州悅禾會計師事務所(普通合夥)).

(10) This entity was acquired by the Target Group in 2018. The statutory financial statements of this entity for the year ended 31 December 2018 and 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangzhou Yuehe Certified Public Accountants GP (廣州悅禾會計師事務所(普通合夥)).

(11) This entity was acquired by the Target Group in 2018. The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangdong Deyou Certified Public Accountants GP (廣東德佑會計師事務所(普通合夥)).

(12) These entities were acquired by the Target Group in 2017 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2018, 2019 and 2020.

(13) This entity was established in 2001. The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangzhou Haocheng certified public accountants Co., Ltd (廣州皓程會計師事務所有限公司).

(14) These entities were acquired by the Target Group in 2015 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2018,2019 and 2020.

(15) This entity was acquired by the Target Group in 2015. The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Suzhou Deheng Certified Public Accountants GP (蘇州德衡會計師事務所(普通合夥)).

(16) This entity was acquired by the Target Group in 2018. The statutory financial statements of this entity for the year ended 31 December 2018 prepared in accordance with PRC GAAP and regulations have been audited by Suzhou Deheng Certified Public Accountants GP (蘇州億鑫會計師事務所(普通合夥)).

(17) These entities were acquired by the Target Group in 2016. The statutory financial statements of this entity for the year ended 31 December 2019 prepared in accordance with PRC GAAP and regulations have been audited by Guangzhou Haocheng certified public accountants Co., Ltd. (廣州皓程會計師事務所有限公司).

(18) These entities were acquired by the Target Group in 2016 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2018, 2019 and 2020.

(19) This entity was established in 2018 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2018, 2019 and 2020.

(20) These entities were acquired by the Target Group in 2020 and an auditor has not been appointed to issue an audit report to the statutory financial statements for the years ended 31 December 2020.

2.1 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**", which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from the Relevant Periods, together with the relevant transitional provisions, have been adopted by the Target Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for investment properties which have been measured at fair value.

These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

2.2 ISSUED BUT NOT YET EFFECTIVE HKFRSS

The Target Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in the Historical Financial Information.

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

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023
4 No mandatory effective date yet determined but available for adoption
5 As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
6 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in preparation of the Historical Financial Information are set out as below. These policies have been consistently applied to all the relevant periods presented. HKFRS 16 Leases is effective for annual periods beginning on or after 1 January 2019, and earlier adoption is permitted. The Target Group has applied HKFRS 16 consistently throughout the Relevant Periods.

Subsidiaries

A subsidiary is an entity (including a structured entity) directly or indirectly, controlled by the Target Company.

Control is achieved when the Target Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Target Company the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Target Company's voting rights and potential voting rights.

The Target Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. The results of subsidiaries are included in the Target Company's profit or loss to the extent of dividends received and receivable. The Target Company's investments in subsidiaries that are not classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are stated at cost less any impairment losses.

Investment in an associate

An associate is an entity in which the Target Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Target Group's investment in an associate is stated in the consolidated statement of financial position at the Target Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist.

The Target Group's share of the post-acquisition results and other comprehensive income of an associate is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of an associate, the Target Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Target Group and its associate are eliminated to the extent of the Target Group's investment in the associate, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associate is included as part of the Target Group's investment in the associate.

Business combinations other than those under common control and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Target Group, liabilities assumed by the Target Group to the former owners of the acquiree and the equity interests issued by the Target Group in exchange for control of the acquiree. For each business combination, the Target Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Target Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Target Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Target Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Target Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Target Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Target Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Fair value measurement

The Target Group measures its investment properties at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Target Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Target Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information on a recurring basis, the Target Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Target Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Target Group;

(ii) has significant influence over the Target Group; or

(iii) is a member of the key management personnel of the Target Group or of a parent of the Target Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Target Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Target Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Target Group or an entity related to the Target Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Target Group or to the parent of the Target Group.

Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statements of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Target Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Buildings (excluding the right-of-use assets)	3% to 5%
Plant and machinery	10% to 33%
Furniture and office equipment	18% to 33%
Motor vehicles (excluding the right-of-use assets)	10% to 46%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in the statements of profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Investment properties

Investment properties are interests in land and buildings held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 3 to 10 years.

Property management contracts acquired in business combinations

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 3 years.

Customer relationships acquired in business combinations

Customer relationships acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 10 years. The Target Group estimates the useful life of the customer relationships and determines the amortisation periods with reference to its industry experience and taking into account the customer turnover history and expectation of the renewal pattern of property management contracts.

Trademark

Trademark agreements acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 10 years.

Leases

The Target Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Target Group as a lessee

The Target Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Target Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Target Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (relate to the buildings and motor vehicles) are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

Buildings	2 to 17 years
Motor vehicles	1 years

If ownership of the leased asset transfers to the Target Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Target Group and payments of penalties for terminating a lease, if the lease term reflects the Target Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Target Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) Short-term leases and leases of low-value assets

The Target Group applies the short-term lease recognition exemption to its short-term leases of buildings and vehicles (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment that are considered to be of low value. When the Target Group enters into a lease in respect of a low-value asset, the Target Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Target Group as a lessor

When the Target Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Target Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Target Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("**OCI**"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Target Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Target Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Target Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("**SPPI**") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Target Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Target Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Target Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Target Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Target Group has transferred substantially all the risks and rewards of the asset, or (b) the Target Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Target Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Target Group continues to recognise the transferred asset to the extent of the Target Group's continuing involvement. In that case, the Target Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Target Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Target Group could be required to repay.

Impairment of financial assets

The Target Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Target Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Target Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Target Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Target Group considers a financial asset to be in default when internal or external information indicates that the Target Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Target Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables that do not contain a significant financing component or when the Target Group applies the practical expedient of not adjusting the effect of a significant financing component, the Target Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Target Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Target Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Target Group's financial liabilities include trade payables, other payables, lease liabilities and interest-bearing bank and other borrowings.

Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Financial guarantee contracts

Financial guarantee contracts issued by the Target Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Target Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Target Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of (i) the amount that would be recognised in accordance with the general policy for provisions above; and (ii) the amount initially recognised less, when appropriate, the amount of income recognised in accordance with the policy for revenue recognition.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Target Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and an associate, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of the reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Target Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods in which the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Target Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Target Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Target Group and the customer at contract inception. When the contract contains a financing component which provides the Target Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

Residential property management services

The Target Group provides residential property management services, pre-sale management services and community value-added services related to the residential properties to property developers, property owners, property owners' associations or residents.

(i) For residential property management services, the Target Group bills a fixed amount for services provided on a monthly or quarterly basis and recognises as revenue in the amount to which the Target Group has a right to invoice and that corresponds directly with the value of performance completed.

(ii) Pre-sale management services mainly includes cleaning, security and maintenance services for pre-sale display units and sales offices to property developers at the pre-delivery stage. The Target Group agrees the price for each service with the property developers upfront, issues the monthly bill to the property developers which varies based on the actual level of service completed in that month, and recognises revenue in the amount to which the Target Group has a right to invoice and that corresponds directly with the value of performance completed.

(iii) For community value-added services, such as resident services and property agency services to property developer, revenue is recognised when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

Non-residential property management services

The Target Group provides non-residential property management services, pre-sale management services and other value-added services related to the non-residential properties, including retails, schools, hospitals, etc., to property developers, owners of the commercial properties or tenants.

(i) The Target Group enters into non-residential property management service contracts with property owners or tenants, pursuant to which the Target Group provide non-residential property management services including file management, cleaning, security and maintenance services.

For the provision of non-residential property management services to property owners or tenants at the operation stage of the non-residential properties, the Target Group recognised the fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Target Group and all the related management costs as its cost of services.

(ii) The Target Group enters into pre-sale management services with property developers or owners of the non-residential properties, pursuant to which the Target Group provides cleaning, security and maintenance services for pre-sale display units and sales offices at the pre-delivery stage. The Target Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

(iii) The Target Group provides other value-added services mainly including car parks, advertising spaces and common area management services.

When the Target Group leases car parks from property developers, and operate the leased car parks, revenue is recognised when the related service are rendered. The Target Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Target Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Target Group acts as principal and is primarily responsible for providing the property management services to the property owners, the Target Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under a commission basis, the Target Group recognises the revenue, which is calculated by a certain percentage of the total property management fee received or receivable from the properties units on behalf of the property owners, for arranging and monitoring the services as provided by other suppliers to the property owners.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Target Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Target Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

Employee benefits

Pension scheme

The employees of the Target Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of their payroll costs to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in note 11 to the Historical Financial Information.

Interim dividends are simultaneously proposed and declared, because the Target Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Target Company's functional currency. Each entity in the Target Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Target Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the financial periods. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Target Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Target Group determines the transaction date for each payment or receipt of the advance consideration.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and other receivables

The Target Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Target Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Target Group's trade receivables and other receivables is disclosed in notes 20 and 21 to the Historical Financial Information, respectively.

Impairment of goodwill

The Target Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Target Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 16 to the Historical Financial Statements.

Leases — Estimating the incremental borrowing rate

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

Impairment of non-financial assets (other than goodwill)

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

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2018, 2019 and 2020 were RMB1,810,000, nil and nil. The amount of unrecognised tax losses at 31 December 2018, 2019 and 2020 were RMB11,133,000, RMB12,038,000 and RMB13,536,000. Further details are contained in note 19 to the to the Historical Financial Information.

4. OPERATING SEGMENT INFORMATION

The Target Group is principally engaged in property management services in Mainland China. The Target Company's directors are identified as the chief operating decision maker for the purposes of resource allocation and performance assessment and considered the property management services business to be a single operating segment. Accordingly, no segment information is reported.

Geographical information

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

Information about major customers

For the years ended 31 December 2018, 2019 and 2020, no revenue from transactions with a single external customer amounted to 10% or more of the Group's total revenue, respectively.

5. REVENUE, OTHER INCOME AND GAINS AND CONTRACT LIABILITIES

Revenue comprised proceeds from residential property management services and non-residential property management services during the Relevant Periods. An analysis of revenue is as follows:

Revenue from contracts with customers

(a) Disaggregated revenue information

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Pre-sale management services	527	6,187	12,884
Property management services	502,005	850,345	1,143,211
Community value-added services	43,825	72,316	79,850
Total revenue from contracts with customers	546,357	928,848	1,235,945

Timing of revenue recognition

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue from contracts with customers recognised over time	502,532	856,532	1,156,095
Revenue from contracts with customers recognised at a point in time	43,825	72,316	79,850
Total revenue from contracts with customers	546,357	928,848	1,235,945

Contract liabilities

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

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Third parties	66,720	114,355	116,532
Contract liabilities	66,720	114,355	116,532

Contract liabilities of the Target Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities in 31 December 2019 and 31 December 2020 were mainly due to the increase in short team advances received from customers in relation to the provision of property management services at the end of these years.

The following table shows the revenue recognised during the Relevant Periods that was included in the contract liabilities at the beginning of the Relevant Periods and recognised from performance obligations satisfied in previous periods:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Revenue recognised that was included in the contract liability balance at the beginning of the year:			
Residential property management services	11,869	29,603	48,782
Non-Residential property management services	16,787	33,340	59,100
	28,656	62,943	107,882

(b) Performance obligations

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

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

An analysis of other income and gains is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Other income and gains			
Bank interest income	68	202	725
Government grants	2,139	3,130	6,349
Gain on disposal of items of property, plant and equipment	38	—	—
Late penalty income	1	93	93
Tax incentives on value-added tax	593	3,275	7,298
Fair value gains on financial assets through profit or loss	104	36	59
Investment income from proceeds of financial assets	136	140	434
Net gain from a fair value adjustment of investment properties *(note 14)*	394	82	217
Gain on bargain purchase of a subsidiary *(note 29)*	2,198	—	—
Gain on disposal of a subsidiary *(note 30)*	—	492	637
Others	320	435	876
	5,991	7,885	16,688

6. PROFIT BEFORE TAX

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

	Section II Notes	Year ended 31 December 2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Cost of services provided		449,542	731,151	969,567
Depreciation of property, plant and equipment	*13*	2,489	4,729	5,958
Depreciation of right-of-use assets	*15*	447	983	1,419
Amortisation of other intangible assets	*17*	2,695	9,254	20,627
(Gain)/loss on disposal of items of property, plant and equipment, net*		(38)	162	4,730
Loss on disposal of an associate*		—	—	44
Gain on disposal of subsidiaries	*30*	—	(492)	(637)
Auditors' remuneration		31	93	50
Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*:				
Wages and salaries		245,655	313,762	395,723
Pension scheme contribution		14,710	22,383	10,866
		260,365	336,145	406,589
Impairment losses on financial assets:				
— Trade receivables*	*20*	3,914	4,033	6,678
— Other receivables*	*21*	1,975	2,299	3,804
		5,889	6,332	10,482
Rental expense				
— Short-term leases and low-value leases		1,434	1,902	1,124

* *The net loss on disposal of items of property, plant and equipment, loss on disposal of an associate, and impairment losses on trade receivables and other receivables are included in "Other expenses" in the consolidated statements of profit or loss and other comprehensive income.*

7. FINANCE COSTS

An analysis of finance costs is as follows:

	Year ended 31 December 2018 *RMB'000*	2019 *RMB'000*	2020 *RMB'000*
Interest on bank loans and other loans	247	105	1,667
Interest on lease liabilities *(note 15)*	95	101	206
	342	206	1,873

8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

Directors' and chief executive's remuneration for the Relevant Periods, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Fees:			
Directors	—	—	—
Other emoluments:			
Salaries, allowances and benefits in kind	215	240	128
Pension scheme contributions	1	19	—
	216	259	128

Year ended 31 December 2018

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Zhou Qinwei[1]	—	215	1	216

Year ended 31 December 2019

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Zhou Qinwei[1]	—	154	14	168
Mr. Su Qi[2]	—	240	19	259
Total	—	394	33	427

Year ended 31 December 2020

	Fees	**Salaries, allowances and benefits in kind**	**Pension scheme contributions**	**Total remuneration**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Mr. Su Qi	—	128	—	128
Mr. Ye Zhisong[3]	—	—	—	—
Mrs. Zhang Wenli[3]	—	—	—	—
Total	—	128	—	128

Notes:

1 Mr. Zhou Qinwei was appointed as a director of the Target Company with effect from 27 February 2017 and resigned as a director of the Target Company from 13 August 2019.

2 Mr. Su Qi was appointed as a director of the Target Company with effect from 13 August 2019.

3 Mr. Ye Zhisong and Mrs. Zhang Wenli were appointed as directors of the Target Company with effect from 5 June 2020.

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the Relevant Periods.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the Relevant Periods did not include directors, details of whose remuneration are set out in note 8 above. Details of the remuneration for the Relevant Periods of the 5 highest paid employees who are neither a director nor chief executive of the Target Company are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	2,760	3,052	3,162
Pension scheme contributions	52	58	21
	2,812	3,110	3,183

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
Nil to HK$1,000,000	5	5	5

10. INCOME TAX

All the companies of the Target Group are established in the PRC. The Target Group is subject to income tax on an entity basis on profits arising in or derived from the tax prevailing in the jurisdictions in which members of the Target Group are domiciled and operate.

The income tax provision of the Target Group in respect of its operation in Mainland China was calculated at the tax rate of 25% on their assessable profits for the Relevant Periods, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Current	17,302	31,751	49,617
Deferred *(note 19)*	(2,668)	(1,202)	(8,873)
Total tax charge for the year	14,634	30,549	40,744

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

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Profit before tax	43,125	95,912	140,849
Tax at the statutory tax rate (25%)	10,781	23,978	35,212
Expense not deductible for tax	1,070	3,561	2,148
Tax losses not recognised	2,783	3,010	3,384
Tax charge for the year	14,634	30,549	40,744

11. DIVIDENDS

No dividends have been paid or declared by the Target Company since its date of incorporation.

12. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE TARGET COMPANY

Earnings per share information is not presented as the Target Company is not a joint-stock company, therefore earnings per share information is not applicable.

