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KWG LIVING

STOCK CODE 3913

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EVERYWHERE

ANNUAL REPORT 2021

KWG LIVING GROUP HOLDINGS LIMITED

INCORPORATED IN THE CAYMAN ISLANDS WITH LIMITED LIABILITY

Contents

Corporate Information and Financial Calendar

Corporate Information

Board of Directors

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

Audit Committee

LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Remuneration Committee

KONG Jiannan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Nomination Committee

KONG Jianmin *(Chairperson)*
FUNG Che Wai, Anthony
NG Yi Kum

Company Secretary

CHAN Ching Nga

Authorised Representatives

KONG Jiannan
CHAN Ching Nga

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Compliance Advisor

Maxa Capital Limited

Legal Advisors

As to Hong Kong law: Sidley Austin
As to Cayman Islands law: Conyers Dill & Pearman

Registered Office

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

Principal Place of Business in Hong Kong

Units 8503-05A, Level 85, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Principal Share Registrar

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Everbright Bank Co., Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China (Asia) Limited
Industrial and Commercial Bank of China Limited
Standard Chartered Bank (Hong Kong) Limited

Website

www.kwgliving.com

Stock Code

3913

Financial Calendar

Annual results announcement: 28 March 2022

Closure of register of members (for ascertaining shareholders' entitlement to attend and vote at annual general meeting):
30 May 2022 to 2 June 2022 (both days inclusive)

Annual general meeting: 2 June 2022

Ex-dividend date for final dividend: 13 June 2022

Closure of register of members (for ascertaining shareholders' entitlement to the proposed final dividend):
15 June 2022 to 17 June 2022 (both days inclusive)

Final dividend payable: on or around 5 August 2022

Corporate Profile

The history of KWG Living Group Holdings Limited ("**KWG Living**" or the "**Company**", together with its subsidiaries, collectively the "**Group**" or "**KWG Living Group**" can be traced back to 2004. Its shares (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3913) on 30 October 2020 (the "**Listing Date**").

The Group is a leading full-scale smart service operator in China. Over more than 20 years, the Group has formulated a regional layout with core regions including the Greater Bay Area, Yangtze River Delta and Midwestern China, and its services cover diversified businesses involving residence, shopping malls, office buildings, hospitals, schools, institutions and city services. At the same time, the Group proactively establishes a service system of standardization and scientific technology to continuously improve its services efficiency and service quality enabled by technology, through which it enhances its market position and comprehensive competitiveness year by year and was awarded the honour as "**Top 15 Property Management Companies in China**" in 2021 by China Index Academy.

Looking forward, the Group will fully leverage every industry opportunity to realize the full-scale quality development to further consolidate its scalable effects and market position through proactive developer cooperation, third-party market expansion and mergers and acquisition strategies. On the other hand, through efficient post-investment management, refined operations and leading digital management capabilities, the Group will achieve the collaboration and organic integration of multiple business formats, thereby building a positive cycle of high-quality and high-speed corporate development.

Financial highlights

	For the year ended 31 December		
	2021	2020	Change
	RMB'000	RMB'000	%
Key financial information			
Revenue	**3,255,446**	1,517,227	114.6
Gross profit	**1,226,108**	638,548	92.0
Profit for the year	**684,317**	323,689	111.4
Attributable to:			
— Owners of the parent	**674,843**	323,083	108.9
— Non-controlling interests	**9,474**	606	1,463.4
Earnings per share attributable to ordinary equity holders of the parent			
— Basic and diluted (expressed in RMB cents per shares)	**33**	19	73.7

	As at 31 December		
	2021	2020	Change
	RMB'000	RMB'000	%
Total assets	**5,002,071**	4,228,532	18.3
Total liabilities	**1,486,185**	1,235,057	20.3
Total equity	**3,515,886**	2,993,475	17.5

Year	Award	Institution
January 2021	Guangzhou Metropolitan Plaza and Guangzhou International Commerce Place awarded "Grade-A Business Office Building"	Guangzhou Municipal Commerce Bureau
January 2021	Guangzhou KWG International Finance Plaza awarded "Super Grade-A Business Office Building"	Guangzhou Municipal Commerce Bureau
March 2021	2021 TOP20 Listed Property Management Companies of Outstanding Capital Market Performance in China (TOP8)	Guandian Index Academy
March 2021	2021 Top 100 Commercial Property Companies in China TOP8	China Index Academy
March 2021	Top 10 Commercial Property Operation Companies in China of 2021	China Real Estate Association, China Real Estate Appraisal Centre of Shanghai E-house Real Estate Research Institute
March 2021	KWG • U Fun (Guangzhou Knowledge City) won the 2021 Shopping Mall Potential New Star Award	Mall China
April 2021	2021 Top 100 Property Management Company in China TOP15	China Index Academy
April 2021	China Leading Companies for Market-oriented Operation in Property Management Industry of 2021	China Index Academy
April 2021	2021 Human Resources Management Excellence Award	51job.com (前程無憂)
April 2021	2020 Distinguished Urban Operator in Commercial Property	linkshop.com (聯商網), soupu.com (搜鋪)
April 2021	KWG • U Fun (Chongqing) was awarded the "Most Expected Commercial Projects of 2021"	linkshop.com (聯商網), soupu.com (搜鋪)
May 2021	TOP20 Chinese Property Management Brands and Companies in South China of 2021	Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
May 2021	2021 TOP 20 Listed Company of China Property Management Service	Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
May 2021	The 2020–2021 Outstanding Enterprise Award in Commercial Property	winshang.com

Year	Award	Institution
June 2021	2021 TOP10 Enterprises in High-end Property Servicing Ability	CRIC Property Management (克而瑞物管) Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
June 2021	2021 TOP10 Property Management Companies with High-end Service Regime	CRIC Property Management (克而瑞物管) Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
June 2021	TOP20 Commercial Property Management Companies in Term of Services Capabilities in 2021	CRIC Property Management (克而瑞物管) Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
July 2021	KWG Centre project in Tongzhou, Beijing awarded the "Best Architectural Design Office Building Award"	Global Business Engine
July 2021	Shanghai Municipality Property Management Services Integrated Capabilities 5-star Enterprise in 2021	Shanghai Property Management Association
July 2021	Best IR company for an IPO	Hong Kong Investor Relations Association (HKIRA)
July 2021	2021 Technology Innovation Leadership Award	The 10th China Finance Summit (CFS)
September 2021	2021 China's Annual Capital Market Influence TOP10	Guandian.cn
September 2021	2021 China's Property Service Companies with Comprehensive Strengths TOP30	Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
September 2021	2021 China's Leading Smart Property Services Companies	Shanghai E-house Real Estate Research Institute China Real Estate Appraisal Centre
November 2021	2021 Influential Business Operator	Guandian Index Academy


Year	Award	Institution
November 2021	2021 Digital Operation Creative Practice Award of the 3rd Yuntu Awards	Institute of Organization and Talent Development
November 2021	2021 Commercial Real Estate Innovation Capability Performance TOP9	Guandian Index Academy
November 2021	2021 China Property Enterprise Digital Power TOP20	CRIC Property Management (克而瑞物管)
November 2021	913U • Live Commercial Festival organised by KWG Living was awarded Annual Creativity Award for Business Marketing Cases	winshang.com
November 2021	"Little Lamb CAN CAN" of Guangzhou Knowledge City U Fun was awarded Annual Super Vitality Value IP	winshang.com
December 2021	The Advanced Enterprise for Anti-epidemic	Guangzhou Industry Association of Sanitation
December 2021	2021 Demonstration Sites for Party Building of architecture in Guangzhou Property Service Industry	Guangzhou Property Management Industry Committee of the Communist Party of China
December 2021	Brand Benchmarking Enterprise for the 40th anniversary of the development of Guangdong's property management industry	Guangdong Property Management Industry Institute
December 2021	TOP 7 Leading Enterprises in the Property Service Market of the Greater Bay Area in 2021	China Index Academy
December 2021	Guangzhou Benchmarking Property Service Project of 2021 — Cosmos	China Index Academy
December 2021	2021 Outstanding Member of Guangdong Property Management Association	Guangdong Property Management Industry Institute
December 2021	Fifth China Excellent IR Award — Best Innovation Award	RoadShowChina

We will continue to advance the service capability of business diversity in cities, focus on constructing economic ecology with partners, and stress on the continuous optimization of customer service experience. By providing customers with a more "Intelligent and Pleasant" experience, KWG Living will move from full business coverage to full ecological operation, creating sustainable value for Shareholders.

Chairman's Statement

Dear Shareholders,

I am pleased to present the business review and outlook of the Group for the year ended 31 December 2021 to all shareholders.

2021 was the first full financial year following the Group's Listing, and it was also the year of leapfrog and high-quality development. During the year ended 31 December 2021, on the premises of continuously strengthening existing business fundamentals, the Group advanced with ever-changing market conditions and decisively entered into the urban services industry. It deepened its "multi-driver" strategic layout, penetrated into multiple business formats across various cities and focused on elevating product quality, operational capability and organizational capability, thus achieving rapid and high-quality growth in all key financial indicators. During the year ended 31 December 2021, the Group achieved a revenue of RMB3,255.4 million, representing a significant year-on-year increase of 114.6%. It achieved a net profit of RMB684.3 million, representing a significant year-on-year increase of 111.4%. Earnings per share attributable to shareholders were RMB33 cents. Meanwhile, the Group had presence in 139 cities across 20 provinces, autonomous regions and municipalities. The Group's contracted Gross Floor Area (the "GFA") was 277.9 million sq.m., representing a year-on-year increase of 420.4%. The GFA under management reached 206.1 million sq.m., representing a leapfrog year-on-year increase of 395.4%. Benefiting from the Group's market reputation and service capability, the GFA under management of third-party projects accounted for 88.2%, further verifying its market competitiveness.

As we witnessed China's strong economic resilience in year 2021, led by Party building initiatives, the Group actively participated in grass-roots community governance and stood by the "final line of defense in fighting against the pandemic". Facing the constant reoccurrence of the COVID-19 pandemic, employees of KWG Living took extraordinary actions in ordinary daily life. They fought at the frontline of the pandemic and built a great wall of steel with their bodies. In this prolonged fight against the pandemic, our employees worked against the clock and received widespread recognition from customers,

governments and the public with comprehensive management plans, meticulous measures on epidemic prevention and strong mobilization ability. Meanwhile, leveraging on the in-depth understanding of customer demands, the Group continuously upgraded its service ability and branding to create a harmonious, joyous, safe and beautiful surrounding for community and public life.

The Group pays continuous attention to environmental, social responsibilities and corporate governance. It iterates products and services to constantly bringing warm and quality service experiences to customers, provides progressive career growth and development to its staff and creates respectful and cooperative win-win cooperation to business partners. Talents are the cornerstone on our long-term business development. The Group adheres to the human resources management principle of "enhancing performance, emphasizing growth and fostering a cultural norm" and implements the mechanism on co-creation, joint undertaking and upside sharing towards the orientation of strategic goals. During the Year, it launched equity incentive scheme for partners to maximize workforce enthusiasm and ensure interest alignment between employees, the Company and shareholders. At the same time, the Group actively participated in community welfare and continued to give back to the society. Its first stand-alone ESG report after its Listing will be released in May this year to fully disclose its social responsibility performance.

1. Deepening footprint across multiple sectors for high quality expansion across all business formats

The Group adhered to a market-oriented development path, the management firmly adhered to growth strategies whilst our teams implemented them with high efficiency. After its Listing, the Group has acquired Guangzhou Runtong Property Management Company Limited ("**Guangzhou Runtong**"), Shanghai Shenqin Property Management Service Co., Ltd. ("**Shanghai Shenqin**") and other property management target companies and entered into an acquisition agreement with Living Technology Co., Ltd. ("**Living Technology**") (formerly known as Cedar Technology Group Co., Ltd.), which not only expanded its operating scale but further improved its business layout to include all business formats. In the second half of the year, the Group followed policy direction and seized market opportunities in acquiring Guangdong Telijie Environment Engineering Co., Ltd. (廣東特麗潔環境工程有限公司) ("**Guangdong Telijie**") and officially entered into the urban services industry. So far, the Group's property services scope have expanded from residential, commercial and office facilities to include public facilities projects including governments, hospitals and schools as well as urban services.

High-quality development is deeply rooted in organic growth. The Group achieved groundbreaking growth in the first year after its Listing. During the year ended 31 December 2021, the Group firmly implemented the market-oriented growth route, under the strategy of "one product with multi-brands", and explored in existing vantage regions extensively to improve its presence in regions with high potential. It gave priority to business segments of which it enjoys profound professional advantages, high entry barriers and extensive market potentials; it integrated internal and external resources of the Group and its member enterprises and utilized incentive mechanisms to encourage growth creation. As of the end of 2021, the proportion of the GFA under management from third-party projects increased to 88.2%. Along with operational independence and soundnesses, as well as improved comprehensive service capabilities, the Group's branding advantages were further enhanced.

In order to actively respond to changes in the market environment, the Group deepened the presence across different business sectors such as residential, commercial and office properties, shopping malls, public facilities and urban services to develop "high recognition" in sub-segments. In the residential sector, we continued to closely follow customers' pursuit for a better life, created a comfortable environment and provided warm, sticky and diversified services for customers so as to preserve and enhance the property's asset value. In the commercial sector, leveraging on our meticulous positioning and professional service solutions with local landmark projects acting as a center point, we swiftly made use of existing resources and service capabilities to surrounding areas to recreate city landmarks. In the public facilities and urban services sectors, we relied on our current brand and qualification barriers and shared channels and resources with member enterprises, deeply tapped into the potential for obtaining projects and further expanded the business presence in urban services.

2. Promoting deep integration with post-acquisition enterprises through an inclusive, open and win-win mindset

As the industry landscape becomes more concentrated with large-scale M&A transactions, the post-acquisition management capability has gradually become the touchstone for property management companies. The Group attaches great importance to the deep integration with its member enterprises. With culture as the guideline and business as the core, the Group conducts all-round empowerment on its member enterprises through the coordination of diversified businesses and the sharing of resources and channels to deeply stimulate the potential in exploring third parties and inject strong impetus into the development of the Group.

On the strategic level, the Group adheres to the concept of open, inclusive and win-win cooperation, and fully respects the member enterprises to maintain its operating characteristics and competitive edge. Starting at the very early stage of cooperation, it specifies the blueprint for future collaboration, laying a profound trust foundation to stimulate the formulation of strategies, the establishment of systems and deep integration in the future. Therefore, the joining of each member enterprise is an important landmark in the Group's growth curve, as each of the member enterprises serves to either reinforce its existing vantage regions or complement its strategic businesses landscape.