13. PROPERTY, PLANT AND EQUIPMENT

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2018					
At 1 January 2018:					
Cost	—	2,568	6,749	1,110	10,427
Accumulated depreciation	—	(857)	(3,699)	(827)	(5,383)
Net carrying amount	—	1,711	3,050	283	5,044
At 1 January 2018, net of accumulated depreciation	—	1,711	3,050	283	5,044
Additions	—	—	3,645	1,715	5,360
Acquisition of subsidiaries *(note 29)*	20	—	1,593	360	1,973
Disposals	—	—	(8)	(12)	(20)
Depreciation provided during the year	(2)	(586)	(1,554)	(347)	(2,489)
At 31 December 2018, net of accumulated depreciation	18	1,125	6,726	1,999	9,868
At 31 December 2018					
Cost	20	2,568	11,976	3,033	17,597
Accumulated depreciation	(2)	(1,443)	(5,250)	(1,034)	(7,729)
Net carrying amount	18	1,125	6,726	1,999	9,868

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2019					
At 1 January 2019:					
Cost	20	2,568	11,976	3,033	17,597
Accumulated depreciation	(2)	(1,443)	(5,250)	(1,034)	(7,729)
Net carrying amount	18	1,125	6,726	1,999	9,868
At 1 January 2019, net of accumulated depreciation	18	1,125	6,726	1,999	9,868
Additions	—	593	1,634	1,498	3,725
Acquisition of subsidiaries *(note 29)*	5,092	161	1,083	3,397	9,733
Disposals	(10)	(517)	(92)	(1,500)	(2,119)
Disposal of a subsidiary *(note 30)*	—	—	(67)	—	(67)
Depreciation provided during the year	(146)	(866)	(2,498)	(1,219)	(4,729)
At 31 December 2019, net of accumulated depreciation	4,954	496	6,786	4,175	16,411
At 31 December 2019					
Cost	5,092	1,829	14,470	6,124	27,515
Accumulated depreciation	(138)	(1,333)	(7,684)	(1,949)	(11,104)
Net carrying amount	4,954	496	6,786	4,175	16,411

	Buildings *RMB'000*	Plant and machinery *RMB'000*	Furniture and office equipment *RMB'000*	Motor vehicles *RMB'000*	Total *RMB'000*
31 December 2020					
At 1 January 2020:					
Cost	5,092	1,829	14,470	6,124	27,515
Accumulated depreciation	(138)	(1,333)	(7,684)	(1,949)	(11,104)
Net carrying amount	4,954	496	6,786	4,175	16,411
At 1 January 2020, net of accumulated depreciation	4,954	496	6,786	4,175	16,411
Additions	259	325	3,505	155	4,244
Acquisition of subsidiaries *(note 29)*	—	473	276	986	1,735
Disposals	(3,524)	(23)	(993)	(533)	(5,073)
Disposal of a subsidiary *(note 30)*	—	—	(90)	—	(90)
Depreciation provided during the year	(189)	(812)	(3,648)	(1,309)	(5,958)
At 31 December 2020, net of accumulated depreciation	1,500	459	5,836	3,474	11,269
At 31 December 2020					
Cost	1,599	2,197	12,430	5,987	22,213
Accumulated depreciation	(99)	(1,738)	(6,594)	(2,513)	(10,944)
Net carrying amount	1,500	459	5,836	3,474	11,269

14. INVESTMENT PROPERTIES

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Carrying amount at 1 January	—	2,560	5,892
Addition	2,166	3,250	125
Net gain from a fair value adjustment	394	82	217
Carrying amount at 31 December	2,560	5,892	6,234

The Target Group's investment properties were revalued based on valuations performed by Guangzhou Zhongguangxin Assets Evaluation Co., Ltd. independent professionally qualified valuers at the end of 2018 and 2019, and based on estimates performed by the management of the Target Group at the end of 2020. Each year, the management of the Target Group decide whether to appoint an external valuer to be responsible for the external valuations of the Target Group's properties. Selection criteria include market knowledge, reputation, independence and whether professional standards are maintained. The management of the Target Group has discussions with the valuer on the valuation assumptions and valuation results once a year when the valuation is performed for annual financial reporting.

Fair value hierarchy

The following table illustrates the fair value measurement hierarchy of the Target Group's investment properties:

	Fair value measurement as at 31 December 2018 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	—	—	2,560	2,560

	Fair value measurement as at 31 December 2019 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	—	—	5,892	5,892

	Fair value measurement as at 31 December 2020 using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Recurring fair value measurement for:				
Commercial properties	—	—	6,234	6,234

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

Below is a summary of the valuation techniques used and the key inputs to the valuation of investment properties:

	Year	**Valuation techniques**	**Significant unobservable**	**Range**
Commercial properties	2018	Direct comparison method	Market price (per sq.m.)	23,086 to 29,172
Commercial properties	2019	Direct comparison method	Market price (per sq.m.)	15,990 to 33,097
Commercial properties	2020	Direct comparison method	Market price (per sq.m.)	6,666 to 35,429

15. LEASES

The Target Group as a lessee

The Target Group has lease contracts for buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 6 months and 10 years, while vehicles generally have lease terms of 1 years. Generally, the Target Group is restricted from assigning and subleasing the leased assets outside the Target Group.

(a) Right-of-use assets and lease liabilities

The carrying amounts of the Target Group's right-of-use assets and lease liabilities and their movements during the Relevant Periods are as follows:

	Right-of-use assets			Lease
	Buildings	**Vehicles**	**Total**	**liabilities**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	136	97	233	233
New leases	2,305	146	2,451	2,334
Additions as a result of an acquisition of a subsidiary *(note 29)*	863	—	863	854
Depreciation charge	(378)	(69)	(447)	—
Accretion of interest recognised during the year	—	—	—	95
Payments	—	—	—	(571)
At 31 December 2018	2,926	174	3,100	2,945
At 1 January 2019	2,926	174	3,100	2,945
New leases	168	—	168	168
Depreciation charge	(914)	(69)	(983)	—
Accretion of interest recognised during the year	—	—	—	101
Payments	—	—	—	(1,091)
At 31 December 2019	2,180	105	2,285	2,123
At 1 January 2020	2,180	105	2,285	2,123
New leases	3,507	67	3,574	3,574
Additions as a result of an acquisition of a subsidiary *(note 29)*	94	—	94	76
Depreciation charge	(1,331)	(88)	(1,419)	—
Accretion of interest recognised during the year	—	—	—	206
Payments	—	—	—	(1,546)
At 31 December 2020	4,450	84	4,534	4,433

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Lease liabilities analysed into:			
Current portion	702	712	1,273
Non-current portion	2,243	1,411	3,160
Total	2,945	2,123	4,433

The maturity analysis of lease liabilities is disclosed in note 38 to the financial statements.

(b) The amounts recognised in profit or loss in relation to leases are as follows:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Interest on lease liabilities	95	101	206
Depreciation charge of right-of-use assets	447	983	1,419
Expense relating to short-term leases and low-value assets	1,434	1,902	1,124
Total amount recognised in profit or loss	1,976	2,986	2,749

(c) The total cash outflow for leases is disclosed in note 31 to the Historical Financial Information.

16. GOODWILL

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of the year:			
Cost	52,622	93,512	293,617
Acquisition of subsidiaries *(note 29)*	40,890	200,105	232,235
Cost and net carrying amount at end of the year	93,512	293,617	525,852

Impairment testing of goodwill

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

The recoverable amount of the CGUs has been determined based on a value in use calculation using cash flow projection based on financial budget covering a five-year period approved by senior management.

As at 31 December 2018

Principal business of CGU	Allocated goodwill *RMB'000*	Annual revenue growth rate	Terminal growth rate	Pre-tax discount rate
Zhoushan Zhong'an	16,520	4%–37%	3%	14.10%
Guangdong Hongshun	11,504	5%–27%	3%	14.30%
Cedar Beauty House	9,535	2%–3%	3%	14.10%
Yitong Yaxin	3,331	3%–6%	3%	14.10%
Guangdong Qingde	36,563	3%–33%	3%	14.10%
Nanjing Yonghe	16,059	3%–5%	3%	14.10%

As at 31 December 2019

Principal business of CGU	Allocated goodwill *RMB'000*	Annual revenue growth rate	Terminal growth rate	Pre-tax discount rate
Zhoushan Zhong'an	16,520	4%–37%	3%	14.07%
Guangdong Hongshun	11,504	5%–18%	3%	14.07%
Cedar Beauty House	9,535	2%–3%	3%	14.07%
Yitong Yaxin	3,331	3%–6%	3%	14.10%
Guangdong Qingde	36,563	3%–33%	3%	14.07%
Nanjing Yonghe	16,059	3%–5%	3%	14.10%
Shanghai Yinwan	200,105	3%–6%	3%	14.10%

As at 31 December 2020

Principal business of CGU	Allocated goodwill *RMB'000*	Annual revenue growth rate	Terminal growth rate	Pre-tax discount rate
Zhoushan Zhong'an	16,520	4%–6%	3%	14.10%
Guangdong Hongshun	11,504	5%–18%	3%	14.10%
Cedar Beauty House	9,535	2%–3%	3%	14.10%
Yitong Yaxin	3,331	3%–6%	3%	14.10%
Guangdong Qingde	36,563	3%	3%	14.10%
Nanjing Yonghe	16,059	5%	3%	14.10%
Shanghai Yinwan	200,105	3%–6%	3%	14.10%
Beijing Gaoteng	202,975	3%	3%	14.10%
Zhoushan Yinxia	8,141	3%–6%	3%	14.10%
Shanghai Changwu	8,833	5%–180%	3%	17.00%
Shanghai Yinyaoshi	12,261	5%–180%	3%	17.00%
Guangdong Yinwan	25	3%–6%	3%	14.10%

Assumptions were used in the value in use calculation of the CGU. The following describes each key assumption on which management has based its cash flow projection to undertake impairment testing of goodwill:

Terminal growth rate — The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is 3%.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development of the above CGU and discount rate are consistent with external information sources.

The directors of the Target Company are of view that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGU to exceed their recoverable amount as at 31 December 2018, 2019 and 2020.

17. OTHER INTANGIBLE ASSETS

	Property management contracts *RMB'000*	Customer relationships *RMB'000*	Trademark *RMB'000*	Software *RMB'000*	Total *RMB'000*
31 December 2018					
Cost at 1 January 2018, net of accumulated amortisation	2,341	10,770	—	1,294	14,405
Additions	—	—	—	5,338	5,338
Acquisition of subsidiaries *(note 29)*	927	7,815	—	—	8,742
Disposals	—	—	—	(773)	(773)
Amortisation provided during the year	(875)	(1,235)	—	(585)	(2,695)
At 31 December 2018	2,393	17,350	—	5,274	25,017
At 31 December 2018:					
Cost	3,404	19,134	—	5,900	28,438
Accumulated amortisation	(1,011)	(1,784)	—	(626)	(3,421)
Net carrying amount	2,393	17,350	—	5,274	25,017
31 December 2019					
Cost at 1 January 2019, net of accumulated amortisation	2,393	17,350	—	5,274	25,017
Additions	—	—	—	684	684
Acquisition of subsidiaries *(note 29)*	16,871	41,694	—	—	58,565
Amortisation provided during the year	(3,946)	(3,998)	—	(1,310)	(9,254)
At 31 December 2019	15,318	55,046	—	4,648	75,012
At 31 December 2019:					
Cost	20,275	60,828	—	6,584	87,687
Accumulated amortisation	(4,957)	(5,782)	—	(1,936)	(12,675)
Net carrying amount	15,318	55,046	—	4,648	75,012
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	15,318	55,046	—	4,648	75,012
Additions	—	—	—	1,654	1,654
Acquisition of subsidiaries *(note 29)*	11,711	81,437	1,432	177	94,757
Amortisation provided during the year	(8,705)	(10,311)	(144)	(1,467)	(20,627)
At 31 December 2020	18,324	126,172	1,288	5,012	150,796
At 31 December 2020:					
Cost	31,986	142,265	1,432	8,415	184,098
Accumulated amortisation	(13,662)	(16,093)	(144)	(3,403)	(33,302)
Net carrying amount	18,324	126,172	1,288	5,012	150,796

18. INVESTMENT IN AN ASSOCIATE

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Share of net assets	—	1,000	—

The Target Group disposed of its investment in an associate during the year ended 31 December 2020.

The following table illustrates the financial information of the Target Group's associate that is not individually material:

	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Share of the associate's profit for the year and total comprehensive income	—	22	24
Aggregate carrying amount of the Target Group's investment in an associate as at 31 December	—	1,000	—

19. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax liabilities and assets are as follows:

Deferred tax liabilities

	Fair value adjustment arising from acquisitions of subsidiaries *RMB'000*	Excess of carrying amount of right-of-use assets over the tax bases *RMB'000*	Total *RMB'000*
At 1 January 2018	3,278	58	3,336
Acquisition of subsidiaries *(note 29)*	2,186	219	2,405
Deferred tax charged/(credited) to profit or loss during the year	(527)	549	22
At 31 December 2018	4,937	826	5,763
At 1 January 2019	4,937	826	5,763
Acquisition of subsidiaries *(note 29)*	14,641	—	14,641
Deferred tax charged to profit or loss during the year	(1,986)	(256)	(2,242)
At 31 December 2019	17,592	570	18,162
At 1 January 2020	17,592	570	18,162
Acquisition of subsidiaries *(note 29)*	23,645	23	23,668
Deferred tax charged/(credited) to profit or loss during the year	(4,790)	539	(4,251)
At 31 December 2020	36,447	1,132	37,579

Deferred tax assets

	Accrued liabilities and future deductible expenses	Lease liabilities	Provision on impairment losses of financial assets	Losses available for offset against future taxable profits	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2018	3,461	58	521	—	4,040
Acquisition of subsidiaries *(note 29)*	—	211	—	—	211
Deferred tax credited/(charged) to profit or loss during the year	(539)	522	897	1,810	2,690
At 31 December 2018	2,922	791	1,418	1,810	6,941
At 1 January 2019	2,922	791	1,418	1,810	6,941
Acquisition of subsidiaries *(note 29)*	58	—	—	—	58
Deferred tax credited/(charged) to profit or loss during the year	—	(260)	1,030	(1,810)	(1,040)
At 31 December 2019	2,980	531	2,448	—	5,959
At 1 January 2020	2,980	531	2,448	—	5,959
Acquisition of subsidiaries *(note 29)*	—	19	—	—	19
Deferred tax credited to profit or loss during the year	2,495	558	1,569	—	4,622
At 31 December 2020	5,475	1,108	4,017	—	10,600

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Target Group for financial reporting purposes:

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Net deferred tax assets recognised in the consolidated statement of financial position	6,558	5,981	9,423
Net deferred tax liabilities recognised in the consolidated statement of financial position	(5,380)	(18,184)	(36,402)
Net deferred tax assets/(liabilities)	1,178	(12,203)	(26,979)

The Target Group has tax losses arising in Mainland China of RMB18,374,000, RMB12,038,000 and RMB13,536,000 at the end of each of the Relevant Periods that will expire in one to five years for offsetting against future taxable profits.

Among which, tax losses of RMB11,133,000, RMB12,038,000 and RMB13,536,000 have not been recognised as at 31 December 2018, 2019 and 2020 as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Target Company to its shareholders.

20. TRADE RECEIVABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Related parties *(note 35)*	6,596	23,026	—
Third parties	175,582	322,727	495,772
Trade receivables	182,178	345,753	495,772
Less: allowance for impairment of trade receivables	(6,071)	(10,104)	(16,782)
Total	176,107	335,649	478,990

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

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

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	133,992	267,358	393,761
1 to 2 years	39,799	57,191	70,819
2 to 3 years	2,279	11,023	14,408
Over 3 years	37	77	2
	176,107	335,649	478,990

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

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	2,157	6,071	10,104
Impairment losses recognised *(note 6)*	3,914	4,033	6,678
At end of year	6,071	10,104	16,782

As at the end of the reporting period, all trade receivables were denominated in RMB.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type and service type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Target Group's trade receivables using a provision matrix:

	Customers of residential properties — past due				Customers of non-residential properties — past due				Total
	Less than 1 year	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	**Less than 1 year**	**1 to 2 years**	**2 to 3 years**	**Over 3 years**	
As at 31 December 2018									
Expected credit loss rate	0.41%	34.47%	68.78%	70.63%	2.55%	4.64%	15.55%	100.00%	
Gross carrying amount	81,041	1,201	237	126	54,677	40,910	2,611	1,375	182,178
Expected credit losses	332	414	163	89	1,394	1,898	406	1,375	6,071
As at 31 December 2019									
Expected credit loss rate	0.41%	34.48%	68.87%	70.27%	2.55%	4.64%	15.55%	100.00%	
Gross carrying amount	122,068	1,137	212	259	149,605	59,193	12,975	304	345,753
Expected credit losses	500	392	146	182	3,815	2,747	2,018	304	10,104
As at 31 December 2020									
Expected credit loss rate	0.41%	34.46%	68.75%	66.67%	2.55%	4.64%	15.55%	100.00%	
Gross carrying amount	180,511	8,265	32	6	219,590	68,584	17,049	1,735	495,772
Expected credit losses	740	2,848	22	4	5,600	3,182	2,651	1,735	16,782

In the opinion of the Target Company's directors, the business and customer risk portfolio of the Target Group remained stable and there were no significant fluctuations in the historical credit loss incurred. In addition, there is no significant change with regard to economic indicators based on an assessment of forward-looking information. Therefore, same expected credit loss rates are adopted throughout the Relevant Periods.