On the tactical level, we continuously think about how to integrate the culture of both parties, manage diversified businesses, administer and control business risks, promote business collaboration and retain key talents on the basis of maintaining the original growth momentum of member enterprises. The Group applies varying post-acquisition management strategies with an inclusive mindset based on the different development stages and the best models of resources matching of its member enterprises.

On the execution level, the Group actively integrates its member enterprises, achieves smooth transition with pragmatic expectations on both parties and creates growth through trust and cooperation. Through the collaboration and organic integration of across a wide array of diversified businesses segments, the Group forms a close connection with its member enterprise prior to, during and post acquisition in order to achieve a positive cycle with high-quality and high-speed growth.

3. Enhancing commercial properties and operational capability to create commercial landmarks that echoes with urban spirit

The commercial sector growth is fueled by growing consumer spending. We are devoted to our original aspirations for providing higher quality retail sceneries and contents. Leveraging on its sound operational capability, risk management and control capability, the Group's "Ufun" and "M • CUBE" malls' business operation and customer flow remained sound despite the pandemic. Through accurately tapping into customer demands and branding upgrade, shopping malls recorded an increase of over 50% in customer flow and aggregate sales value, while the occupancy rate exceeded 88%. In terms of office buildings, the collection rate stood at 100%, while the occupancy rate surpassed 88%, respectively, maintaining the leading position in the industry. During the year ended 31 December 2021, the Group achieved a year-on-year increase of 189.9% to RMB1,318.9 million in revenue from non-residential property management and commercial operational services.

Offline retail operators are compelled to upgrade spatial designs and introduce products to respond to changing consumption trends. Compared with online retail, the advantages of offline retail lie in "personal experience and social contact". The Group added elements of distinctive local cultures and features into innovative retail scenes to cater for local consumer preference in various cities for diversifying customer experience, winning branding recognition and increasing longer customer dwell time.

We believe that creating differentiated contents is the only way to attract consumers and avoid homogeneous competitions. Unlike traditional retail, we explored beyond physical space towards online & alternative channels to interact and co-create activities with new-generation consumers, and developed scenario-based contents with IP, cultural themes and show fields to increase their dwell time. Based on our in-depth understanding tenants' objectives, we matched their products with retail scenes and activities to improve conversion rate, which triggers social media sharing and subsequent publicity exposure for resonating presence and interaction between consumers and businesses.

Improving customer services and flexibly adjusting business plans to cater for varying regions and groups are crucial in client retention. Take the property management and operational services on office buildings as an example, the Group strives to bring "7×24-hour green and healthy life" to all customers, developing ancillary facilities to meet customers' needs for food, clothing, housing and transportation with efficient and convenient business spaces and bringing warm and quality business experiences to customers with professional operational capabilities and humanistic services.

4. Improving customer experience and operational efficiency through refined operation

Given flattening growth in market space, the application of refined management becomes essential. The government is advocating for more scientific, refined and intelligent urban governance led by Party building and through technology empowerment to promote modern social governance in urban regions, enhance regulation on property services and improve the coverage, quality and standardization of property services. During the year ended 31 December 2021, the Company continued to strengthen company policies and internal systems, maintained standardized consistency, prioritized member enterprise empowerment and trainings and focused on the implementation of standardization to constantly improve the refinement, consistency and stability of services.

Internally, refined operation can penetrate into all aspects of the corporate value chain, including staffing, financing, resources, production, supply, sales and collaboration of enterprises, in order to build an integrated operational platform covering both operational and financing activities. The subsequent data consolidation and conversion into useful company digital assets will reshape the means of value contribution and expedite sector upgrade. During the year ended 31 December 2021, the Group continuously perfected internal control systems, prioritized management and control on digital operation, security protection, intelligent transformation and bidding and procurement efficiency, and optimized internal control and management for lesser burden and improved efficiency at project management team levels. At the same time, the Group formulated detailed and feasible long-term operation systems on all post-acquisition member enterprises to maximize business collaboration and mutual growth.

Externally, refined management aims to bring outstanding service experience to consumers, promote the advancement and upgrade in business models, operational models and procedures and creating an eco-system between customers, employees and business partners for integrated digital relationship, "business partner" resource pooling and arising business opportunities. As the Group achieves supply chain optimization and efficiency improvement through digital upgrading, it also presents more business opportunities to its partners to achieve mutual growth and prosperity. To begin with the end in mind, we have developed and polished our core competences so as to bring customers with better life experience through our operation.

5. Future outlook

We ascribe the excellence in our post-Listing debut results to the customers' pursuit for a beautiful life, our employees' relentless contribution towards thousands of households, and our shareholders and partners for placing their trust in the Group's professional capabilities. The future has come and it is time to act. Year 2022 marks a year of marketization for the Group to advance from being an all business format player towards an all ecosystem player, a year of scalability to optimize nationwide layout and deeply explore in vantage regions, a year of integration to make pragmatic advancement in post-acquisition management and integrate one product with multi-brands, as well as a year of smart digitalization in carrying out social responsibilities, enhancing reputation on service quality and optimizing value chains.

Looking forward and facing the unprecedented huge changes in the industry, we will observe the situation, seize the momentum, pursue reform and forge ahead with great efforts to live up to investors' support and expectations!

Management Discussion and Analysis

BACK TO NOW BACK TO NOW
BACK TO NOW BACK TO NOW

Management Discussion and Analysis

Business Review

Overview

We are a comprehensive smart service operator in China with sound reputation and rapid development. In 2021, thanks to our forward-looking market-oriented strategy and refined operation and management system, we were awarded the titles of the "TOP 15 among the Top 100 Property Management Companies in China" and "No. 8 among the Top 100 Commercial Property Companies in China" by China Index Academy.

As at 31 December 2021, the Group provided property management services and value-added services in 139 cities in China, with a contracted GFA of approximately 277.9 million sq.m. and GFA under management of approximately 206.1 million sq.m. The Group's services cover a variety of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, schools, government authorities, hospitals and urban services), commercial operational services and related value-added services.

Upholding the philosophy of "Enjoy Life Everywhere", we strive to provide an all-round and attentive professional property management services to our customers, and develop product and service systems that cater for different customer portfolio and different segments. In connection with the residential property projects, we forge three major product systems, namely "Zhen Service (臻享)", "Jun Service (駿享)" and "Ning Service (寧享)", to provide customers with a more secured, comfortable and assured experience in residential property management service. For commercial operational projects, we focus our efforts on establishing our shopping mall brand system mainly based on the brand names of "Ufun", "M • CUBE" and "Ufun Walk", and our office building brand system with "ifp", "imp" and "icp" as the signature brands at the prime locations in first-tier and second-tier cities. During the year ended 31 December 2021, the Group's strengths in product, service and brand were further enhanced, and its ranking in the industry in terms of comprehensive strength climbed up by 2 places as compared with 2020.

Business Introduction

Business Model

The Group generates revenue primarily from two principal business segments: (i) residential property management services; and (ii) non-residential property management and commercial operational services.