21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS, DUE FROM A SHAREHOLDER

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Non-current			
Prepayments	38,189	13,568	5,800
Current			
Amounts due from related parties *(note 35)*	328	89,292	60,526
Prepayments	9,650	16,392	11,975
Deposits	19,987	23,987	28,854
Advances to employees *(note)*	3,793	5,665	6,800
Payments on behalf of residents and tenants *(note)*	14,048	31,801	44,168
Due from original shareholders	2,386	86,597	1,602
Others	724	946	1,263
	50,916	254,680	155,188
Impairment allowance	—	(523)	(890)
Total	50,916	254,157	154,298
Due from a shareholder	—	—	98,912

Note:

Payments on behalf of residents and tenants represent the current accounts with the residents and tenants of communities and properties managed by the Group.

The movements in provision for impairment of advances to employees and payments on behalf of residents and tenants are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
At beginning of year	—	—	523
Impairment losses in profit or loss *(note 6)*	1,975	2,299	3,804
Amount written off as uncollectible	(1,975)	(1,776)	(3,437)
At end of year	—	523	890

Other financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts, for which the loss allowance was assessed to be minimal as at 31 December 2018, 2019 and 2020.

The following table provides information about the exposure to credit risk and ECLs for advances to employees and payments on behalf of residents and tenants which are assessed collectively based on an estimated average credit loss rate as at 31 December 2018, 2019 and 2020.

	As at 31 December 2018		
		Gross	
Category	Average loss rate	Carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
Credit-impaired	11.07%	17,841	1,975

	As at 31 December 2019		
		Gross	
Category	Average loss rate	Carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
Credit-impaired	6.14%	37,466	2,299

	As at 31 December 2020		
		Gross	
Category	Average loss rate	Carrying amount	Impairment loss allowance
		RMB'000	*RMB'000*
Credit-impaired	7.46%	50,968	3,804

22. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Unlisted investments, at fair value	13,734	1,536	20,558

The above unlisted investments were wealth management products issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

23. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Cash and bank balances	47,216	193,448	185,993
Less: restricted cash	—	(2,264)	(3,320)
Cash and cash equivalents	47,216	191,184	182,673

RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Target Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash represented cash at bank restricted for performance security of the Target Group.

24. TRADE PAYABLES

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Trade payables			
— third parties	46,525	91,899	124,246

An ageing analysis of the Target Group's trade payables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within 1 year	44,330	84,423	117,003
1 to 2 years	840	4,548	3,914
2 to 3 years	7	871	2,305
More than 3 years	1,348	2,057	1,024
	46,525	91,899	124,246

Trade payables are unsecured, interest-free and normally settled on terms of 0 to 90 days.

25. OTHER PAYABLES AND ACCRUALS

	As at 31 December		
	2018	2019	2020
	RMB'000	*RMB'000*	*RMB'000*
Amounts due to related parties *(note 35)*	82,571	299,383	50
Payroll and welfare payables	62,522	85,992	101,989
Deposits and temporary receipts from property owners	72,541	132,017	153,749
Other tax payables	13,824	22,684	30,982
Accruals and other payables	23,815	57,033	60,662
Consideration payable to original shareholders on acquisition of subsidiaries *(note 29)*	57,548	132,597	5,874
	312,821	729,706	353,306

The other payables are unsecured and non-interest-bearing.

26. INTEREST-BEARING BANK AND OTHER BORROWINGS

Details of the Target Group's interest-bearing bank borrowings as at the end of each of the Relevant Periods are as follows:

	As at 31 December 2018		
	Effective contractual interest rate *(%)*	Maturity	*RMB'000*
Current			
Bank loans — unsecured	6.5250%	2019	1,000
			1,000

	As at 31 December 2019		
	Effective contractual interest rate *(%)*	Maturity	*RMB'000*
Current			
Bank loans — unsecured	4.7850%–6.0900%	2020	11,000
Other borrowings — secured	5.7000%	2020	241
Other borrowings — unsecured	15.000%	2020	3,700
			14,941
Non-current			
Other borrowings — secured	5.7000%	2021	63
			15,004

	As at 31 December 2020		
	Effective contractual interest rate *(%)*	**Maturity**	*RMB'000*
Current			
Bank loans — secured	5.8000%	2021	4,200
Bank loans — unsecured	4.2525%	2021	3,000
Other borrowings — secured	5.7000%	2021	63
			7,263

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Analysed into:			
Bank loans and overdrafts repayable:			
Within one year or on demand	1,000	11,000	7,200
Other borrowings repayable:			
Within one year or on demand	—	3,941	63
In the second year	—	63	—
	—	4,004	—
	1,000	15,004	7,263

Notes:

(a) All borrowings are denominated in Renminbi.

(b) The secured borrowings of the Target Group are as follows:

(i) Other borrowings of RMB304,000 and RMB63,000 as at 31 December 2019 and 2020 were secured by a motor vehicle of the Target Group with net carrying amount of RMB551,000 and RMB412,000 as at 31 December 2019 and 2020, respectively.

(ii) Bank borrowing of RMB4,200,000 of the Target Group as at 31 December 2020 was pledged by trade receivables of RMB25,820,000 of the Target Group.

(c) Certain of the Group's bank and other borrowings are guaranteed as follows:

(i) Other borrowing of RMB3,700,000 as at 31 December 2019 of Shanghai Yinwan, a subsidiary of the Target Company, was guaranteed by five individuals, including four former shareholders of Shanghai Yinwan. The guarantee was released in 2020;

(ii) Bank borrowings of RMB10,000,000 as at 31 December 2019 were guaranteed by Cedar Industrial Group Co. Ltd. ("**Cedar Industrial**"), a shareholder of the Target Company. The bank borrowings were repaid in 2020.

27. SHARE CAPITAL

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Paid in capital:	15,000	99,589	787,500

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

	Share capital
	RMB'000
At 1 January 2018, 31 December 2018 and 1 January 2019	15,000
Capital injection *(a)*	84,589
At 31 December 2019 and 1 January 2020	99,589
Capital injection *(b)*	687,911
At 31 December 2020	787,500

Notes:

(a) Cedar Industrial injected RMB84,589,000 to the Target Company in 2019.

(b) Guangzhou Xiangtai, Cedar Industrial and Shouguang Qixing Enterprise Management Center (Limited Partnership) injected RMB630,000,000, RMB34,286,000 and RMB23,625,000, respectively to the Target Company in 2020.

28. RESERVES

The amounts of the Target Group's reserves and the movements therein for the Relevant Periods are presented in the consolidated statements of changes in equity.

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Target Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of the Target Group, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

29. BUSINESS COMBINATION

Acquisition of Guangdong Yinwan

On 1 November 2020, the Target Group acquired 100% equity interest in Guangdong Yinwan from third parties at a total consideration of RMB1. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Guangdong Yinwan as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	11
Prepayments, other receivables and other assets		138
Cash and cash equivalents		392
Other payables and accruals		(566)
Total identifiable net assets at fair value		(25)
Goodwill arising on acquisition	*16*	25
Total consideration		—

The fair value of the other receivables as at the date of acquisition amounted to RMB138,000. The gross contractual amount of other receivables was RMB138,000. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Guangdong Yinwan is as follows:

	RMB'000
Cash consideration	—
Cash and bank balances acquired	392
Net inflow of cash and cash equivalents included in cash flows from investing activities	392

Since the acquisition, Guangdong Yinwan contributed RMB148,000 to the Target Group's revenue and a profit of RMB126,000 to the consolidated profit for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2020 would have been RMB1,236,068,000 and RMB99,961,000, respectively.

Acquisition of Beijing Gaoteng

On 1 July 2020, the Target Group acquired 90% equity interest in Beijing Gaoteng from third parties at a total consideration of RMB307,623,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Beijing Gaoteng as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	1,020
Other intangible assets	*17*	90,010
Trade receivables		10,556
Prepayments, other receivables and other assets		28,160
Cash and cash equivalents		65,487
Trade payables		(1,675)
Other payables and accruals		(40,605)
Contract liabilities		(8,472)
Tax payables		(5,702)
Deferred tax liabilities	*19*	(22,503)
Total identifiable net assets at fair value		116,276
Non-controlling interests		(11,628)
Goodwill arising on acquisition	*16*	202,975
Satisfied by cash during the year ended 31 December 2020		307,623
Total consideration		307,623

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB10,556,000 and RMB25,615,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB10,556,000 and RMB25,615,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The Target Group has elected to initially measure the non-controlling interests in Beijing Gaoteng at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Beijing Gaoteng is as follows:

	RMB'000
Cash consideration	(307,623)
Cash and bank balances acquired	65,487
Net outflow of cash and cash equivalents included in cash flows from investing activities	(242,136)

Since the acquisition, Beijing Gaoteng contributed RMB107,526,000 to the Target Group's revenue and a profit of RMB30,155,000 to the consolidated profit for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2020 would have been RMB1,332,058,000 and RMB114,344,000, respectively.

Acquisition of Shanghai Changwu

On 1 January 2020, the Target Group acquired 100% equity interest in Shanghai Changwu from third parties at a total consideration of RMB3,000,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Shanghai Changwu as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	583
Other intangible assets	*17*	178
Trade receivables		35
Prepayments, other receivables and other assets		226
Cash and cash equivalents		85
Other payables and accruals		(6,937)
Tax payables		(3)
Total identifiable net assets at fair value		(5,833)
Goodwill arising on acquisition	*16*	8,833
Satisfied by cash during the year ended 31 December 2019		720
Satisfied by cash during the year ended 31 December 2020		2,280
Total consideration		3,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB35,000 and RMB23,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB35,000 and RMB23,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Shanghai Changwu is as follows:

	RMB'000
Cash consideration	(3,000)
Cash and bank balances acquired	85
Net outflow of cash and cash equivalents included in cash flows from investing activities	(2,915)

Since the acquisition, Shanghai Changwu contributed RMB268,000 to the Target Group's revenue and a loss of RMB354,000 to the consolidated profit for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2020 would have been RMB1,235,945,000 and RMB100,105,000, respectively.

Acquisition of Shanghai Yinyaoshi

On 1 January 2020, the Target Group acquired 54.86% equity interest in Shanghai Yinyaoshi from third parties at a total consideration of RMB10,972,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Shanghai Yinyaoshi as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	2
Other intangible assets	*17*	4,569
Trade receivables		24
Prepayments, other receivables and other assets		2,133
Cash and cash equivalents		5
Other payables and accruals		(7,374)
Interest-bearing bank borrowings		(550)
Tax payables		(17)
Deferred tax liabilities	*19*	(1,142)
Total identifiable net assets at fair value		(2,350)
Non-controlling interests		1,061
Goodwill arising on acquisition	*16*	12,261
Satisfied by cash during the year ended 31 December 2019		10,972
Total consideration		10,972

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB24,000 and RMB1,799,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB24,000 and RMB1,799,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The Target Group has elected to initially measure the non-controlling interests in Shanghai Yinyaoshi's subsidiaries at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Shanghai Yinyaoshi is as follows:

	RMB'000
Cash consideration	(10,972)
Cash and bank balances acquired	5
Net outflow of cash and cash equivalents included in cash flows from investing activities	(10,967)

Since the acquisition, Shanghai Yinyaoshi contributed RMB995,000 to the Target Group's revenue and a loss of RMB1,196,000 to the consolidated profit to the Target Group for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2020 would have been RMB1,235,945,000 and RMB100,105,000, respectively.

Acquisition of Zhoushan Yinxia

On 1 January 2020, the Target Group acquired 100% equity interest in Zhoushan Yinxia from third parties at a total consideration of RMB4,500,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Zhoushan Yinxia as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	119
Right-of-use assets	*15*	94
Deferred tax assets	*19*	19
Trade receivables		4,122
Prepayments, other receivables and other assets		642
Cash and cash equivalents		386
Trade payables		(391)
Other payables and accruals		(6,434)
Contract liabilities		(860)
Interest-bearing bank borrowings		(1,000)
Lease liabilities	*15*	(76)
Tax payables		(239)
Deferred tax liabilities	*19*	(23)
Total identifiable net assets at fair value		(3,641)
Goodwill arising on acquisition	*16*	8,141
Satisfied by cash during the year ended 31 December 2019		1,876
Unpaid amount included in other payables to original shareholders as at 31 December 2020		2,624
Total consideration		4,500

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB4,122,000 and RMB585,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB4,122,000 and RMB585,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Zhoushan Yinxia is as follows:

	RMB'000
Cash consideration	(1,876)
Cash and bank balances acquired	386
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,490)

Since the acquisition, Zhoushan Yinxia contributed RMB11,603,000 to the Target Group's revenue and a loss of RMB311,000 to the consolidated profit to the Target Group for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2020 would have been RMB1,235,945,000 and RMB100,105,000, respectively.

Acquisition of Shanghai Yinwan

On 1 July 2019, the Target Group acquired 89.54% equity interest in Shanghai Yinwan from third parties at a total consideration of RMB293,609,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Shanghai Yinwan as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Investment in an associate		978
Property, plant and equipment	*13*	9,733
Other intangible assets	*17*	58,565
Deferred tax assets	*19*	58
Trade receivables		72,944
Prepayments, other receivables and other assets		35,698
Restricted cash		8,895
Cash and cash equivalents		36,309
Trade payables		(10,481)
Other payables and accruals		(19,463)
Contract liabilities		(48,768)
Interest-bearing bank borrowings		(12,200)
Tax payables		(13,200)
Deferred tax liabilities	*19*	(14,641)
Total identifiable net assets at fair value		104,427
Non-controlling interests		(10,923)
Goodwill arising on acquisition	*16*	200,105
Satisfied by cash during the year ended 31 December 2018		38,189
Satisfied by cash during the year ended 31 December 2019		135,793
Satisfied by cash during the year ended 31 December 2020		119,627
Total consideration		293,609

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB72,944,000 and RMB28,129,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB72,944,000 and RMB28,129,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The Target Group has elected to initially measure the non-controlling interests in Shanghai Yinwan's subsidiaries at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Shanghai Yinwan is as follows:

	RMB'000
Cash consideration	(293,609)
Cash and bank balances acquired	45,204
Net outflow of cash and cash equivalents included in cash flows from investing activities	(248,405)

Since the acquisition, Shanghai Yinwan contribute RMB195,828,000 to the Target Group's revenue and a profit of RMB27,162,000 to the consolidated profit for the year ended 31 December 2019. Had the combination taken place at the beginning of 2019, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2019 would have been RMB1,082,014,000 and RMB116,303,000, respectively.

Acquisition of Cedar Beauty House

On 1 December 2018, the Target Group acquired 70% equity interest in Cedar Beauty House from third parties at a total consideration of RMB19,720,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Cedar Beauty House as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	721
Other intangible assets	*17*	1,446
Other non-current assets		87
Trade receivables		9,828
Prepayments, other receivables and other assets		6,920
Cash and cash equivalents		20,480
Trade payables		(1,000)
Other payables and accruals		(22,973)
Contract liabilities		(80)
Tax payables		(426)
Deferred tax liabilities	*19*	(361)
Total identifiable net assets at fair value		14,642
Non-controlling interests		(4,457)
Goodwill arising on acquisition	*16*	9,535
Satisfied by cash during the year ended 31 December 2018		5,000
Satisfied by cash during the year ended 31 December 2019		14,720
Total consideration		19,720

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB9,828,000 and RMB6,137,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB9,828,000 and RMB6,137,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The Target Group has elected to initially measure the non-controlling interests in Cedar Beauty House's subsidiaries at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Cedar Beauty House is as follows:

	RMB'000
Cash consideration	(19,720)
Cash and bank balances acquired	20,480
Net inflow of cash and cash equivalents included in cash flows from investing activities	760

Since the acquisition, Cedar Beauty House contributed RMB14,219,000 to the Target Group's revenue and a profit of RMB1,613,000 to the consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of 2018, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2018 would have been RMB625,065,000 and RMB35,842,000, respectively.

Acquisition of Guangdong Hongshun

On 1 December 2018, the Target Group acquired 51% equity interest in Guangdong Hongshun from third parties at a total consideration of RMB13,460,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Guangdong Hongshun as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	1,049
Right-of-use assets	*15*	617
Other intangible assets	*17*	1,918
Deferred tax assets	*19*	154
Other non-current assets		25
Trade receivables		3,745
Prepayments, other receivables and other assets		3,938
Cash and cash equivalents		771
Trade payables		(560)
Other payables and accruals		(6,663)
Contract liabilities		(173)
Lease liabilities	*15*	(627)
Tax payables		(41)
Deferred tax liabilities	*19*	(637)
Total identifiable net assets at fair value		3,516
Non-controlling interests		(1,560)
Goodwill arising on acquisition	*16*	11,504
Satisfied by cash during the year ended 31 December 2019		13,460
Total consideration		13,460

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB3,745,000 and RMB2,965,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB3,745,000 and RMB2,965,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The Target Group has elected to initially measure the non-controlling interests in Guangdong Hongshun at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Guangdong Hongshun is as follows:

	RMB'000
Cash consideration	(13,460)
Cash and bank balances acquired	771
Net outflow of cash and cash equivalents included in cash flows from investing activities	(12,689)

Since the acquisition, Guangdong Hongshun contributed RMB4,749,000 to the Target Group's revenue and a loss of RMB3,385,000 to the consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of 2018, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2018 would have been RMB586,339,000 and RMB29,675,000, respectively.