Residential property management services

The Group provides residential property management services to afford various services meeting the needs of households and residents in the community under different daily-living scenarios, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices, to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and

- community value-added services such as (i) home-living services — the provision of a wide range of services catered to the personalized needs of owners through the integration of industrial and ecological resources; (ii) property agency services — property agency services provided to property owners, residents and property developers; and (iii) common area value-added services — aiming to provide daily-living convenience to property owners and residents and enhance the owners' sense of pleasant accommodation by utilising the community space. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Non-residential property management and commercial operational services

The Group manages and operates a diversified portfolio of non-residential properties, provides property management and commercial operational services to commercial properties such as shopping malls, office buildings and industrial parks, and provides property management services to schools, hospitals, government authorities and other public properties. The Group's services include:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;
- property management services: such as file management, cleaning, security, gardening and repair and maintenance services provided to property owners or tenants. The Group charges property management fees for such services;
- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per sq.m basis for its preliminary planning and consultancy services and tenancy sourcing services; and
- other value-added services such as primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Residential property management services				
Pre-sale management services	**383,669**	**11.8**	258,921	17.1
Property management services	**948,241**	**29.1**	513,573	33.8
Community value-added services	**604,681**	**18.6**	289,873	19.1
Sub-total	**1,936,591**	**59.5**	1,062,367	70.0
Non-residential property management and commercial operational services				
Pre-sale management services	**30,218**	**0.9**	24,794	1.6
Property management services	**1,057,253**	**32.5**	279,740	18.4
Commercial operational services	**133,860**	**4.1**	96,606	6.4
Other value-added services	**97,524**	**3.0**	53,720	3.6
Sub-total	**1,318,855**	**40.5**	454,860	30.0
Total	**3,255,446**	**100.0**	1,517,227	100.0

Business Growth

Thanks to the multi-driver strategies of "cooperation with developers + M&A + expansion of third-party services", the business scale and comprehensive operational capabilities of the Group have achieved leapfrog high-quality growth. Thanks to the Group's market reputation and service capabilities, as of 31 December 2021, the Group's third-party projects accounted for 88.2% of the GFA under management, further demonstrating its marketization capabilities.

Seizing the development opportunity in the independent third-party market

In the first year upon its Listing, the Group achieved a breakthrough growth in the expansion of third-party services by virtue of its high-quality services, professional marketing team, diversified channels and good reputation. During the year ended 31 December 2021, 272 new third-party projects were expanded with new GFA of 19.8 million sq.m. We deeply concentrated our efforts in key regions with large market potential and abundant customer resources, and intensively penetrated into the niche market. The new third-party projects in first- and second-tier cities accounted for 68.7% of the business.

In 2021, thanks to our outstanding service quality in residential property management and brand influence, we secured several premium residential projects such as Beijing Fumeiyuan (北京福美苑), Hepan Huacheng (河畔花城) and Changsha Greenland Global House (長沙綠地公館). Meanwhile, benefiting from our integrated commercial property management service and operation capabilities, we obtained certain prime commercial projects such as Guangbao Centre (廣報中心), Oppein International Plaza (歐派國際廣場) and Yuzhu Bay Maritimesilk Innovatation Centre (廣州漁珠灣海絲創新中心). Owing to our professional, refined and standardized service capacities in the public properties sector, we were granted many premium projects such as Zhongshan Ophthalmic Center, Sun Yat-Sen University (中山大學中山眼科中心), Shanghai Children's Library (上海少年兒童圖書館) and Guangzhou Center for Disease Control and Prevention (廣州市疾病預防控制中心).

Under the guidance of national policies, the property management industry has gradually extended to the orientation of smart urban management. With continuous expansion of market size and ongoing emergence of business opportunities, it is in the stage of rapid growth. During the year ended 31 December 2021, the Group seized market opportunities and followed the calls of policies to expand our service offerings to urban service. We extensively sought strategic partners and concluded strategic cooperation with Pu'er Municipal Government to expand the breadth and depth of our urban services, so as to build up our "soft servicing" capabilities. We actively identified strategic partners in the same industry and other industries. Through the acquisition of Guangdong Telijie our business footprint was further expanded, so that the strengths of nation-wide presence, full-business coverage and multi-brands can be maximised.

Strategic M&A

Strategic M&A is also an important part in our development process. The following major strategic acquisitions had been announced since 1 January 2021 and up to the date of this annual report:

- On 17 January 2021, the Group conditionally agreed to acquire 80% equity interests in Living Technology. Living Technology is a leading "smart city" service operator in the PRC in sectors such as residential properties, commercial properties, municipal facilities, schools and hospitals. Following the acquisition of Living Technology, the Group will expand rapidly its national geographical footprint, will strengthen its presence across different business sectors, and considerably will enhance its brand coverage and penetration.

- On 29 June 2021, the Group conditionally agreed to acquire 80% equity interests in Shanghai Shenqin. Shanghai Shenqin focused on the public property sector, including the properties of government authorities, public properties, school properties and other property types. Following the acquisition of Shanghai Shenqin, the Group's project concentration in the Yangtze River Delta region will further increase and its ability to serve across all business sectors will be further enhanced. In particular, both the efficiency and quality of its services in the public facilities sector will be improved.

- On 10 January 2022, the Group conditionally agreed to acquire the 50% equity interests in Guangdong Telijie, in which the Group holds 55% equity interests in total upon completion of such acquisition. Guangdong Telijie focuses on the urban service sector, deeply cultivates its development in the Greater Bay Area and has accumulated excellent reputation and industry recognition in project management operations as well as market expansion. Following the acquisition of Guangdong Telijie, the multi-brand and all-round business strengths of the Group will be further strengthened and the overall competitiveness will be further enhanced.

Residential Property Management Services

Overview

The Group manages all of the residential properties solely developed by KWG Group Holdings Limited ("**KWG Holdings**") and its subsidiaries (collectively, "**KWG Group**"). The Group also manages residential properties developed by the KWG Group's joint ventures, associates or other related parties. In addition, the Group has expanded its business scale through expansion of third-party services, and mergers and acquisitions to provide property management services to an increasing number of residential properties developed by third-party property developers. During the year ended 31 December 2021, its revenue from the residential property management service segment increased to approximately RMB1,936.6 million from approximately RMB1,062.4 million for the last year, representing a year-on-year increase of 82.3%. The ongoing improvement of marketisation capability has injected strong impetus for the robust growth in the Group's property management scale. In 2021, the GFA under the management of third-party residential properties accounted for 79.3% of the total GFA under management of residential properties, representing a year-on-year increase of 38.0 percentage points.

Growth in Residential Property Management Services Portfolio

As at 31 December 2021, the Group's contracted GFA was approximately 145.9 million sq.m., representing an increase of 270.3% as compared to that as at 31 December 2020. As at 31 December 2021, GFA under management was approximately 99.2 million sq.m., representing an increase of 240.9% as compared to that as at 31 December 2020.

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

	Year ended 31 December			
	2021		2020	
	Aggregate contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)	Aggregate contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
At the beginning of the period	**39,371**	**29,121**	29,623	18,346
New additions	**106,569**	**70,113**	9,748	10,775
At the end of the period	**145,940**	**99,234**	39,371	29,121

Geographic Presence of Residential Property Management Services Portfolio

During the year ended 31 December 2021, the Group continued to focus on its residential property management services, optimised its national geographic presence, and deepened its developments in the advantageous region. As of 31 December 2021, the Group had established business presence in 101 cities in China. As of 31 December 2021, the Group managed a total of 801 residential properties.