Acquisition of Qingde Security

On 1 November 2018, the Target Group acquired 100% equity interest in Qingde Security from third parties at a total consideration of RMB5,000,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Qingde Security as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Trade receivables		3,093
Prepayments, other receivables and other assets		7,892
Tax recoverable		346
Cash and cash equivalents		1,224
Trade payables		(800)
Other payables and accruals		(4,557)
Total identifiable net assets at fair value		7,198
Gain on bargain purchase of a subsidiary	*5*	(2,198)
Satisfied by cash during the year ended 31 December 2019		4,950
Unpaid amount included in other payables to original shareholders as at 31 December 2020	*25*	50
Total consideration		5,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB3,093,000 and RMB7,849,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB3,093,000 and RMB7,849,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Qingde Security is as follows:

	RMB'000
Cash consideration paid	(4,950)
Cash and bank balances acquired	1,224
Net outflow of cash and cash equivalents included in cash flows from investing activities	(3,726)

Since the acquisition, Qingde Security contributed RMB1,591,000 to the Target Group's revenue and a loss of RMB367,000 to the consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of 2018, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2018 would have been RMB563,811,000 and RMB30,413,000, respectively.

Acquisition of Yitong Yaxin

On 1 November 2018, the Target Group acquired 100% equity interest in Yitong Yaxin from third parties at a total consideration of RMB3,000,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Yitong Yaxin as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	7
Trade receivables		4,325
Prepayments, other receivables and other assets		9,600
Cash and cash equivalents		1,183
Trade payables		(1,581)
Other payables and accruals		(12,765)
Tax payables		(1,100)
Total identifiable net assets at fair value		(331)
Goodwill arising on acquisition	*16*	3,331
Satisfied by cash during the year ended 31 December 2018		3,000
Total consideration		3,000

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB4,325,000 and RMB7,977,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB4,325,000 and RMB7,977,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Yitong Yaxin is as follows:

	RMB'000
Cash consideration	(3,000)
Cash and bank balances acquired	1,183
Net outflow of cash and cash equivalents included in cash flows from investing activities	(1,817)

Since the acquisition, Yitong Yaxin contributed RMB4,923,000 to the Target Group's revenue and a profit of RMB602,000 to the consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of 2018, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2018 would have been RMB568,780,000 and RMB24,642,000, respectively.

Acquisition of Zhoushan Zhong'an

On 1 November 2018, the Target Group acquired 65% equity interest in Zhoushan Zhong'an from third parties at a total consideration of RMB21,840,000. The acquisition was made as part of the Target Group's strategy to expand its property management operation in Mainland China.

The fair values of the identifiable assets and liabilities of Zhoushan Zhong'an as at the date of acquisition were as follows:

	Notes	**Fair value recognised on acquisition** *RMB'000*
Property, plant and equipment	*13*	196
Right-of-use assets	*15*	246
Other intangible assets	*17*	5,378
Deferred tax assets	*19*	57
Trade receivables		5,420
Prepayments, other receivables and other assets		3,625
Cash and cash equivalents		872
Other payables and accruals		(3,335)
Contract liabilities		(832)
Interest-bearing bank borrowings		(1,000)
Lease liabilities	*15*	(227)
Tax payables		(808)
Deferred tax liabilities	*19*	(1,407)
Total identifiable net assets at fair value		8,185
Non-controlling interests		(2,865)
Goodwill arising on acquisition	*16*	16,520
Satisfied by cash during the year ended 31 December 2018		2,000
Satisfied by cash during the year ended 31 December 2019		11,000
Satisfied by cash during the year ended 31 December 2020		8,840
Total consideration		21,840

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to RMB5,420,000 and RMB3,488,000, respectively. The gross contractual amounts of trade receivables and other receivables were RMB5,420,000 and RMB3,488,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The Target Group has elected to initially measure the non-controlling interests in Zhoushan Zhong'an at fair value at the date of acquisition.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of property management with those of the Target Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the acquisition of Zhoushan Zhong'an is as follows:

	RMB'000
Cash consideration	(21,840)
Cash and bank balances acquired	872
Net outflow of cash and cash equivalents included in cash flows from investing activities	(20,968)

Since the acquisition, Zhoushan Zhong'an contributed RMB8,782,000 to the Target Group's revenue and a loss of RMB927,000 to the consolidated profit for the year ended 31 December 2018. Had the combination taken place at the beginning of 2018, the revenue of the Target Group and the profit of the Target Group for the year ended 31 December 2018 would have been RMB568,051,000 and RMB30,971,000, respectively.

30. DISPOSAL OF SUBSIDIARIES

	Note	**2018** *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Net assets disposed of:				
Property, plant and equipment	*13*	—	67	90
Cash and bank balances		—	185	1,896
Trade receivables		—	52	295
Prepayments and other receivables		—	766	143
Trade payables		—	(10)	—
Other payables and accruals		—	(1,496)	(2,949)
Contract liabilities		—	(150)	(634)
Non-controlling interests		—	287	522
Gain on disposal of subsidiaries		—	492	637
Satisfied by:				
Cash		—	193*	—

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2018 *RMB'000*	**2019** *RMB'000*	**2020** *RMB'000*
Cash consideration received	—	—	193*
Cash and bank balances disposed of	—	(185)	(1,896)
Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary	—	(185)	(1,703)

* The consideration for disposal of a subsidiary was received in 2020.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

During the years ended 31 December 2018, 2019 and 2020, the Target Group had non-cash additions to right-of-use of RMB2,451,000, RMB168,000 and RMB3,574,000, respectively, and non-cash additions to lease liabilities of RMB2,334,000, RMB168,000 and RMB3,574,000, respectively, in respect of lease arrangements for buildings and motor vehicles.

(b) Changes in liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

	Interest-bearing bank and other borrowings	**Lease liabilities**	**Other payables**
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2018	—	233	—
Changes from financing cash flows	—	(571)	(247)
New and expired leases	—	2,334	—
Interest expense	—	95	247
Acquisition of subsidiaries	1,000	854	—
At 31 December 2018 and 1 January 2019	1,000	2,945	—
Changes from financing cash flows	1,804	(1,091)	(105)
New and expired leases	—	168	—
Interest expense	—	101	105
Acquisition of subsidiaries	12,200	—	—
At 31 December 2019 and 1 January 2020	15,004	2,123	—
Changes from financing cash flows	(9,291)	(1,546)	(1,667)
New and expired leases	—	3,574	—
Interest expense	—	206	1,667
Acquisition of subsidiaries	1,550	76	—
At 31 December 2020	7,263	4,433	—

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Within operating activities	(1,434)	(1,902)	(1,124)
Within financing activities	(571)	(1,091)	(1,546)
Total	(2,005)	(2,993)	(2,670)

32. CONTINGENT LIABILITIES

The Target Group did not have any material contingent liabilities at the end of each of the Relevant Periods.

33. PLEDGE OF ASSETS

Details of the Target Group's assets pledged for the Target Group's interest bearing bank and other borrowings are included in note 26 to the Historical Financial Information.

34. COMMITMENTS

At the end of each of the Relevant Periods, the Target Group did not have any material capital commitment and the Target Group has no lease contracts that have not yet commenced as at the end of each of the Relevant Periods.

35. RELATED PARTY TRANSACTIONS

(a) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Target Group had the following transactions with related parties during the Relevant Periods:

	Year ended 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Residential property management service income:			
— Fellow subsidiaries	3,159	8,204	—
— Other related parties#	—	—	1,002
	3,159	8,204	1,002
Non-residential property management service income:			
— Fellow subsidiaries	278	1,651	—
— Other related parties#	—	—	342
	278	1,651	342
Rental cost and expenses:			
— Fellow subsidiaries	—	—	12,421

Other related parties of the Target Group represents Cedar Holdings Group Limited and its subsidiaries. Cedar Holdings Group Limited is the holding company of Cedar Industrial which is the 17% shareholder of the Target Company as at 31 December 2020.

The prices for the above services fees and other transactions were determined in accordance with the terms mutually agreed by the contracting parties.

(b) Outstanding balances with related parties

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Prepayments and receivables from related parties			
Trade receivables			
— Fellow subsidiaries	6,596	23,026	—
Prepayments and other receivables			
— The then ultimate shareholder	203	203	—
— Fellow subsidiaries	125	89,089	—
— Other related parties	—	—	60,526
	328	89,292	60,526
Payables to related parties			
Other payables			
— Fellow subsidiaries	82,571	299,383	50
Lease liabilities			
— Fellow subsidiaries	—	—	91

(c) Compensation of key management personnel of the Target Group

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Salaries, allowance and benefits in kind	896	848	1,396
Pension scheme contributions	76	56	5
Total compensation paid to key management personnel	972	904	1,401

Further details of directors' and the chief executive's emoluments are included in note 8 to the Historical Financial Information.

(d) Financial guarantee provided by related parties

Certain interest bearing bank and other borrowings are guaranteed provided by related parties of the Target Group. Please refer to note 26 to the Historical Financial Statements for details.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial assets — Financial assets at amortised cost			
Trade receivables	176,107	335,649	478,990
Financial assets included in prepayments, other receivables and other assets	36,749	231,154	134,260
Due from a shareholder	—	—	98,912
Restricted cash	—	2,264	3,320
Cash and cash equivalents	47,216	191,184	182,673
	260,072	760,251	898,155
Financial assets at fair value through profit or loss	13,734	1,536	20,558
	273,806	761,787	918,713

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Financial liabilities — Financial liabilities at amortised cost			
Trade payables	46,525	91,899	124,246
Lease liabilities	2,945	2,123	4,433
Interest-bearing bank and other borrowings	1,000	15,004	7,263
Financial liabilities included in other payables and accruals	236,475	621,030	220,335
	286,945	730,056	356,277

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, due from a shareholder and financial liabilities included in other payables and accrual, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Target Group's corporate finance team headed by the finance manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The corporate finance team reports directly to the management of the Target Group. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the management of the Target Group. The valuation process and results are discussed with the management of the Target Group once a year for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The following methods and assumptions were used to estimate the fair values:

The fair values of the wealth management products have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Target Group's financial instruments:

Assets measured at fair value:

As at 31 December 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	13,734	—	13,734

As at 31 December 2019

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	1,536	—	1,536

As at 31 December 2020

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Financial assets at fair value through profit or loss	—	20,558	—	20,558

The Target Group did not hold any other financial assets and liabilities carried at fair value as at 31 December 2018, 2019 and 2020.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Target Group's principal financial instruments, comprise interest bearing bank and other borrowings and lease liabilities. The main purpose of these financial instruments is to raise finance for the Target Group's operations. The Group has various other financial assets and liabilities such as trade and other receivables and trade and other payables, which arise directly from its operations.

The main risks arising from the Target Group's financial instruments are credit risk and liquidity risk. The Target Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with material impact, on the Target Group's financial performance. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

All of the Target Group's interest bearing bank and other borrowings adopt fixed interest rate, therefore the Target Group is not exposed to the risk of interest rate changes.

Foreign currency risk

The Target Group has no significant foreign currency risk because its business is conducted in Mainland China and all the transactions are denominated in RMB.

Credit risk

The Target Group is exposed to credit risk in relation to its trade receivables, other receivables, due from a shareholder, cash and cash equivalents and restricted cash.

The Target Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Mainland China. Management does not expect that there will be any significant losses from non-performance by these banks.

The Target Group expects that the credit risk associated with trade receivables and other receivables from related parties is considered to be low, since related parties have strong financial capacity and commitment to meet contractual cash flow obligation in the near term. Thus, the impairment provision recognised during the Relevant Periods was minimal for the trade receivables and other receivables from related parties.

There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of the Target Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Target Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented from third parties are gross carrying amounts for financial assets.

As at 31 December 2018

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	182,178	182,178
Financial assets included in prepayments, other receivables and other assets					
— Normal**	36,749	—	—	—	36,749
Cash and cash equivalents					
— Not yet past due	47,216	—	—	—	47,216
	83,965	—	—	182,178	266,143

As at 31 December 2019

	12-month ECLs	**Lifetime ECLs**			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	345,753	345,753
Financial assets included in prepayments, other receivables and other assets					
— Normal**	199,353	—	—	—	199,353
— Doubtful**	—	32,324	—	—	32,324
Restricted cash					
— Not yet past due	2,264	—	—	—	2,264
Cash and cash equivalents					
— Not yet past due	191,184	—	—	—	191,184
	392,801	32,324	—	345,753	770,878

As at 31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1	**Stage 2**	**Stage 3**	**Simplified approach**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade receivables*	—	—	—	495,772	495,772
Financial assets included in prepayments, other receivables and other assets					
— Normal**	90,092	—	—	—	90,092
— Doubtful**	—	45,058	—	—	45,058
Due from a shareholder	98,912	—	—	—	98,912
Restricted cash					
— Not yet past due	3,320	—	—	—	3,320
Cash and cash equivalents					
— Not yet past due	182,673	—	—	—	182,673
	374,997	45,058	—	495,772	915,827

* For trade receivables to which the Target Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

Liquidity risk

Liquidity risk is the risk that the Target Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Target Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Target Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The table below analyses the maturity profile of the Target Group's financial liabilities as at the end of each of the Relevant Periods, which is based on contractual undiscounted payments.

As at 31 December 2018

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	6,894	39,631	—	—	46,525
Lease liabilities	—	1,023	1,915	263	3,201
Interest-bearing bank and other borrowings	—	1,011	—	—	1,011
Financial liabilities included in other payables and accruals	106,386	130,089	—	—	236,475
	113,280	171,754	1,915	263	287,212

As at 31 December 2019

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	20,515	71,384	—	—	91,899
Lease liabilities	—	818	1,377	173	2,368
Interest-bearing bank and other borrowings	—	15,035	323	—	15,358
Financial liabilities included in other payables and accruals	356,416	264,614	—	—	621,030
	376,931	351,851	1,700	173	730,655

As at 31 December 2020

	On demand	Less than 1 year	1 to 5 years	Over 5 year	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Trade payables	19,818	104,428	—	—	124,246
Lease liabilities	—	1,425	2,821	613	4,859
Interest-bearing bank and other borrowings	—	7,559	—	—	7,559
Financial liabilities included in other payables and accruals	60,712	159,623	—	—	220,335
	80,530	273,035	2,821	613	356,999

Capital management

The Target Group's primary objectives for managing capital are to safeguard the Target Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Target Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Target Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Target Group monitors capital using a current ratio, which is total current assets divided by total current liabilities, and a liabilities to assets ratio, which is total liabilities divided by total assets. The current ratios and liabilities to assets ratios at the end of each of the Relevant Periods are as follows:

	As at 31 December		
	2018	**2019**	**2020**
	RMB'000	*RMB'000*	*RMB'000*
Total current assets	287,973	784,790	938,751
Total current liabilities	443,268	1,002,910	685,358
Total assets	466,777	1,198,556	1,652,659
Total liabilities	450,891	1,022,568	724,920
Current ratio	65%	78%	137%
Liabilities to assets ratio	97%	85%	44%

39. EVENTS AFTER THE REPORTING PERIOD

Since January 2020, the outbreak on Novel Coronavirus ("**COVID-19**") has impacted the global business environment. Up to the date of this report, COVID-19 has not resulted in material impact to the Target Group. Pending the development and spread of COVID-19 subsequent to the date of this report, further changes in economic conditions for the Target Group arising thereof may have impact on the financial results of the Target Group, the extent of which could not be estimated as at the date of this report. The Target Group will continue to monitor the development of COVID-19 and react actively to its impact on the financial position and operating results of the Target Group.

40. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Target Company, the Target Group or any of the companies now comprising the Target Group in respect of any period subsequent to 31 December 2020.

Set out below is the management discussion and analysis on the Target Group for the Track Record Period based on the financial information of the Target Group as set out in Appendix II to this circular.

BUSINESS REVIEW

The Target Group was established in 2001 with limited liability. Before the Acquisition, the Target Group was a subsidiary of Cedar Group engaged in the provision of "smart city" living services and a leading "smart city" service operator in the PRC. The Target Group develops specialised servicing systems and brands in urban living services for commercial and residential properties, municipal facilities, schools and hospitals through the integration of resources to help facilitate the construction of novel smart cities and improve the residential living environment of cities.

The Target Group owns more than 10 well-known first-tier property enterprises and Yinyaoshi Alliance (銀鑰匙聯盟), the largest alliance in the property sector in the PRC. Its service covers GFA of more than 86 million square metres nationwide, with more than 1,100 franchisee property enterprises and a business presence covering 17 provinces and 109 cities across the nation, serving approximately 31 million property owners.