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

	Year ended 31 December					
	2021			2020		
	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)
Greater Bay Area	**721,521**	**37.2**	**24,666**	454,361	42.8	11,164
Yangtze River Delta[(1)]	**520,471**	**26.9**	**21,875**	281,363	26.5	5,489
Midwest China and Hainan[(2)]	**553,942**	**28.6**	**49,220**	238,196	22.4	11,373
Bohai Economic Rim[(3)]	**140,657**	**7.3**	**3,473**	88,447	8.3	1,095
Total	**1,936,591**	**100.0**	**99,234**	1,062,367	100.0	29,121

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Henan Province, Fujian Province, Hainan Province and Chongqing Municipality.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Community Value-added Businesses

Driven by government policies, the Group continues to explore the business model of "property service + daily-living service". On the back of customers' trust earned through its premium property management services, the Group consistently enhances its servicing ability and complements this ability with technology-empowered management to achieve cost savings and efficiency enhancement, thereby gaining a distinctively advantageous position for the promotion of value-added services. To offer more conveniences in fulfilment of the requirements of property developers and owners, residents and tenants of properties under its management, the Group also provides community value-added services in the process of providing residential property management services by giving full play to its operational advantages. Such community value-added services mainly include: (i) home-living services; (ii) property agency services; and (iii) common area value-added services. During the year ended 31 December 2021, the Group's revenue from the community value-added businesses reached approximately RMB604.7 million, representing a year-on-year increase of 108.6% which indicated sound growth momentum.

Non-residential Property Management and Commercial Operational Services

Overview

The Group provides property management services to non-residential properties, including commercial properties and public properties, as well as commercial operational services to commercial properties, including office building and shopping malls. In 2021, revenue from non-residential property management and commercial operational service segment amounted to RMB1,318.9 million, representing a significant year-on-year increase of 189.9%, and accounted for 40.5% of the Group's total revenue, up 10.5 percentage points as compared with last year. Benefiting from the substantial improvement in the Group's marketization capability, the Group's GFA under management of third-party non-residential properties accounted for 96.6% of the total GFA under management of non-residential properties, representing a year-on-year increase of 17.2 percentage points.

As of 31 December 2021, total GFA under management of the Group's non-residential properties was approximately 106.9 million sq.m. (Guangdong Telijie was not consolidated as of 31 December 2021, this business segment only includes GFA under management and contracted GFA).

As for commercial property management and operation sector, the Group provides property management services to 222 shopping malls, office buildings and industrial parks, and provides commercial operational services to 18 shopping malls and office building projects that have been put into operation. With a highly recognizable brand, digital operation capabilities and integrated management service capabilities, the Group continued to explore the market potential in commercial operations and property services.

As for public properties sector, the Group provides property management services to 987 public properties. With the differentiated brands and high barriers in qualification, the Group promoted market expansion by offering benchmark projects and sharing channels and resources with member companies to deeply tap the potential for project acquisition, and has established a national presence and leading advantage in all-round business sectors such as universities, hospitals, government properties, urban public facilities, rail and transportation properties.

Growth in Non-residential Property Management Services Portfolio

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

	Year ended 31 December			
	2021		2020	
	Aggregate contracted GFA ('000 sq.m.)	**GFA under management ('000 sq.m.)**	Aggregate contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
At the beginning of the period	**14,043**	**12,450**	4,454	3,268
New additions	**117,903**	**94,432**	9,589	9,182
At the end of the period	**131,946**	**106,882**	14,043	12,450

Geographic Presence of Non-residential Property Management Services Portfolio

During the year ended 31 December 2021, the Group continued to focus on its non-residential property management and commercial operational services business, optimised its business in advantageous regions, and established its presence in regions with high growth potential. As of 31 December 2021, non-residential properties managed were located in 85 cities including major cities such as Beijing, Shanghai, Chengdu and Suzhou. As of 31 December 2021, there were 1,209 non-residential properties under the management of the Group.

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

	Year ended 31 December					
	2021			2020		
	Revenue (RMB'000)	**%**	**GFA under management ('000 sq.m.)**	Revenue (RMB'000)	%	GFA under ('000 sq.m.)
Greater Bay Area	**625,965**	**47.5**	**51,848**	148,193	32.6	8,098
Yangtze River Delta[(1)]	**300,977**	**22.8**	**26,170**	121,330	26.7	931
Midwest China and Hainan[(2)]	**259,884**	**19.7**	**10,492**	155,355	34.1	3,353
Bohai Economic Rim[(3)]	**132,029**	**10.0**	**18,372**	29,982	6.6	68
Total	**1,318,855**	**100.0**	**106,882**	454,860	100.0	12,450

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan province, Henan Province, Sha'anxi Province, Jiangxi Province, Yunnan Province, Guizhou Province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Value-added Business to Non-residential Property

Relying on its reputation and brand influence among customers earned from premium property management and commercial operational services, the Group leverages its own operational advantages and business innovation capabilities to provide customers with full ecological value-added services covering office, business and life, and strives to create a differentiated consumption scenario and provide efficient and convenient business space. During the year ended 31 December 2021, revenue from the Group's value-added business to non-residential property increased by 81.5% year-on-year, which demonstrated sound growth momentum.

Outlook and Future Plan

Continuously Advancing Scale Expansion and Deepening Layout with Multi Drivers

The Group will continue to adhere to the "multi-driver" strategy to ensure long-term high-quality growth through breadth and depth extension. In terms of breadth extension, the Group will continue to optimise national layout, explore opportunities in advantageous regions and improve project density to achieve scalable effects. In terms of depth extension, the Group will deeply tap into the diversified demands of customers, share channels and resources with member enterprises and innovate and match corresponding products and services based on different demands of customers, so as to improve the recognition and market influence of brands of multiple business types.

Building a Multi-layered Partner Economy from all Business Types to all Ecosystems

With customer demand as the orientation, the Group will constantly improve products and services categories and innovate business models to provide customers with service scenarios covering all business types such as residence, commercial properties, public facilities and urban services. Meanwhile, with the smooth progress of the post-acquisition integration, the brand matrix of the Group will be more complete and the business radius will be expanded. The Group will actively link up with its customers, end users, suppliers, alliance partners and partners in other ecosystems and build a multi-layered partnership to effectively gather and use all resources and create an ecological chain with KWG Living through cross-industry cooperation.

Promoting In-depth Integration with Member Enterprises and Achieving Inclusive and Win-win Results

It is an important strategy of the Group to promote post-acquisition integration development and strengthen the competitive advantages in advantageous regions and sub-segments to build competence for high-quality development in the long run. Through the formulation of targeted post-acquisition management strategies, the Group will maintain the characteristics and competitive advantages of its member enterprises to the maximum extent and conduct all-dimensional empowerment on them through the front, middle and back offices. Supported by the market-based mechanisms, the Group will fully explore the development potential of its member enterprises and consolidate mergers and acquisition results to lay a solid foundation and inject growth impetus.

Developing Brand Capability with High Quality and Practicing ESG on Social Responsibilities

The Group always practices the "quality-first" service principle with customer satisfaction as the criteria. Leveraging on its years of service experience accumulation, the Group is devoted to becoming a maker of customers' happy life, a provider of sense of belonging, recognition and accomplishment of employees and a creator of market and brand value. Meanwhile, the Group also deeply integrates the sustainable development concept into daily operation, develops under the guidance of Party building and actively fulfills corporate social responsibilities to develop heart-warming brands with concrete actions.

Connecting People and Property with Technology and Improving Operation Capability through Digital Intelligence

The Group continuously thinks about how to do well in digital transformation, use technology to better serve customers and empower employees. In terms of internal operation and management, the Group will drive lean management with data, control quality stringently, focus on efficiency, fully empower employees and reduce mechanical and repetitive works to improve quality and efficiency. Externally, the Group will accumulate the experience in constructing smart communities and explore more convenient and intelligent service experience in business, office, residence and other scenarios, bringing an "intelligent and pleasant life" to customers.