FINANCIAL REVIEW

Revenue

During the Track Record Period, the Target Group derived its revenue from pre-sale management services, property management services and community value-added services. For the years ended 31 December 2018, 2019 and 2020, the Target Group's revenue amounted to approximately RMB546.4 million, RMB928.8 million, RMB1,235.9 million, respectively. The overall increase in the Target Group's revenue during the Track Record Period was primarily due to (i) the expansion of its property management services as a result of the acquisition of the entire issued share capital of Shanghai Yinwan and 90% of the entire issued share capital of Beijing Gaoteng in July 2019 and July 2020, respectively; (ii) obtained more property management projects through bidding; and (iii) the increase in the number of sales offices under the Target Group's management.

The following table sets forth a breakdown of the Target Group's revenue by service line for the periods indicated:

	For the year ended December 31,					
	2018		2019		2020	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Pre-sale management services	527	0.1	6,187	0.7	12,884	1.0
Property management services	502,005	91.9	850,345	91.5	1,143,211	92.5
Community value-added services	43,825	8.0	72,316	7.8	79,850	6.5
Total	**546,357**	**100.0**	**928,848**	**100.0**	**1,235,945**	**100.0**

Cost of Sales

The Target Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory; (vii) security expenses; and (viii) others. The Target Group's cost of sales increased by 62.7% from approximately RMB449.5 million in 2018 to approximately RMB731.2 million in 2019 and further increased by 32.6% to approximately RMB969.6 million in 2020, primarily as a result of our business expansion. Such increase was generally in line with the growth in our total revenue for the respective years.

Gross Profit and Gross Profit Margin

For the years ended 31 December 2018, 2019 and 2020, the Target Group's gross profit amounted to approximately RMB96.8 million, RMB197.7 million and RMB266.4 million, respectively. The overall gross profit margin increased from 17.7% in 2018 to 21.3% in 2019. The increase in gross profit margin in 2019 was primarily due to (i) the scale-up of the Target Group's business; and (ii) the increase of the Target Group's economies of scale and effective cost control resulting from business expansion and energy saving. The overall gross profit margin remained stable at 21.6% in 2020.

Other Income and Gains

For the years ended 31 December 2018, 2019 and 2020, the Target Group's other income and gains amounted to approximately RMB6.0 million, RMB7.9 million and RMB16.7 million, respectively. The overall increase in the Target Group's other income and gains for the three years ended 31 December 2020 was mainly due to (i) the increase in tax incentives on value-added tax; and (ii) the increase in government grants.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Target Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the years ended 31 December 2018, 2019 and 2020, the Target Group's total administrative expenses amounted to approximately RMB51.1 million, RMB97.7 million and RMB117.5 million, respectively. The increase in the Target Group's administrative expenses for the three years ended 31 December 2020 was mainly due to (i) the increase in staff costs arising from increase in headcount of administrative employees as a result of the acquisitions during the Track Record Period; and (ii) the increase in amortisation of intangible assets due to the acquisition of subsidiaries during the Track Record Period.

Income Tax Expense

Income tax expense of Target Group comprised PRC corporate income tax, net of deferred tax. For the years ended 31 December 2018, 2019 and 2020, the Target Group's income tax expense amounted to approximately RMB14.6 million, RMB30.5 million, and RMB40.7 million, respectively. The effective tax rate, being the income tax expense divided by the profit before taxation, of the Target Group was approximately 33.9%, 31.9% and 28.9% for the years ended 31 December 2018, 2019 and 2020, respectively. The change of income tax expense was generally in line with the change in the Target Group's profit before tax for the three years ended 31 December 2020.

Profit for the year

The Target Group recorded profit for the year attributable to its owners of the Target Company amounted to approximately RMB28.5 million, RMB65.4 million and RMB100.1 million for the years ended 31 December 2018, 2019 and 2020 respectively, representing a constant upward trend.

Other Intangible Assets

The Target Group's other intangible assets comprise (i) software; and (ii) property management contracts and customer relationship arising from the acquisitions during the Track Record Period. As of December 31, 2018, 2019 and 2020, the Target Group's other intangible assets amounted to approximately RMB25.0 million, RMB75.0 million and RMB150.8 million, respectively. The Target Group's other intangible assets increased during the Track Record Period primarily attributable to the additions of intangible assets over time arising from the acquisition of subsidiaries. Details of the acquisitions are set out in note 29 in Appendix II to this circular.

Trade Receivables

The Target Group's trade receivables mainly represent receivables from residential property management services and non-residential property management services. As at 31 December 2018, 2019 and 2020, trade receivables amounted to approximately RMB176.1 million, RMB335.6 million and RMB479.0 million, respectively. The increase in the amount of trade receivables throughout the Track Record Period corresponded with the increase in the Target Group's revenue.

Prepayments, other receivables and other assets

Prepayments, other receivables and other assets mainly consisted deposit and prepayment paid to service providers and amount due from related parties and original shareholders. As at 31 December 2018, 2019 and 2020, prepayments, other receivables and other assets of the Target Group amounted to approximately RMB50.9 million, RMB254.2 million and RMB154.3 million, respectively. The increase in the Target Group's prepayments, other receivables and other assets from 31 December 2018 to 31 December 2019 was mainly due to increase in the amounts due from related parties and original shareholders. The decrease from 31 December 2019 to 31 December 2020 was mainly due to the settlement of amounts due from related parties and original shareholders.

Trade Payables

The Target Group's trade payables amounted to approximately RMB46.5 million, RMB91.9 million and RMB124.2 million as at 31 December 2018, 2019 and 2020, respectively. The increased mainly due to the increase in purchases of goods and services as a result of business expansion.

Other Payables and Accruals

The other payables of the Target Group mainly comprised deposits and temporary receipts from property owners and amounts due to related parties. As at 31 December 2018, 2019 and 2020, other payables and accruals of the Target Group amounted to approximately RMB312.8 million, RMB729.7 million and RMB353.3 million, respectively. The increase in other payables and accruals from 31 December 2018 to 31 December 2019 was mainly due to the amount received from related parties. The decrease from 31 December 2019 to 31 December 2020 was mainly due to the settlement of amount due to related parties.

Contract Liabilities

The Target Group's contract liabilities primarily represent the advance payments made by the customers for the Target Group's property management services. As at 31 December 2018, 2019 and 2020, contract liabilities of the Target Group amounted to approximately RMB66.7 million, RMB114.4 million and RMB116.5 million, respectively.

Liquidity, financial resources and capital structure

The Target Group's borrowings mainly comprised bank borrowings. As at 31 December 2018, 2019 and 2020, the bank borrowings of the Target Group amounted to approximately RMB1.0 million, RMB11.0 million and RMB7.3 million, respectively, which were carried at fixed rate. The bank borrowings were denominated in RMB, carried at fixed rate. The above borrowings was or will be used for the Target Group's working capital.

As at 31 December 2018, 2019 and 2020, the total assets of the Target Group were approximately RMB466.8 million, RMB1,198.6 million and RMB1,652.7 million, respectively. As at 31 December 2018, 2019 and 2020, the total liabilities of the Target Group were approximately RMB450.9 million, RMB1,022.6 million and RMB724.9 million, respectively. As at 31 December 2018, 2019 and 2020, the current ratio of the Target Group was 0.65 times, 0.78 times and 1.37 times, respectively. As at 31 December 2018, 2019 and 2020, the Target Group did not have any capital commitments.

Foreign exchange risks

During the Track Record Period, the principal activities of the Target Group were conducted in the PRC and its income and expenses were denominated in RMB. In light of this, the Target Group was not exposed to material risks in relation to foreign exchange rate fluctuation and has not entered into any contracts to hedge its exposure to foreign currency risks.

Employees and remuneration policy

Compensation for employees of the Target Group is made with reference to the market as well as individual performance and contributions. Extensive use of bonuses to link performance with reward is adopted. The Target Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Target Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. As at 31 December 2018, 2019 and 2020, the Target Group had approximately 2,900, 4,000 and 6,500 employees, respectively.

Contingent liabilities

As at 31 December 2018, 2019 and 2020, the Target Group did not have any contingent liabilities, guarantees or any litigations or claims of material importance, pending or threatened against any member of Target Group.

Gearing ratio and the basis of calculation

As at 31 December 2018, 2019 and 2020, the gearing ratio of the Target Group was approximately –290.9%, –101.4% and –19.3%, respectively. The gearing ratio is the net debt divided by total equity, which net debt is the total interest-bearing bank and other borrowings less cash and cash equivalents and restricted cash.

Significant investments, material acquisitions and disposals of subsidiaries and associated companies

During the Track Record Period, the Target Group acquired and disposed certain subsidiaries in the PRC. Details of the acquisitions and disposals are set out in note 29 and 30 in Appendix II to this circular. Save as disclosed, the Target Group had not made any other significant investments, material acquisitions or disposals of subsidiaries or associated companies.

Future plans for material investments and acquisition of capital assets

The Target Group has no future plans for material investments and acquisition of material capital assets as at 31 December 2020.

The information set out below does not form part of the accountants' reports prepared by the reporting accountants of the Company, Ernst & Young, Certified Public Accountants, Hong Kong, set out in Appendix II "Financial Information of the Target Company" to this circular and is included herein for information only.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

(1) INTRODUCTION

The following is an illustrative unaudited pro forma consolidated statement of assets and liabilities (the "**Unaudited Pro Forma Financial Information**") of KWG Living Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") as enlarged by the proposed acquisition of the 80% equity interest in Cedar Technology Group Co., Ltd. and its subsidiaries (collectively the "**Target Group**") (the "**Proposed Acquisition**"). The Group as enlarged by the Proposed Acquisition upon completion of the Proposed Acquisition is hereafter collectively referred to as the "**Enlarged Group**". The Unaudited Pro Forma Financial Information has been prepared by the directors of the Company (the "**Directors**") in accordance with Rule 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and on the basis of the notes set forth below for the purpose of illustrating the effects of the Proposed Acquisition as if the Acquisitions had been completed at 31 December 2020.

The Unaudited Pro Forma Financial Information has been prepared by the Directors for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the assets and liabilities of the Enlarged Group had the Proposed Acquisition been completed on 31 December 2020 or any future date.

The Unaudited Pro Forma Financial Information has been prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2020, which has been extracted from the published 2020 annual report of the Company, and the audited consolidated statement of financial position of the Target Group as at 31 December 2020, which has been extracted from the accountants' report of the Target Group as set out in Appendix II to this circular, after giving effect to the unaudited pro forma adjustments as described in the accompanying notes.

The Unaudited Pro Forma Financial Information should be read in conjunction with the financial information of the Group and other financial information included elsewhere in this circular.

(2) UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

	The Group as at 31 December 2020	The Target Group as at 31 December 2020	Pro forma adjustments			Unaudited pro forma of the Enlarged Group
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	Note 1	*Note 2*	*Note 3*	*Note 4*	*Note 5*	
NON-CURRENT ASSETS						
Property, plant and equipment	8,240	11,269	—	—	—	19,509
Investment properties	—	6,234	—	—	—	6,234
Right-of-use assets	6,827	4,534	—	—	—	11,361
Goodwill	260,208	525,852	408,791	—	—	1,194,851
Other intangible assets	157,856	150,796	275,029	—	—	583,681
Investment in an associate	7,954	—	—	—	—	7,954
Deferred tax assets	14,741	9,423	—	—	—	24,164
Other non-current assets	287	5,800	—	—	—	6,087
Total non-current assets	**456,113**	**713,908**	**683,820**	**—**	**—**	**1,853,841**
CURRENT ASSETS						
Trade receivables	606,708	478,990	—	—	(59,842)	1,025,856
Prepayments, other receivables and other assets	200,942	154,298	—	—	98,912	454,152
Due from a shareholder	—	98,912	—	—	(98,912)	—
Financial assets at fair value through profit and loss	—	20,558	—	—	—	20,558
Restricted cash	5,150	3,320	—	—	—	8,470
Cash and cash equivalents	2,959,619	182,673	(1,316,000)	(3,631)	—	1,822,661
Total current assets	**3,772,419**	**938,751**	**(1,316,000)**	**(3,631)**	**(59,842)**	**3,331,697**
CURRENT LIABILITIES						
Trade payables	154,465	124,246	—	—	(59,842)	218,869
Other payables and accruals	628,367	353,306	—	—	—	981,673
Contract liabilities	95,695	116,532	—	—	—	212,227
Interest-bearing bank and other borrowings	—	7,263	—	—	—	7,263
Lease liabilities	3,557	1,273	—	—	—	4,830
Dividend payable	200,000	—	—	—	—	200,000
Tax payable	115,922	82,738	—	—	—	198,660
Total current liabilities	**1,198,006**	**685,358**	**—**	**—**	**(59,842)**	**1,823,522**
NET CURRENT ASSETS	**2,574,413**	**253,393**	**(1,316,000)**	**(3,631)**	**—**	**1,508,175**
TOTAL ASSETS LESS CURRENT LIABILITIES	**3,030,526**	**967,301**	**(632,180)**	**(3,631)**	**—**	**3,362,016**
NON-CURRENT LIABILITIES						
Lease liabilities	3,172	3,160	—	—	—	6,332
Deferred tax liabilities	33,879	36,402	68,757	—	—	139,038
Total non-current liabilities	**37,051**	**39,562**	**68,757**	**—**	**—**	**145,370**
Net Assets	**2,993,475**	**927,739**	**(700,937)**	**(3,631)**	**—**	**3,216,646**
EQUITY						
Share capital	17,499	787,500	(787,500)	—	—	17,499
Reserves	2,939,456	112,913	(112,913)	(3,631)	—	2,935,825
Equity attributable to owners of the Company	2,956,955	900,413	(900,413)	(3,631)	—	2,953,324
Non-controlling interests	36,520	27,326	199,476	—	—	263,322
Total equity	**2,993,475**	**927,739**	**(700,937)**	**(3,631)**	**—**	**3,216,646**

(3) NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. The audited consolidated statement of assets and liabilities of the Group as at 31 December 2020 are extracted from the audited consolidated statement of financial position of the Group as at 31 December 2020 as set out in the published 2020 annual report of the Company for the year ended 31 December 2020.

2. The audited consolidated statement of assets and liabilities of the Target Group as at 31 December 2020 are extracted from the audited consolidated statement of financial position of the Target Group as set out in the accountants' report of the Target Group in Appendix II to this circular.

3. Pursuant to the acquisition agreement (the "**Agreement**") entered into by (i) Guangdong Hejing Youhuo Holdings Group Co., Ltd.* ("**Guangdong Hejing**" or the "**Purchaser**", an indirect wholly-owned subsidiary of the Company), (ii) Guangzhou Xiangtai Business Management Co., Ltd.* ("**Guangzhou Xiangtai**" or the "**Vendor**", a third-party of the Company), (iii) Cedar Industrial Group Limited* ("**Cedar Group**") and Shouguang Qixing Enterprise Management Center (Limited Partnership)* ("**Qixing Partnership**") (collectively, the "**Guarantors**", third parties of the Company, held 17% and 3% equity interests of the Target Company by Cedar Group and Qixing Partnership as at the date of the Agreement, respectively) and (iv) the Target Company on 17 January 2021, the Purchaser has conditionally agreed to purchase and the Vendor has conditionally agreed to sell the 80% equity interests of the Target Company (the "**Acquisition**"), for the cash consideration of RMB1,316,000,000 (the "**Consideration**"). The completion of the Acquisition is dependent on the fulfilment of a number of conditions, among others, the conditions precedent of the Acquisition Agreement, the reporting, announcement, circular and the approval from the shareholders of the Company.

   Upon completion of the Proposed Acquisition, the Target Company will become an 80% owned subsidiary of the Company. In opinion of the Directors, the Proposed Acquisition is considered as a business combination and the identifiable assets and liabilities of the Target Group will be accounted for in the consolidated financial statements of the Enlarged Group at their fair values using the acquisition method in accordance with Hong Kong Financial Reporting Standard 3 *Business Combinations* ("**HKFRS 3**") issued by the Hong Kong Institute of Certified Public Accountants.

   For the purpose of the Unaudited Pro Forma Financial Information, it is assumed that the fair values of the identifiable assets and liabilities of the Target Group upon completion approximate to their carrying amounts as at 31 December 2020, except for the property management contracts, customer relationships and non-compete agreements which are identified and recognised as other intangible assets ("**Identified Intangible Assets**") of the Target Group with their fair values as at 31 December 2020 determined based on the valuation report prepared by CHFT Advisory and Appraisal Ltd., an independent professionally qualified valuer. Accordingly, the goodwill arising from the Proposed Acquisition is calculated as follow:

	Notes	*RMB'000*
Net assets value of the Target Group as at 31 December 2020		927,739
Fair value adjustments:		
Identified Intangible Assets	(i)	275,029
Deferred tax effect	(ii)	(68,757)
Adjusted total identifiable net assets of the Target Group at fair value		1,134,011
Less: share of adjusted total identifiable net assets of the Target Group at fair value by non-controlling interests	(iii)	(226,802)
Fair value of the identifiable net assets of the Target Group attributable to the Group		907,209
Goodwill arising from the Proposed Acquisition ("**Goodwill**")	(iv)	408,791
Satisfied by:		
Cash consideration		1,316,000

(i) This pro forma fair value adjustment is related to the recognition, on a pro forma basis, of Identified Intangible Assets of RMB275,029,000 under the Target Group.

(ii) Being the deferred tax liabilities relating to the pro forma fair value adjustment of Identified Intangible Assets amounted to RMB68,757,000, which is calculated at income tax rate of 25%.

(iii) The non-controlling interests attributable to the 20% equity interest in the Target Company is measured at the proportionate share of adjusted total identifiable net assets of the Target Group at fair value by non-controlling interests as at 31 December 2020.

(iv) The Consideration paid for the Proposed Acquisition effectively included amounts in relation to the benefit of expected revenue growth, future market development and the assembled workforce of Target Group, which is expected to generate synergies between the Group and the Target Group which will facilitate the growth of the Group into a nationwide provider of smart operating services with a comprehensive business profile covering multiple brands and the entire industry chain and in turn strengthen the Group's continuous profitability. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

Based on the above, a pro forma adjustment is made which represents (a) the cash consideration paid of RMB1,316,000,000 for the Proposed Acquisition pursuant to the Agreement; (b) the elimination of the paid-up capital of RMB787,500,000 and pre-acquisition reserves of approximately RMB112,913,000 of the Target Group; (c) the total fair value of the Identified Intangible Assets recognised of RMB275,029,000; (d) the deferred tax liabilities of RMB68,757,000 provided for in respect of Identified Intangible Assets recognised in (c) above; (e) the share of the fair value adjustments net of the related deferred tax liabilities in (c) and (d) above to the non-controlling interests of approximately RMB199,476,000; and (f) the allocation of the excess of the Consideration over the fair value of the identifiable net assets of the Target Group as at 31 December 2020 to the goodwill in accordance with HKFRS 3.

According to the Group's accounting policy, after initial recognition, the Goodwill will be measured at cost less any accumulated impairment losses. The Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, the Goodwill is, from the acquisition date, allocated to one of the Group's cash generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Further, according to the Group's accounting policy, impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash generating units) to which the Goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash generating units) is less than the carrying amount of the Goodwill allocated, an impairment loss will be recognised. An impairment loss recognised for the Goodwill will not be reversed in a subsequent period.

In the preparation of this Unaudited Pro Forma Financial Information of the Enlarged Group, the Directors had performed an impairment assessment of the Goodwill in accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* ("**HKAS 36**") and the Group's accounting policy. Based on the impairment test, the recoverable amount of the cash-generating unit in which the Goodwill was allocated exceeds its carrying amount and accordingly, no pro forma adjustment in respect of goodwill impairment is made by the Directors in the Unaudited Pro Forma Financial Information for the Enlarged Group. Such assessment assumed that (i) there are no major material adverse changes in the fair values of the assets and liabilities; and (ii) the identifiable assets and liabilities can be realised at their book values. However, should there be any adverse changes to the business of the Target Company, including but not limited to, any subsequent adverse changes in the operation, impairment may be required to be recognised against the Goodwill in accordance with HKAS 36 and the Group's accounting policy.

The Directors confirmed that they will apply consistent accounting policies, principal assumptions and valuation method to assess impairment of the Goodwill in subsequent reporting periods in accordance with the requirement of HKAS 36 and will disclose in the Group's annual report the basis and assumptions adopted by the Directors in the impairment assessment in accordance with the disclosure requirements in HKAS 36.

The fair values of the identifiable assets and liabilities in relation to the Proposed Acquisition are subject to changes upon completion of the Proposed Acquisition because in accordance with HKFRS 3, the fair values of all identifiable assets and liabilities of the Target Group shall be assessed on the date of completion of the Proposed Acquisition, which may be substantially different from their estimated amounts used in the preparation of the Unaudited Pro Forma Financial Information. Accordingly, the amount of Goodwill on the date of completion of the Proposed Acquisition may be materially different from the calculation above.

4. For the purpose of the Unaudited Pro Forma Financial Information, the transaction expenses, such as professional services fees, that are directly attributable to the Proposed Acquisitions are estimated to be RMB3,631,000 and are charged to profit or loss and settled by cash as if the Proposed Acquisition had completed on 31 December 2020.

5. The pro forma adjustment represents the reclassification and elimination of the balances of current accounts when preparing consolidated statement of assets and liabilities of the Enlarged Group as at 31 December 2020.

6. The Unaudited Pro Forma Financial Information has not taken into account the declared interim dividend of RMB200,000,000 and proposed final dividend of approximately RMB121,069,000 for the year ended 31 December 2020 which is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. Had the dividend been taken into account, the cash and cash equivalents and reserve in the Unaudited Pro Forma Financial Information would decrease by approximately RMB321,069,000 and RMB121,069,000, respectively.

7. No other adjustment has been made to the Unaudited Pro Forma Financial Information to reflect any trading results or other transactions of the Group and the Target Group entered into subsequent to 31 December 2020.

* *The English names of these companies referred to in the notes to the Unaudited Pro Forma Financial Information of The Enlarged Group represent management's best effort to translate the Chinese names of those companies, as no English names have been registered by these companies.*

(4) INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following is the text of a report from the Company's reporting accountants, Ernst & Young, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this circular.

Ernst & Young
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979 King's Road
Quarry Bay, Hong Kong

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

To the Directors of KWG Living Group Holdings Limited

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of KWG Living Group Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company (the "**Directors**") for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of assets and liabilities of the Group as at 31 December 2020, and related notes as set out on pages IV-3 to IV-6 of the circular dated 17 June 2021 (the "**Circular**") issued by the Company (the "**Unaudited Pro Forma Financial Information**") in connection with the proposed acquisition of the 80% equity interest in Cedar Technology Group Co., Ltd. and its subsidiaries (collectively the "**Target Group**") (the "**Proposed Acquisition**"). The applicable criteria on the basis of which the Directors have compiled the Unaudited Pro Forma Financial Information are described on page IV-1 of the Circular.

The Unaudited Pro Forma Financial Information has been compiled by the Directors to illustrate the impact of the Proposed Acquisition on the Group's financial position as at 31 December 2020 as if the Proposed Acquisition had taken place at 31 December 2020. As part of this process, information about the Group's and the Target Group's financial position have been extracted by the Directors from the Group's financial statements for the year ended 31 December 2020, on which the annual report has been published, and the accountants' report on the Target Group included in Appendix II to this Circular, respectively.

Directors' responsibility for the Unaudited Pro Forma Financial Information

The Directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline ("**AG**") 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**").

Our independence and quality control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants' responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus* issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of the Unaudited Pro Forma Financial Information included in the Circular is solely to illustrate the impact of the Proposed Acquisition on unadjusted financial information of the Group as if the Proposed Acquisition had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Proposed Acquisition would have been as presented.

A reasonable assurance engagement to report on whether the Unaudited Pro Forma Financial Information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Directors in the compilation of the Unaudited Pro Forma Financial Information provide a reasonable basis for presenting the significant effects directly attributable to the Proposed Acquisition, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Unaudited Pro Forma Financial Information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgment, having regard to the reporting accountants' understanding of the nature of the Group, the Proposed Acquisition in respect of which the Unaudited Pro Forma Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Unaudited Pro Forma Financial Information.

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

Opinion

In our opinion:

(a) the Unaudited Pro Forma Financial Information has been properly compiled on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purpose of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Ernst & Young
Certified Public Accountants
Hong Kong

17 June 2021

The following is the text of a report set out on pages V-1 to V-13, received from CHFT Advisory and Appraisal Ltd., an independent professional valuer, in connection with its valuation of the Sale Interests as at 31 December 2020, for the purpose of incorporation in this circular.

華坊 CHFT 諮詢評估有限公司 ADVISORY AND APPRAISAL LTD.

Our Ref.: VC/JLI/2021

Date: 17 June 2021

KWG Living Group Holdings Limited
Unit 8205A, Level 82, International Commerce Centre,
1 Austin Road West,
Kowloon, Hong Kong

Attn.: Board of Directors

Dear Sirs/Madams,

RE: Valuation of 80% equity interest of Cedar Technology Group Co., Ltd.

In accordance with an instruction from KWG Living Group Holdings Limited (the "**Instructing Party**"), we hereby provide a valuation on the market value of 80% equity interest of Cedar Technology Group Co., Ltd. (the "**Target Company**") as at 31 December 2020 (the "**Valuation Date**").

We confirm that we have made relevant enquiries and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the market value of 80% equity interest of the Target Company.

This valuation is complied with the RICS Valuation — Professional Standards published by the Royal Institution of Chartered Surveyors ("**RICS**") and International Valuation Standards ("**IVS**") published by the International Valuation Standards Council.

1 PURPOSE OF VALUATION

The purpose of this report is to express an independent opinion on the market value of 80% equity interest of the Target Company as at the Valuation Date. This report outlines our latest findings and valuation conclusion and is prepared solely for public circular purpose only.

2 SCOPE OF WORK

In conducting this valuation exercise, our scope of work includes:

- Co-ordinated with the representatives of the Instructing Party to obtain the required information and documents for our valuation;
- Gathered the relevant information of the Target Company, including the legal documents, financial statements, etc. made available to us;
- Discussed with the Instructing Party to understand the history, business model, operations, business development plan, etc. of the Target Company for valuation purpose;
- Carried out researches in the sector concerned and collected relevant market data from reliable sources for analysis;
- Investigated into the information of the Target Company made available to us and considered the basis and assumptions of our conclusion of value;
- Designed an appropriate valuation model to analyze the market data and derived the estimated market value of the Target Company; and
- Compiled a report on the valuation, which outlines our findings, valuation methodologies and assumptions, and conclusion of value.

When performing our valuation, all relevant information, documents, and other pertinent data concerning the assets, liabilities and contingent liabilities should be provided to us. We relied on such data, records and documents in arriving at our opinion of values and had no reason to doubt the truth and accuracy of the information provided to us by the Instructing Party, the Target Company and its authorized representatives.

3 OVERVIEW OF TARGET COMPANY

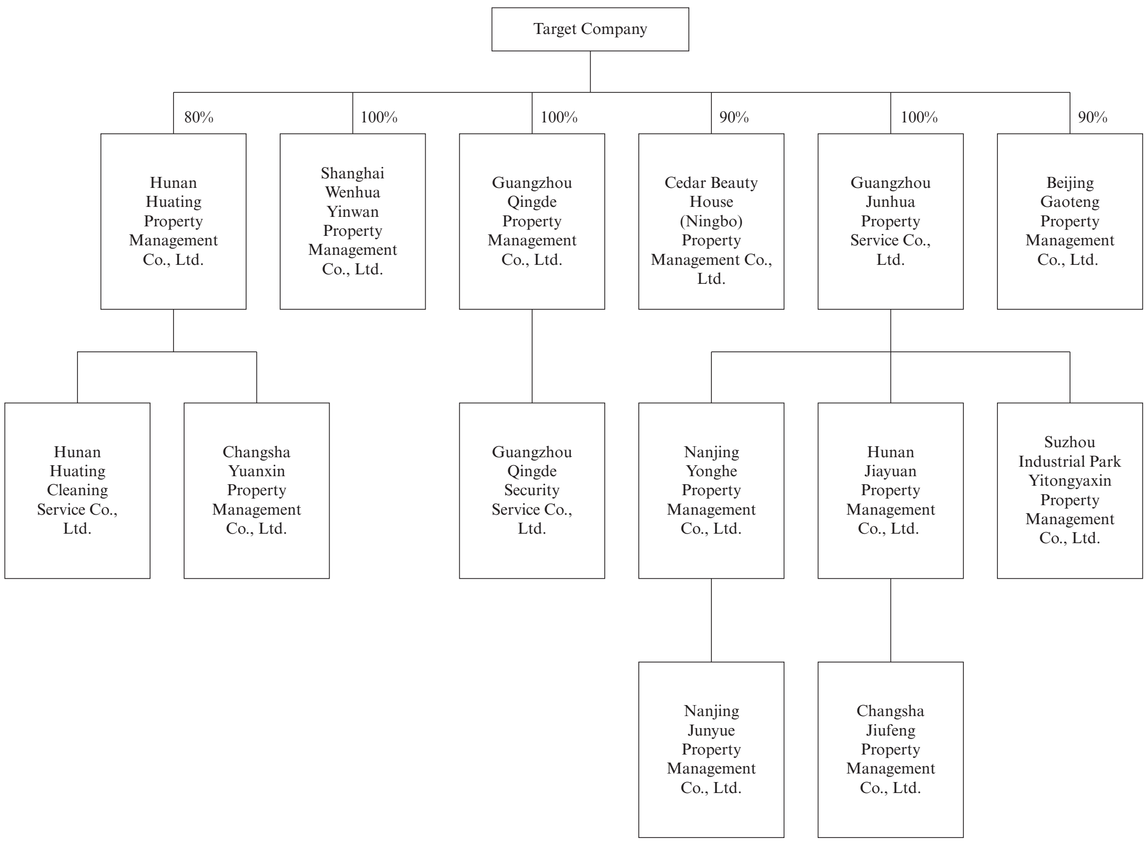
The Target Company is a company with limited liability incorporated in the People's Republic of China (the "**PRC**"). It is principally engaged in provision of professional property management services and value-added services for public and private sectors in the PRC.

As at the Valuation Date, the Target Company has been contracted to provide property management services for more than 1,000 property management projects, covering gross floor area of approximate 86 million square meters in 109 cities of 17 provinces.

In terms of property management services business, the Target Company has established different services sub-brands for various types of clients, including but not limited to residential properties, schools, hospitals, and local government. Shanghai Yinwan, which is a sub-brand of the Target Company, has ranked 21st among Top 100 of Property Management Companies of 2019 in the PRC, which was issued by the China Index Academy.

Besides, the Target Company has also continuously promoted the application of Internet of Things and advanced technologies in daily management. As at the Valuation Date, the Target Company has independently developed Songyun Smart Cloud Platform, which realizes the management digitalization and process standardization.

As at the Valuation Date, the shareholder structure of the Target Company is set out as followed:



Source: the Instructing Party

4 INDUSTRY OVERVIEW

While the COVID-19 has been controlled by adopting effective measures, the PRC has experienced a solid recovery in the second half of 2020. According to National Bureau of Statistics, the gross domestic product (the "**GDP**") of the PRC witnessed 2.3% year-on-year growth to approximately RMB101,598.6 billion in 2020. The tertiary industry, which consists of service industry, contributed more than 50% of GDP. According to authoritative international institutions such as the International Monetary Fund and the Organisation for Economic Co-operation and Development, China will be the only major economy to maintain positive growth around the world this year.

The property management industry in the PRC has maintained a steady growth trend in recent years. Based on the 2021 industry research on the top 100 property management companies, published by the China Index Academy, the average gross floor area under management per company reached approximately 48.79 million square meters in 2020, with an increase of 14.02% on a year-on-year basis. Meanwhile, the market share of top 100 property management companies has been increasing from 29.44% to 49.71% during the period from 2016 to 2020, representing the market concentration was enhanced continuously.

As disclosed by the China Index Academy, the average revenue of the top 100 property management companies increased from approximately RMB628 million to approximately RMB1,173 million with a CAGR of 16.91% from 2016 to 2020. Among the revenue, the main driver of the revenue was the basic property management service, which generating 77.93% of total revenue in 2020.

However, as the value-added services have been emerged from the basic property management services recently, the revenue structure of property management companies has been optimized. The value-added services to non-property owners mainly consist of consultancy fees, while the value-added service to property owners usually includes repair and maintenance, and child care etc. According to the China Index Academy, the average revenue of value-added services witnessed a strong increase, reaching approximately RMB259 million with the growing rate of 16.08% in 2020.

5 VALUATION METHODOLOGY

There are three generally accepted valuation approaches in this valuation. The valuation approaches are sourced from International Valuation Standard 105 — Valuation Approaches and Methods.

5.1 Cost Approach

The cost approach provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction, unless undue time, inconvenience, risk or other factors are involved. The approach provides an indication of value by calculating the current replacement or reproduction cost of an asset and making deductions for physical deterioration and all other relevant forms of obsolescence.

The cost approach should be used as the primary basis for a valuation under the following circumstances:

- market participants would be able to recreate an asset with substantially the same utility as the subject asset, without regulatory or legal restrictions, and the asset could be recreated quickly enough that a market participant would not be willing to pay a significant premium for the ability to use the subject asset immediately;
- the asset is not income-generating (directly or indirectly) and the unique nature of the asset makes using an income approach or market approach unfeasible; and

- the basis of value being used is fundamentally based on replacement cost, such as reinstatement value.