The past year was a landmark and significant year in the history of the Party and the state, and the following year is a year with serious domestic and overseas situation and is full of challenges. The Group will work with commitment and persistence and forge ahead with perseverance to achieve sustainable and high-quality growth.

FINANCIAL REVIEW

Revenue

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

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Residential property management services	**1,936,591**	**59.5**	1,062,367	70.0
Non-residential property management and commercial operational services	**1,318,855**	**40.5**	454,860	30.0
Total	**3,255,446**	**100.0**	1,517,227	100.0

Residential Property Management Services

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**383,669**	**19.8**	258,921	24.4
Property management services	**948,241**	**49.0**	513,573	48.3
Community value-added services	**604,681**	**31.2**	289,873	27.3
Total	**1,936,591**	**100.0**	1,062,367	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment increased from approximately RMB258.9 million in 2020 to approximately RMB383.7 million in 2021. Such increase was primarily due to the increase in the number of sales offices under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB513.6 million in 2020 to approximately RMB948.2 million in 2021. Such increase was primarily due to the increase in the Group's GFA under management for residential properties from approximately 29.1 million sq.m. as at 31 December 2020 to approximately 99.2 million sq.m. as at 31 December 2021, resulting from the increase in the number of residential property projects under management from 183 as at 31 December 2020 to 801 as at 31 December 2021.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment increased from approximately RMB289.9 million in 2020 to approximately RMB604.7 million in 2021, primarily due to the fact that the Group (i) provided more community value-added services driven by the increase in its GFA under management and (ii) diversified the types of community value-added services it provided for residential properties. The increase in revenue from the Group's community valued-added services was generally in line with the increase in its revenue generated from property management services under its residential property management service segment during the same year.

Non-residential Property Management and Commercial Operational Services

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

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**30,218**	**2.3**	24,794	5.5
Property management services	**1,057,253**	**80.2**	279,740	61.5
Commercial operational services	**133,860**	**10.1**	96,606	21.2
Other value-added services	**97,524**	**7.4**	53,720	11.8
Total	**1,318,855**	**100.0**	454,860	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB24.8 million in 2020 to approximately RMB30.2 million in 2021.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB279.7 million in 2020 to approximately RMB1,057.3 million in 2021. Such increase was primarily due to the increase in the number of non-residential property projects under the Group's management.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB96.6 million in 2020 to approximately RMB133.9 million in 2021. Such increase was mainly due to the increase in preliminary planning and consultancy services and tenant souring services we provided in 2021.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB53.7 million in 2020 to approximately RMB97.5 million in 2021. This increase was primarily due to the increase in its value-added services provided driven by the increase in its GFA under management for non-residential properties.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the year ended 31 December 2021, the total cost of sales of the Group was approximately RMB2,029.3 million, which was increased by approximately RMB1,150.6 million or 131.0% as compared to approximately RMB878.7 million for the year ended 31 December 2020. The rate of increase in cost of sales was higher than that of the Group's revenue, primarily due to the gross profit margin of the acquired companies was at the market level due to their adoption of market development strategies.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2021, the gross profit of the Group increased by approximately RMB587.6 million or 92.0% to approximately RMB1,226.1 million in 2021 from approximately RMB638.5 million in 2020. The Group reported gross profit margin of 37.7% for the year ended 31 December 2021 (2020: 42.1%).

Other Income and Gains

The other income and gains of the Group increased by approximately RMB15.1 million or 130.4% to approximately RMB26.6 million in 2021 from approximately RMB11.5 million in 2020, and mainly comprised bank interest income and tax incentive on value-added tax of approximately RMB6.0 million and RMB6.3 million respectively.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the year ended 31 December 2021, the administrative expenses of the Group were approximately RMB333.2 million, which increased by approximately RMB139.6 million or 72.1% as compared to approximately RMB193.6 million for the year ended 31 December 2020. Such increase was mainly due to the Group's business expansion.

Income Tax

For the year ended 31 December 2021, the income tax of the Group was approximately RMB208.4 million (2020: approximately RMB121.9 million). The increase was primarily due to the increase in taxable income.

Financial Position and Capital Structure

As at 31 December 2021, the total assets of the Group was approximately RMB5,002.1 million (as at 31 December 2020: approximately RMB4,228.5 million), and the total liabilities was approximately RMB1,486.2 million (as at 31 December 2020: approximately RMB1,235.1 million). As at 31 December 2021, the current ratio of the Group was 1.89 (as at 31 December 2020: 3.15). As at 31 December 2021 and 2020, the Group did not have any outstanding borrowings.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 31 December 2021 amounted to approximately RMB1,062.0 million, representing an increase of approximately RMB455.3 million or 75.0% as compared to approximately RMB606.7 million as at 31 December 2020.

Trade Payables

The Group's trade payables as at 31 December 2021 amounted to approximately RMB245.8 million representing an increase of approximately RMB91.3 million or 59.1% as compared to approximately RMB154.5 million as at 31 December 2020.

Pledge of Assets

As at 31 December 2021 and 2020, none of the assets of the Group were pledged.

Contingent Liabilities

As at 31 December 2021 and 2020, the Group did not have any material contingent liabilities.

Interest Rate Risk

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

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the year ended 31 December 2021, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

Corporate Governance Report

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. During the year ended 31 December 2021, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") in force, save for the deviation for reasons set out below. Unless otherwise stated, reference made in this corporate governance report in relation to the CG Code is referred to the provisions contained in the Appendix 14 to the Listing Rules in force during the year ended 31 December 2021 and as at 31 December 2021. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of Appendix 14 to the Listing Rules.

Code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. KONG Jianmin, a Non-executive Director and the Chairman, was unable to attend the annual general meeting of the Company held on 3 June 2021 and an extraordinary general meeting of the Company held on 5 July 2021, respectively due to his other engagements.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the directors of the Company (the "**Directors**"). In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2021.

Board of Directors

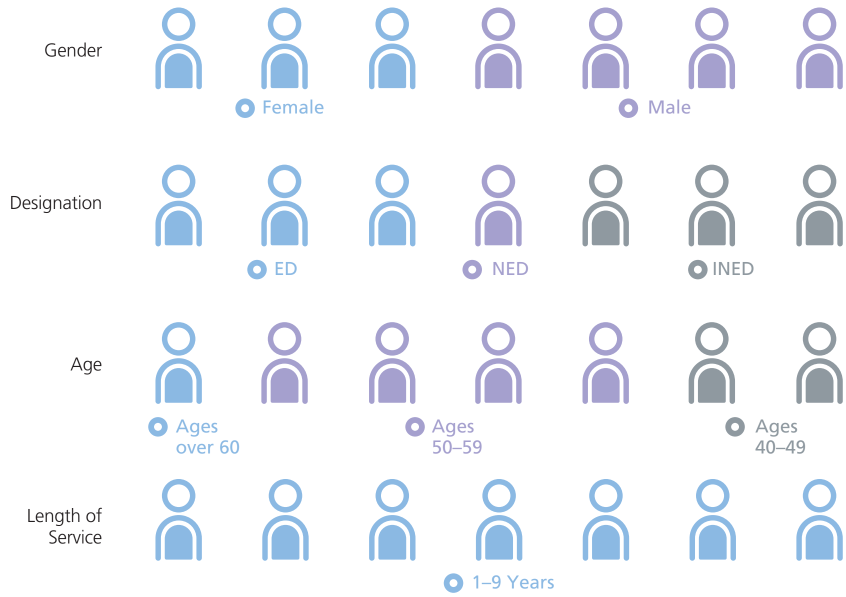
The board of Directors (the "**Board**") is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the Executive Directors and management of the Company.

All Directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary. The Directors may seek independent professional advice at the Company's expenses in carrying out their duties and responsibilities.

Board Composition

As at the date of this annual report, the Board comprises Mr. KONG Jianmin *(Chairman)* as Non-executive Director; Mr. KONG Jiannan *(Chief Executive Officer)*, Ms. YANG Jingbo and Mr. WANG Yue as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors. Messrs. KONG Jianmin and KONG Jiannan are brothers. Save as disclosed above, there is no family or other material relationship among the members of the Board.

An analysis of the Board's current composition is set out in the following chart:



The biographical details of the Directors (including relationships among members of the Board), are set out in the section headed "Biographical Information of Directors and Senior Management" in this annual report and available on the Company's website.

Board Diversity

The Company has adopted a board diversity policy. Selection of candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualification, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board has reviewed the implementation of, and confirmed the effectiveness of, its board diversity policy for the year ended 31 December 2021.

The Board believes that the balance between Executive and Non-executive Directors (including the Independent Non-executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. The views and participation of the Non-executive Director and Independent Non-executive Directors in the Board and committee meetings provide independent judgment and advice on the issues relating to the Group's strategy, performance, conflict of interest and management process to ensure that the interests of the Shareholders are considered and safeguarded. The Board considers that each of the Non-executive Director and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

The Company currently has three Independent Non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. They have provided the Board with their diversified expertise, experience and professional advice.

Board Meeting and General Meeting

The Board meets regularly and held 4 regular meetings in March, June, August and December of 2021. At least 14 days' notice of all regular Board meetings together with the meeting agenda is given to all Directors such that all Directors are given the opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least three days in advance of every regular Board meeting and committee meeting. Directors may participate in meetings in person, by phone or by other communication means. Between regular Board meetings, Directors may approve various matters by way of passing written resolutions. Additional Board meetings may be convened, if necessary.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the proceedings of the Board meetings are followed. Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available for inspection by all Directors.

During the year ended 31 December 2021, the Board held 6 Board meetings (including 4 regular meetings) and 3 general meetings (including an annual general meeting and 2 extraordinary general meetings) were held by the Company. Attendance records of Board meetings and general meetings by Directors are set out below:

Directors	Board Meetings Attended/Held	General Meetings Attended/Held
Executive Directors		
KONG Jiannan	6/6	3/3
YANG Jingbo	6/6	3/3
WANG Yue	5/6	2/3
Non-executive Director		
KONG Jianmin	6/6	1/3
Independent Non-executive Directors		
LIU Xiaolan	5/6	3/3
FUNG Che Wai, Anthony	6/6	3/3
NG Yi Kum	6/6	3/3

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board directs and approves the Group's overall strategies whilst the responsibilities for execution and daily operations are delegated to management. The Board gives clear directions as to management's power, and reviews, from time to time, the delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

Chairman and Chief Executive Officer

Code provision A.2.1 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. KONG Jianmin is the Chairman of the Board and his elder brother, Mr. KONG Jiannan, is the Chief Executive Officer. Despite their relationship, the division of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

The Chairman of the Board provides leadership for the Board. He is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings; Directors receive, in a timely manner, adequate information which is complete and reliable; and the Board works effectively and performs its responsibilities. He encourages Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company.

The Chief Executive Officer is responsible for the daily operation of the Group and leading the management of the Group.

Appointments and Re-election of Directors

Each Director has entered into a service contract or an appointment letter with the Company for a term of three years commencing from the date of his/her respective appointment, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "**Articles of Association**").

Training and Support for Directors

All the Directors namely, Mr. KONG Jianmin, Mr. KONG Jiannan, Ms. YANG Jingbo, Mr. WANG Yue, Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum have complied with code provision A.6.5 of the CG Code and participated in continuous professional development to develop and refresh their knowledge and skills. Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

The Company regularly updates the Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, external experts are invited to give seminars to the Directors to update their skills and knowledge from time to time.

Based on the information provided by the Directors, the Directors participated in the following trainings during the year ended 31 December 2021:

Directors	Attending trainings, seminars, conferences or briefings
Executive Directors	
KONG Jiannan	√
YANG Jingbo	√
WANG Yue	√
Non-executive Director	
KONG Jianmin	√
Independent Non-executive Directors	
LIU Xiaolan	√
FUNG Che Wai, Anthony	√
NG Yi Kum	√

Board Committees

The Board has established three board committees, namely Remuneration Committee, Nomination Committee and Audit Committee, to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Remuneration Committee

The Remuneration Committee was established in October 2020. The Remuneration Committee comprises three members, namely Ms. NG Yi Kum *(Chairperson)* and Mr. FUNG Che Wai, Anthony, both of them are Independent Non-executive Directors, and Mr. KONG Jiannan, an Executive Director.

The terms of reference of the Remuneration Committee are available on the Company's website and the HKEXnews website. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for Directors' and senior management remuneration, as well as the remuneration packages of individual Executive Directors and senior management and remuneration of Non-executive Directors. Details of the remuneration payable to Directors and senior management for the year ended 31 December 2021 are set out in notes 8 and 9 to the financial statement, respectively.

During the year ended 31 December 2021, Remuneration Committee held one meeting to discharge its duties including reviewing the policy for the remuneration of executive directors and assessing performance of executive directors whilst certain other matters were reviewed by way of passing written resolutions. Attendance record of the meeting is as follows:

Members of the Remuneration Committee	Meeting Attended/Held
NG Yi Kum *(Chairperson)*	1/1
FUNG Che Wai, Anthony	1/1
KONG Jiannan	1/1

Nomination Committee

The Nomination Committee was established in October 2020. The Nomination Committee comprises three members who are Non-executive Directors, namely Mr. KONG Jianmin *(Chairperson)*, Ms. NG Yi Kum and Mr. FUNG Che Wai, Anthony. The majority of them are Independent Non-executive Directors.

The terms of reference of the Nomination Committee are available on the Company's website and the HKEXnews website. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of directors and succession planning for Directors, in particular the chairman and the chief executive, as well as assessing the independence of Independent Non-executive Directors. During the year ended 31 December 2021, the nomination committee made recommendations to the Board on the selection of individuals nominated for the re-appointment of directors in accordance with the nomination policy of the Company and the diversity aspects as set out in the board diversity policy of the Company. The Nomination Committee had also taken into account their respective contributions to the Board and their commitment to their roles.

During the year ended 31 December 2021, the Nomination Committee held one meeting and the attendance records of the members at the meeting is set out below:

Members of the Nomination Committee	Meeting Attended/Held
KONG Jianmin *(Chairperson)*	1/1
NG Yi Kum	1/1
FUNG Che Wai, Anthony	1/1

Nomination Policy

The Company has adopted a nomination policy setting out the nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors. Under the policy, the Nomination Committee will evaluate potential candidates by considering various factors, including their reputation for integrity, accomplishment and experience, time commitments, potential contribution to board diversity, and material conflict of interest with the Group (if any).

Audit Committee

The Audit Committee was established in October 2020. The Audit Committee comprises three members who are Independent Non-executive Directors, namely Ms. NG Yi Kum *(Chairperson)*, Mr. FUNG Che Wai, Anthony and Ms. LIU Xiaolan.