5.2 Market Approach

The market approach provides an indication of value by comparing the asset with identical or comparable (that is similar) assets for which price information is available. When reliable, verifiable and relevant market information is available, the market approach is the preferred valuation approach.

The market approach should be used as the primary basis for a valuation under the following circumstances:

- the asset has recently been sold in a transaction appropriate for consideration under the basis of value;
- the asset or substantially similar assets are actively publicly traded; and
- there are frequent or recent observable transactions in substantially similar assets.

5.3 Income Approach

The income approach provides an indication of value by converting future cash flow to a single current value. Under the income approach, the value of an asset is determined by reference to the value of income, cash flow or cost savings generated by the asset.

The income approach should be used as the primary basis for a valuation under the following circumstances:

- the income-producing ability of the asset is the critical element affecting value from a market participant perspective; and
- reliable projections of the amount and timing of future income are available for the subject asset, but there are few, if any, relevant market comparables.

5.4 Selection of Assessment Methodology

In this valuation, the cost approach is not considered applicable as it fails to capture future earnings potential of the Target Company. The income approach is also not adopted as various projected inputs, including but not limited to service pricing, the contract terms and operating costs, have to be made, which cannot be easily justified or ascertained.

The Target Company has sufficient track records. As advised by the management, the Target Company is expected to sustain its existing business operations in the foreseeable future. Besides, there are sufficient public comparable companies reliably available for us to benchmark the value of the Target Company. Therefore, we considered that market approach is the most appropriate approach for valuing the Target Company.

6 GUIDELINE PUBLICLY-TRADED COMPARABLE METHOD

The guideline publicly-traded method utilizes information on publicly-traded comparables that are the same or similar to the subject asset to arrive at an indication of value.

The key steps in the guideline publicly-traded comparable method are to:

- identify the valuation metrics/comparable evidence that are used by participants in the relevant market;
- identify the relevant guideline publicly-traded comparables and calculate the key valuation metrics for those comparables;
- perform a consistent comparative analysis of qualitative and quantitative similarities and differences between the publicly-traded comparables and the subject asset;
- make necessary adjustments, if any, to the valuation metrics to reflect differences between the subject asset and the publicly-traded comparables;
- apply the adjusted valuation metrics to the subject asset; and
- if multiple valuation metrics were used, weight the indications of value.

We consider that the use of the guideline publicly-traded comparable method is appropriate for the valuation of the Target Company, since the method reflects the going concern of the Target Company and provides direct market reference on the value from a group of comparable companies in the market. Especially, the P/E Ratio is adopted in this valuation.

P/E Ratio

P/E Ratio is considered appropriate and adopted in this valuation as it is a widely adopted pricing multiple in valuation. It is a ratio for valuing a company that measures its current market value relative to its earnings and business scale. It relates the market value of a company's equity to its earnings, an important driver of shareholder value. This trailing price/earnings multiple is derived by dividing the market capitalization of the underlying company with its earning as of the Valuation Date. The formula is as below:

P/E Ratio = Market Value per Share/Earnings per Share

We have also considered P/B, EV/Sales and P/S ratios. In view of the nature of the business operation of the Target Company, P/B Ratio is considered not appropriate as book value captures only the tangible assets of the Target Company, which has its own intangible advantages. The value of these intangible advantages is not reflected in P/B Ratio. EV/Sales and P/S Ratio are also not adopted for this valuation, since revenues may not consider the cost structure and profitability.

7 FINANCIAL STATEMENT OF TARGET COMPANY AS AT VALUATION DATE

In this valuation, we have obtained the audited financial statement of the Target Company as at 31 December 2020. The detailed financial information is set out as table below.

Items	**31 December 2020**
Revenue	1,235,945
Cost of sales	(969,567)
Other income and gains	16,688
Selling and distribution expenses	(656)
Share of profit of an associate	24
Administrative expenses	(117,453)
Other expenses	(22,259)
Finance costs	(1,873)
Income tax expense	(40,744)
Profit for the year	100,105

Currency: RMB'000; Source: the Instructing Party

8 MARKET APPROACH AND OTHER ADJUSTMENTS

Selection of Comparable Companies

By adopting market approach, we have selected the appropriate comparable public companies. The selection of the comparable companies was based on the comparability of the overall industry sector.

Therefore, we focus on identifying listed companies who are engaged in the business of the Target Company, which is the property management business. As a result, a set of potential comparable companies with business exposure in relation to property management was comprised. Then, more comprehensive researches have been carried out to confine the selection of comparable companies.

The comparable public companies are selected with mainly reference to the following selection criteria:

1. Primarily be engaged in the provision of property management and value-added services (Over 50% of the revenue is derived from the provision);

2. Has its primary operations in mainland China (Over 50% of the revenue is derived from mainland China);

3. The profitability for the latest 12 months financial reporting period should be positive;

4. Should be listed on the Stock Exchange;

5. The market capitalization should be below HK$4 billion, which is considered to be more comparable to the Target Company; and

6. Information on the comparable companies must be extracted from a reliable source.

Based on the aforementioned selection criteria and the search from the FactSet Database (a financial data provider developed by FactSet Research Systems Inc., a global industry leader in acquiring, integrating and managing core financial data), the following comparable companies are exhaustive, fair and representative to be adopted in the valuation, with the following information as at 31 December 2020:

Ticker	**Company Name**	**P/E**
2168-HK	Kaisa Prosperity Holdings Ltd.	11.3
1502-HK	Financial Street Property Co. Ltd.	19.7
1971-HK	Redsun Services Group Ltd.	22.2
1922-HK	Yincheng Life Service Co., Ltd.	15.9
6093-HK	Hevol Services Group Co., Ltd.	14.7
1153-HK	Jiayuan Services Holdings Ltd.	31.7
2156-HK	C&D Property Management Group Co., Ltd.	30.6
	Median	**19.7**

Source: FactSet

Description of Comparable Companies

Kaisa Prosperity Holdings Ltd. engages in the provision of property management services. The company was founded on 13 October 2017 and is headquartered in Shenzhen, China.

Financial Street Property Co. Ltd. engages in property management and other related services. It offers these services to both commercial and non-commercial properties. The company was founded on 20 May 1994 and is headquartered in Beijing, China.

Redsun Services Group Ltd. provides property management services to property owners, residents, shopping malls, home improvement and furnishings malls, hotels and theme park. The company was founded in 2003 and is headquartered in Nanjing, China.

Yincheng Life Service Co., Ltd. is an investment holding company which engages in the provision of property management services. The company's business covers a wide spectrum of properties, including residential properties and non-residential properties covering government facilities, financial institutions, property sales offices, parks, highway service area, industrial parks, mixed use properties, schools and office buildings. Yincheng Life Service was founded in December 1997 and is headquartered in Nanjing, China.

Hevol Services Group Co. Ltd. provides property management services. The Property management services segment offers range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening services as well as repair and maintenance services, with a focus on residential communities. The company was founded by Liu Jiang on 5 May 2018 and is headquartered in Haidian District, China.

Jiayuan Services Holdings Ltd. engages in the provision of property management services. It also offers value-added services to property developers and community value-added services. The company was founded on 5 March 2020 and is headquartered in Jiaxing, China.

C&D Property Management Group Co., Ltd. operates as an investment holding company. It offers property management services that include greening, gardening and order maintenance for public areas, cleaning, security, parking management, property decoration and furnishing, repair and maintenance services for public facilities. The company was founded on 4 May 2016 and is headquartered in Xiamen, China.

The above comparable companies are similarly subject to fluctuations in the economy and performance of the industry that the Target Company is engaged in, among other factors. Thus, we consider they are faced with similar industry risks and returns.

Lack of Marketability Discount

We have adopted a lack of marketability discount of 20% in the valuation of 80% equity interest of the Target Company to compensate for the potential difficulty of selling the investments, which are not traded on a stock exchange, compared with those of the peer companies that are traded publicly in stock exchange markets.

The 20.6% discount is sourced from 2020 edition of the Stout Restricted Stock Study Companion Guide, the latest applicable edition consisting of 759 restricted stock transactions with distinct transaction and company characteristics. The study represents the most widely used and accepted database available to valuers for lack of marketability discount determination. Based on the study, the overall average discount for lack of marketability as observed in the Stout Study based on data from 1980 through December 2019 is 20.6%, concluded by dividing the difference between the private placement price and the market reference price by the market reference price.

Control Premium

A control premium is the premium an investor is willing to pay in addition to a marketable minority equity value to obtain controlling interest in a business subject. The market price of each of the comparable companies was on a minority stake of the subject company, therefore adjustment has been made to reflect the degree of control associated with a 80% equity interests in the Target Company. In this valuation, we considered 20% was deemed to be sufficient to reflect the control premium of the equity interest in the Target Company which was made with reference to the Mergerstat Control Premium Study by published by FactSet Mergerstat, LLC in 2020.

Result Analysis

The detailed calculation is shown in table below:

Subject	Amount	Formula
Latest 12-month normalized net profit attribute to owners of the parent	90,835	A
Market price multiple observed	19.7	B
Lack of marketability discount	20.6%	C
Control premium	20%	D
Shareholding of Target Company	1,702,304	E = A*B*(1-C)*(1 + D)
Proportion of equity interest	80%	F
80% Equity value (rounded)	1,360,000	G = E*F

Currency: RMB'000

Note:

The latest 12-month normalized net profit was based on the audited consolidated statement of profit or loss of the Target Group for the year ended 31 December 2020 excluding any non-recurring other income/loss. Common non-recurring items include, but not limited to, government grants, penalty and any gains or losses relating to the disposal of the assets.

9 PREMISE OF VALUATION AND BASIS OF VALUATION

Our valuation is based on market value basis and market value is defined as "the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion". Such definition is in line with the requirements of International Valuation Standards.

9.1 Source of Information

Our investigation covers the discussion with Target Company and Instructing Party's representatives, the collection of information including the details of Target Company.

We assume that the data obtained in the course of the valuation, along with the opinions and representations provided to us by Instructing Party were prepared in reasonably care.

We have had no reason to doubt the truth and accuracy of the information provided to us by Instructing Party. We have also sought confirmation from Instructing Party that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

9.2 Factors Considered

The factors considered in this valuation included, but were not limited to, the following:

- The demand and supply of property management industry in the region;
- Operation and financial risks of the Target Company;
- Environmental policies set by the government that pertains to the Target Company;
- Average operational parameters of comparable companies in the region;
- Operation experience of the management of the Target Company; and
- The economic conditions of China.

10 DISCLAIMER AND LIMITATION

Our findings or conclusion of value of the subject in this report are valid only for the stated purpose and at the Valuation Date, and for the sole use of the Instructing Party.

Our liability for loss or damage shall be limited to such sum as we ought reasonably to pay having regard to our responsibility for the same on the basis that all other consultants and specialists, where appointed, shall be deemed to have provided to the Instructing Party contractual undertakings in respect of their services and shall be deemed to have paid to the Instructing Party such contribution as may be appropriate having regard to the extent of their responsibility for such loss or damage.

Our liability for any loss or damage arising out of the action or proceedings aforesaid shall, notwithstanding the preceding provisions, in any event be limited to a sum not exceeding three (3) times of the amount of our agreed fee(s) for this engagement. In no event shall we be liable for consequential, special, incidental or punitive loss, damage or expense (including without limitation, loss of profits, opportunity cost, etc.), even if it has been advised of their possible existence. For the avoidance of doubt our liability shall never exceed the lower of the sum calculated in accordance with the preceding provisions and the sum provided for in this clause.

The Instructing Party is required to indemnify and hold us and our personnel harmless from any claims, liabilities, costs and expenses (including, without limitation, attorney's fees and the time of our personnel involved) brought against, paid or incurred by us at a time and in any way based on the information made available in connection with our engagement except to the extent that any such losses, expenses, damages or liabilities are ultimately determined to be the result of gross negligence, misconduct, willful default or fraud of our engagement team in conducting its work. This provision shall survive even after the termination of this engagement for any reason.

We reserve the right to include your company/firm name in our client list, but we will maintain the confidentiality of all conversations, documents provided to us, and the contents of our reports, subject to legal or administrative process or proceedings. These conditions can only be modified by written documents executed by both parties.

Any decision to purchase, sell or transfer any interest in the valuation subjects shall be the owners' sole responsibility, as well as the structure to be utilized and the price to be accepted. The selection of the price to be accepted requires consideration of factors beyond the information we will provide or have provided. An actual transaction involving the subject business might be concluded at a higher value or at a lower value, depending upon the circumstances of the transaction and the business, and the knowledge and motivations of the buyers and sellers at that time.

11 CONCLUSION

The conclusion of value is based on the accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

While the assumptions and consideration of such matters are considered to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Instructing Party and/or CHFT Advisory and Appraisal Ltd (the "**CHFT**").

Based on the valuation methodology adopted, we are of the opinion that:

The market value of 80% of equity interest of the Target Company, as at 31 December 2020, was in the sum of **RMB1,360,000,000 (RMB ONE BILLION THREE HUNDRED SIXTY MILLION).**

We hereby certify that we have neither present nor prospective interests in the Instructing Party or the value reported.

Yours faithfully,
For and on behalf of
CHFT Advisory and Appraisal Ltd.
Ross Wang CFA
Director

Note: Mr. Ross Wang is a CFA charterholder. He has over 10 years' experience in providing the business valuation services in Hong Kong, the PRC, and Asian region.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading,

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive

As at the Latest Practicable Date, the interests and short positions of the Directors or chief executive of the Company in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and chief executive are taken or deemed to have under such provisions of the SFO); (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules, were as follows:

(i) Long positions in the Shares and underlying Shares

	Number of Shares held				
Name of Director	**Personal interests (beneficial owner)**	**Corporate interests (interests of controlled corporation)**	**Other interests**	**Total**	**% of the issued voting Shares(1)**
KONG Jianmin	2,300,000	846,718,661(2)	219,635,885(4)	1,068,654,546	52.96
KONG Jiannan	—	81,827,772(3)	985,977,774(4)	1,067,805,546	52.92

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,810,233 Shares) as at the Latest Practicable Date.

(2) Plus Earn Consultants Limited (晉得顧問有限公司) ("**Plus Earn**") and Hero Fine Group Limited (英明集團有限公司) ("**Hero Fine**") are wholly-owned and controlled by Mr. KONG Jianmin. By virtue of the SFO, Mr. KONG Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.

(3) Peace Kind Investments Limited (和康投資有限公司) ("**Peace Kind**") is wholly-owned and controlled by Mr. KONG Jiannan. By virtue of the SFO, Mr. KONG Jiannan is deemed to be interested in the Shares in which Peace Kind is interested.

(4) On 14 October 2020, Plus Earn, Hero Fine, Right Rich Consultants Limited (正富顧問有限公司) ("**Right Rich**"), Excel Wave Investments Limited (卓濤投資有限公司) ("**Excel Wave**"), Wealth Express Investments Limited (富迅投資有限公司) ("**Wealth Express**") and Peace Kind entered into a shareholders' agreement (the "**Shareholders' Agreement**"), pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

(ii) Long position in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	% of the issued voting Shares
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (iii) notified to the Company and the Stock Exchange pursuant to the Model Code.

(b) Interests of substantial Shareholders and other persons

As at the Latest Practicable Date, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Long positions in the Shares

	Number of Shares held				
Name of substantial Shareholder	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of the issued voting Shares[1]
Plus Earn[4]	678,390,949	—	387,963,597[3]	1,066,354,546	52.85
Hero Fine[4]	168,327,712	—	898,026,834[3]	1,066,354,546	52.85
Peace Kind[4]	80,376,772	—	985,977,774[3]	1,066,354,546	52.85
KONG Jiantao	—	139,259,113[2]	927,095,433[3]	1,066,354,546	52.85
Right Rich	136,667,833	—	929,686,713[3]	1,066,354,546	52.85
Excel Wave	2,079,450	—	1,064,275,896[3]	1,066,354,546	52.85
Wealth Express	511,830	—	1,065,842,716[3]	1,066,354,546	52.85

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,810,233 Shares) as at the Latest Practicable Date.

(2) Right Rich, Excel Wave and Wealth Express are wholly-owned and controlled by Mr. KONG Jiantao. By virtue of the SFO, Mr. KONG Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.

(3) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

(4) Mr. KONG Jiannan is a director of Peace Kind and Mr. KONG Jianmin is a director of Plus Earn and Hero Fine.

Save as disclosed above, as at the Latest Practicable Date, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

3. COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware of, none of the Directors or their respective close associates had any interest in any business which competes or is likely to compete, or is in conflict or is likely to be in conflict, either directly or indirectly, with the businesses of the Enlarged Group.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or proposed Directors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

5. DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE AND ASSETS

As at the Latest Practicable Date:

(a) none of the Directors had any direct or indirect interest in any asset which has been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of, by or leased to any member of the Enlarged Group, or are proposed to be acquired or disposed of, by or leased to any member of the Enlarged Group; and

(b) there was no contract or arrangement subsisting in which a Director was materially interested and which was significant in relation to the business of the Enlarged Group.

6. LITIGATION

As at the Latest Practicable Date, to the best of the knowledge, information and belief of the Directors, none of the members of the Enlarged Group was engaged in any litigation or claim of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Enlarged Group.

7. MATERIAL CONTRACTS

The following contracts (not being contracts in the ordinary course of business carried on or intended to be carried on by the Enlarged Group) had been entered into by members of the Enlarged Group within two years preceding the Latest Practicable Date and which are, or may be, material to the Enlarged Group:

(a) an equity transfer agreement dated 25 January 2019 entered into between ZHANG Guozhu (章國柱) and 廣東罡昱企業管理有限責任公司 (Guangdong Gangyu Enterprise Management Co., Ltd.*) ("**Gangyu Enterprise**"), an indirect wholly-owned subsidiary of the Company, in relation to the transfer of 99% equity interests in 廣州宜家創生物業管理有限公司 (Guangzhou Yijia Chuangsheng Property Management Co., Ltd.*) ("**Yijia Chuangsheng**") from ZHANG Guozhu (章國柱) to Gangyu Enterprise at a consideration of RMB19.8 million;

(b) an equity transfer agreement dated 25 January 2019 entered into between CHE Qiangmou (車強謀) and Gangyu Enterprise, in relation to the acquisition of 1% equity interests in Yijia Chuangsheng from CHE Qiangmou (車強謀) to Gangyu Enterprise at a consideration of RMB0.2 million;

(c) an equity acquisition agreement dated 31 January 2019 entered into between上海偉神商務諮詢合夥企業(有限合夥) (Shanghai Weishen Commercial Consultancy Partnership Corporation (Limited Partnership)*), 上海勁毅商務諮詢合夥企業(有限合夥) (Shanghai Jingyi Commercial Consultancy Partnership Corporation (Limited Partnership)*), 上海勁兆企業管理合夥企業(有限合夥) (Shanghai Jingzhao Enterprise Management Partnership Corporation (Limited Partnership)*) (together the "**Limited Partnerships**") and 廣州市富愉物業服務有限公司 (Guangzhou Fuyu Property Management Services Company Limited*) ("**Fuyu Property**"), an indirect wholly-owned subsidiary of the Company, in relation to the transfer of a total of 50% equity interests in Gangyu Enterprise from the Limited Partnerships to Fuyu Property at an aggregate consideration of RMB100 million;

(d) an equity transfer agreement dated 29 November 2019 entered into between 廣州市寧駿物業管理有限公司 (Guangzhou Ningjun Property Management Company Limited*) ("**Ningjun Property**"), an indirect wholly-owned subsidiary of the Company and 廣州市君兆物業經營有限公司 (Guangzhou Junzhao Property Operation Co., Ltd.*) ("**Guangzhou Junhao**"), in relation to the transfer of the entire equity interest in 廣州市冠裕置業代理有限公司 (Guangzhou Guanyu Property Agency Co., Ltd.*) from Ningjun Property to Guangzhou Junhao at nil consideration;

(e) an equity transfer agreement dated 27 December 2019 entered into between Ningjun Property and 廣東省合景悠活商業服務管理有限公司 (Guangdong Hejing Youhuo Commercial Services Management Co., Ltd.*) ("**Hejing Youhuo**"), an indirect wholly-owned subsidiary of the Company, in relation to the transfer of the entire equity interest in 廣州市利雋物業管理有限公司 (Guangzhou Lijun Property Management Company Limited*) from Ningjun Property to Hejing Youhuo at nil consideration;

(f) an equity transfer agreement dated 27 December 2019 entered into between Ningjun Property and Hejing Youhuo, in relation to the transfer of the entire equity interest in 廣州市利恒商業管理有限公司 (Guangzhou Liheng Commercial Management Company Limited*) from Ningjun Property to Hejing Youhuo at nil consideration;

(g) an equity transfer agreement dated 30 December 2019 entered into between Ningjun Property and Hejing Youhuo, in relation to the transfer of the entire equity interest in 廣州市冠力置業代理有限公司 (Guangzhou Guanli Property Agency Company Limited*) from Ningjun Property to Hejing Youhuo at nil consideration;

(h) an equity transfer agreement dated 7 January 2020 entered into between 皓凱投資有限公司 (Total Super Investments Limited*) ("**Total Super**") and Hejing Youhuo, in relation to the transfer of the entire equity interest in Fuyu Property from Total Super to Hejing Youhuo at nil consideration;

(i) an equity transfer agreement dated 3 March 2020 entered into between Total Super and KWG Living Group (Hong Kong) Company Limited (合景悠活集團(香港)有限公司) ("**KWG Living (HK)**"), an indirect wholly-owned subsidiary of the Company, in relation to the transfer of the entire equity interest in Hejing Youhuo from Total Super to KWG Living (HK) at nil consideration;

(j) an equity transfer agreement dated 20 March 2020 entered into between Total Super and Hejing Youhuo, in relation to the transfer of 10% equity interests in Ningjun Property from Total Super to Hejing Youhuo at a consideration of RMB34.55 million;

(k) an equity acquisition agreement dated 21 August 2020 entered into between Hejing Youhuo, 南京永和物業管理有限責任公司 (Nanjing Yonghe Property Management Co., Ltd.*), and 南京君悦物業管理有限責任公司 (Nanjing Junyue Property Management Co., Ltd.*), in relation to the transfer of the entire equity interest in 南京君悦物業管理有限責任公司 (Nanjing Junyue Property Management Co., Ltd.*) from 南京永和物業管理有限責任公司 (Nanjing Yonghe Property Management Co., Ltd.*) to Hejing Youhuo at a consideration of RMB2,418,418;

(l) an equity acquisition agreement dated 28 August 2020 entered into between 廣州市君華物業服務有限公司 (Guangzhou Junhua Property Service Co., Ltd*) and Hejing Youhuo, in relation to the transfer of the entire equity interest in 蘇州工業園區易通亞信物業管理有限公司 (Suzhou Industrial Park Yitongyaxin Property Management Co., Ltd.*) from 廣州市君華物業服務有限公司 (Guangzhou Junhua Property Service Co., Ltd*) to Hejing Youhuo at a consideration of RMB30,270,758;

(m) an equity transfer agreement dated 10 September 2020 entered into between 湖南省家園物業管理有限公司 (Hunan Homeland Property Management Co., Ltd.*), Hejing Youhuo and 長沙九豐物業管理有限公司 (Changsha Jiufeng Property Management Co., Ltd.*), in relation to the transfer of the entire equity interest in 長沙九豐物業管理有限公司 (Changsha Jiufeng Property Management Co., Ltd.*) from 湖南省家園物業管理有限公司 (Hunan Homeland Property Management Co., Ltd.*) to Hejing Youhuo at a total consideration of RMB28,448,906;

(n) an equity acquisition agreement dated 15 September 2020 entered into between Hejing Youhuo, Hunan Huating and 長沙園馨物業管理有限公司 (Changsha Yuanxin Property Management Co., Ltd.*), in relation to the transfer of the entire equity interest in 長沙園馨物業管理有限公司 (Changsha Yuanxin Property Management Co., Ltd.*) from Hunan Huating to Hejing Youhuo at a total consideration of RMB5,026,376;

(o) an equity acquisition agreement dated 29 September 2020 entered into JIANG Lifen (蔣莉芬), LIN Ruyun (林汝雲), Ningjun Property and 台州雲城物業管理有限公司 (Taizhou Yuncheng Property Management Co., Ltd.*), in relation to the transfer of 60% equity interests in 台州雲城物業管理有限公司 (Taizhou Yuncheng Property Management Co., Ltd.*) to Ningjun Property at a total consideration of RMB1.2 million;

(p) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, Aspex Master Fund, ABCI Capital Limited, Huatai Financial Holdings (Hong Kong) Limited and Credit Suisse (Hong Kong) Limited, in relation to the subscription for such number of offer shares as defined in the Prospectus (the "**Offer Shares**") which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the offer price as defined in the Prospectus (the "**Offer Price**") by Aspex Master Fund;

(q) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, Harvest Global Capital Investments Limited, ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the Offer Price by Harvest Global Capital Investments Limited;

(r) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, Gaoling Fund, L.P., YHG Investment, L.P., ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$50,000,000 at the Offer Price by Gaoling Fund, L.P. and YHG Investment, L.P.;

(s) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, China Lesso Group Holdings Limited, ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the Offer Price by China Lesso Group Holdings Limited;

(t) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, Oscar and Partners Capital Limited (in its capacity as investment manager of, and on behalf of, OP Golden Property Value Chain Fund SP and OP New Economy Growth Fund SP), ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the Offer Price by Oscar and Partners Capital Limited;

(u) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, Orchid China Master Fund Limited, LMA SPC (for and on behalf of MAP 164 Segregated Portfolio), ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the Offer Price by Orchid China Master Fund Limited and MAP 164 Segregated Portfolio;

(v) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, Snow Lake China Master Fund, Ltd., ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the Offer Price by Snow Lake China Master Fund, Ltd.;

(w) a cornerstone investment agreement dated 15 October 2020 entered into between the Company, The Valliance Fund, ABCI Capital Limited and Huatai Financial Holdings (Hong Kong) Limited, in relation to the subscription for such number of Offer Shares which may be purchased in the aggregate amount of Hong Kong dollars equivalent of US$10,000,000 at the Offer Price by The Valliance Fund;

(x) a deed of non-competition dated 14 October 2020 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries);

(y) a deed of indemnity dated 14 October 2020 and executed by the Controlling Shareholders in favour of the Company (for itself and as trustee for its subsidiaries);

(z) a Hong Kong underwriting agreement dated 16 October 2020 entered into by the Joint Sponsors, the Joint Representatives, the Company and the Controlling Shareholders, in relation to the Hong Kong public offering as defined in the Prospectus;

(aa) a sale and purchase agreement dated 7 December 2020 entered into by Hejing Youhuo, PENG Dengbing (彭登兵), MA Feifei (馬飛飛) and 廣州市潤通物業管理有限公司 (Guangzhou City Runtong Property Management Company Limited*), in relation to the acquisition of 80% equity interests in 廣州市潤通物業管理有限公司 (Guangzhou City Runtong Property Management Company Limited*) by Hejing Youhuo at a total consideration of RMB214.4 million; and

(bb) the Acquisition Agreement.

8. EXPERTS AND CONSENTS

The following are the qualifications of the experts who have given opinion contained in this circular:

Name	**Qualification**
Ernst & Young	Certified public accountants
CHFT Advisory and Appraisal Ltd.	Independent professional valuer

As at the Latest Practicable Date, none of the experts above had any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group, or had any interest, either direct or indirect, in any assets which had been since 31 December 2020 (being the date to which the latest published audited consolidated financial statements of the Company were made up) acquired or disposed of by or leased to any member of the Enlarged Group, or were proposed to be acquired or disposed of by or leased to any member of the Enlarged Group.

The above experts have all given and have not withdrawn their respective written consents to the issue of this circular with the inclusion therein of their letters, opinions, reports and/or advices (as the case may be) and/or references to their names, opinions, reports and/or letters (as the case may be) in the form and context in which they respectively appear.

9. GENERAL

(a) The registered office of the Company is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands.

(b) The principal place of business of the Company in Hong Kong is located at Unit 8205A, Level 82, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong.

(c) The Company's Hong Kong share registrar is Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

(d) The company secretary of the Company is Ms. CHAN Ching Nga, who is an associate member of both The Chartered Governance Institute and The Hong Kong Institute of Chartered Secretaries.

(e) In the event of any inconsistency, the English text of this circular and the accompanying proxy form shall prevail over the Chinese text.

10. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the principal place of business of the Company in Hong Kong at Unit 8205A, Level 82, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong from 9:00 a.m. to 6:00 p.m. (except Saturday, Sunday and public holidays) during the period from the date of this circular up to and including the date of the EGM:

(a) the memorandum of association of the Company;

(b) the Prospectus;

(c) the annual report of the Company for the year ended 31 December 2020;

(d) the letter from the Board, the text of which is set out on page 5 to page 19 of this circular;

(e) the accountants' report prepared by Ernst & Young in respect of the Target Company, the text of which is set out in Appendix II to this circular;

(f) the report prepared by Ernst & Young on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix IV to this circular;

(g) the business valuation report prepared by CHFT Advisory and Appraisal Ltd. in respect of the Sale Interests as at 31 December 2020, the text of which is set out in Appendix V to this circular;

(h) the material contracts referred to in the paragraph headed "7. Material Contracts" in this appendix;

(i) the written consents of the experts referred to under the section headed "8. Experts and Consents" in this appendix; and

(j) this circular.

KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the "**EGM**") of KWG Living Group Holdings Limited (the "**Company**") will be held at Infinity Room, 3rd Floor, W Guangzhou, 26 Xian Cun Road, Pearl River New Town, Tianhe District, Guangzhou, People's Republic of China on Monday, 5 July 2021 at 3:00 p.m., for the purpose of considering and, if thought fit, passing the following ordinary resolution with or without modifications:

ORDINARY RESOLUTION

"**THAT**:

(a) the sale and purchase agreement (the "**Acquisition Agreement**") (copy of each has been tabled at the meeting marked "A" and signed by the chairman of the meeting for identification purpose) dated 17 January 2021 entered into between 廣東省合景悠活控股集團有限公司 (Guangdong Hejing Youhuo Holdings Group Co., Ltd.*) and 廣州市祥泰商務管理有限公司 (Guangzhou Xiangtai Business Management Co., Ltd.*) in relation to the acquisition of certain shares representing 80% of the entire issued share capital of 雪松智聯科技集團有限公司 (Cedar Technology Group Co., Ltd.*) (the "**Acquisition**") and the transactions contemplated thereunder, be and are hereby approved, ratified and confirmed; and

(b) any one director of the Company ("**Director(s)**") be and is authorized to do all such things, to sign, execute and deliver (including under seal where applicable) all such documents and deeds, and take all such actions as he or she may consider

* *For identification purpose only*

necessary, appropriate, expedient or desirable to implement and/or give effect to the Acquisition Agreement and the transactions contemplated thereunder and all other matters incidental thereto and/or in connection with the Acquisition, including (without limitation), the approval of any variation, amendment or the granting of waiver in connection therewith which, are, in the opinion of the Directors, not fundamental to the transaction contemplated thereby and are in the interests of the Company and its shareholders as a whole."

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

Hong Kong, 17 June 2021

Notes:

1. Any shareholder of the Company (the "**Shareholders**") entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him/her, a proxy need not be a Shareholder.

2. In case of joint registered holders of any shares of the Company, any one of such persons may vote at the EGM, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto; but if more than one of such joint persons be present at the EGM personally or by proxy, then one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.

3. To be valid, this Proxy Form duly completed and signed in accordance with the instructions printed hereon together with the power of attorney or other authority, if any, under which it is signed or a notarized copy thereof must be delivered to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not less than 48 hours before the time for holding the meeting or any adjournment thereof (as the case may be).

4. Completion and delivery of this Proxy Form will not preclude you from attending and voting in person at the EGM or any adjourned thereof if you so wish. In such event, this Proxy Form shall be deemed to be revoked.

5. For the purpose of ascertaining Shareholders' entitlement to attend and vote at the EGM (or at any adjournment thereof), the register of members of the Company will be closed from Tuesday, 29 June 2021 to Monday, 5 July 2021 (both dates inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the EGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Monday, 28 June 2021.

6. Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the shareholders at the EGM must be taken by poll. The chairman of the EGM will exercise his power under Article 66 of the Company's articles of association to put each of the above resolutions to be proposed at the EGM to be voted by way of a poll.

7. The Chinese version of this notice is for reference only. Should there be any discrepancies, the English version shall prevail.

PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of the shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

(i) Compulsory body temperature checks
(ii) Wearing of surgical face masks
(iii) No provision of refreshments and corporate gifts

Any attendee who does not comply with the precautionary measures (i) and (ii) above may be denied entry to the EGM venue.

For the health and safety of the shareholders, Shareholders are strongly encouraged to appoint the chairman of the EGM as their proxy instead of attending the EGM in person. If any Shareholders wishes to attend in person, the Shareholder is advised to pay attention to the latest epidemic-control and protection arrangements implemented by the Central Government of the People's Republic of China and the Government of the Hong Kong Special Administrative Region.

Due to the constantly evolving COVID-19 pandemic situation, the Company may be required to change the EGM arrangements at short notice. Shareholders shall check the Company's website (www.kwgliving.com) and/or the HKEXnews website (www.hkexnews.hk) for future announcements and updates on the EGM arrangements.