The terms of reference of the Audit Committee are available on the Company's website and the HKEXnews website. The principal duties of the Audit Committee include the followings:

- making recommendations to the Board on appointment, re-appointment and removal of external auditor of the Group and approving the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;

- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;

- reviewing and monitoring the integrity of the Groups' financial statements and annual reports and account, and interim reports;

- reviewing the Group's financial controls, and its risk management and internal control systems;

- reviewing the Group's internal audit function;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the external auditor to management, and management's response to such questions;
- reporting to the Board on matters in the code provision under the CG Code;
- reviewing and monitoring the Group's corporate governance functions under code provision D.3.1 of the CG Code; and
- reviewing and make recommendations to the Board on the Group's Environmental, social and governance related matters under Appendix 27 of the Listing Rules.

During the year ended 31 December 2021, the Audit Committee has reviewed the annual results and annual report for the year ended 31 December 2020, the interim results and interim report for the six months ended 30 June 2021, the risk management and internal control system and the effectiveness of the Company's internal audit function.

During the year ended 31 December 2021, the Audit Committee held 3 meetings whilst certain matters were reviewed by way of passing written resolutions. The attendance records of the members at the meetings are set out below:

Members of the Audit Committee	Meeting Attended/Held
NG Yi Kum *(Chairperson)*	3/3
FUNG Che Wai, Anthony	3/3
LIU Xiaolan	2/3

Audit and Accountability

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2021 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in Independent Auditor's Report.

External Auditor's Remuneration

For the year ended 31 December 2021, the external auditor's remuneration in respect of audit services provided to the Group amounted to RMB3.8 million and fees for non-audit services comprised reporting services related to a major transaction amounted to approximately RMB2.8 million.

Company Secretary

In compliance with Rule 3.29 of the Listing Rules, the Company Secretary confirmed that for the year ended 31 December 2021, she has taken no less than 15 hours of relevant professional training.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control system in order to safeguard the Group's assets and Shareholders' interests and reviewing and monitoring the effectiveness of the Group's risk management and internal control system on a regular basis so as to ensure that risk management and internal control system in place are adequate. The risk management and internal control system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Audit Committee assists the Board in performing its governance functions as to finance, operation, compliance, risk management and internal control of the Group. The risk management centre of the Group, which serves the internal audit function, assists the Board and/or the audit committee in reviewing the effectiveness of the risk management and internal control system of the Group on a continual basis and report its finding on, at least, an annual basis. The Board may be informed regularly of material risks that would affect the performance of the Group.

The Group applies the "three lines of defense" model as the basic structure of the risk management and internal control system:

First line of defense: The Group integrates the risk management system in the core business operation practices. Each operating unit is responsible for identifying and assessing its respective risks and formulating appropriate risk mitigating measures within its terms of reference. The implementation of risk mitigating measures is monitored and the conditions of risk management work are reported to the management in a timely manner.

Second line of defense: Each function department of the Group provides and promotes the methodology and instruments of risk management and control for the first line of defense. Meanwhile, significant risks across disciplines, processes and departments are under streamlined management, and risk reminder and control strategy study are conducted on such basis.

Third line of defense: The Group's risk management centre is mainly responsible for monitoring the compliance with policies and procedures by the Group and its major departments as well as the effectiveness of internal control structure, conducting independent assessment of the financial and operational activities of the Group, and providing constructive advice to relevant management. The Group's risk management centre organises regular risk assessment of the Group and formulates internal audit plan for the year based on the results of the risk assessment. The results of the audit will also be reported to the audit committee.

The Board had reviewed and assessed the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2021. Such assessment was discussed by the management of the Group and the Group's risk management centre, and reviewed by the Audit Committee. The Board believes that the existing risk management and internal control systems were adequate and effective.

Disclosure of Inside Information

The Company has adopted policies on monitoring, reporting and disclosure of inside information (as defined in the Listing Rules). This ensures timely reporting and disclosure as well as fulfilment of the Group's continuous disclosure obligations. In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;
- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and the implementation was monitored by the Company; and
- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

Shareholders' Rights

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of a requisition (the "**Requisition**") not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such Requisition; and such meeting shall be held within two (2) months after the deposit of such Requisition.

The Eligible Shareholder(s) must deposit the Requisition to the Company's principal place of business in Hong Kong, which for the time being is at Units 8503–05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. Such Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's Hong Kong share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board considering to convene an EGM within two (2) months after the deposit of the Requisition and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

If within twenty-one (21) days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting forward Proposals at General Meeting

There are no provisions in the Articles of Association or the Companies Act of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph headed "Procedures for Shareholders to convene an Extraordinary General Meeting".

Enquiries and Concerns to the Board

Shareholders may send their enquiries and concerns to the Board by email (cosec@kwgliving.com) or by delivering them to Units 8503–05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong by post.

Dividend Policy

Declaration of dividends is subject to the discretion of the Board, taking into consideration of factors such as the Group's financial results, Shareholders' interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restriction and any other factors that the Board may deem relevant. The Company has adopted a dividend policy which aims to provide the Shareholders with a sustainable dividend out of the profit of the Group.

Investor Relations

During the year ended 31 December 2021, the Company made certain amendments to the existing Articles of Association for the purpose of allowing the Company to declare and pay interim and final dividends out of share premium account of the Company without the sanction of an ordinary resolution, and giving greater flexibility to the Board to declare and pay interim dividends. For details, please refer to the announcement of the Company dated 29 September 2021 and the circular of the Company dated 26 October 2021. The latest consolidated version of the memorandum and articles of association of the Company is available on the Company's website and HKEXnews website.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2021.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There was no significant changes in the nature of the Group's principal activities during the year.

A fair review of the Group's business during the year, including an analysis of the Group's performance using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2021 (if any) can be found in the sections headed "Financial Highlights", the "Chairman's Statement" and the "Management Discussion and Analysis" in this annual report. The financial risk management objectives and policies of the Group can be found in note 34 to the financial statements.

In addition, discussions on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are contained in a separate Environmental, Social and Governance Report, which will be available on the Company's website (www.kwgliving.com) and HKEXnews website (www.hkexnews.hk).

Key Risks and Uncertainties

The following lists out the key risks and uncertainties facing the Group. As it is not exhaustive in listing out all factors, there may be other risks and uncertainties which are unknown or currently not but may become material in future, save as those disclosed below. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

- Unfavourable changes in requirements of policies, laws and regulatory regulated by the government;
- Adverse changes in macroeconomic environment due to the uncertainties associated with the Russia-Ukraine war, the US-China trade war and global financial conditions;
- Threats to public health and disruptions in operations due to outbreak of coronavirus pandemic or potential pandemic diseases;
- Intense competition in property management industry in China, seeking differentiated competitive strength is an urge;
- Changes in supply and demand for property management and retail business operations services;
- Decline in customers spending which may cause a decrease in sales of tenants or income of the property service, and in turn, affects the earnings of the Group;
- Future acquisitions or investments in other property companies may not succeed, and the Company may face difficulties in integrating the businesses;

- Ability to generate liquidity internally and obtain external financing.

Results and Dividends

The Group's results for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss on page 70.

The Board has resolved to recommend the payment of a final dividend of RMB12 cents per Share (2020: RMB6 cents per Share) for the year ended 31 December 2021. The proposed final dividend, if approved at the 2022 annual general meeting of the Company (the "**2022 AGM**"), will be payable on or around Friday, 5 August 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 17 June 2022.

The proposed final dividend shall be declared in RMB and payable in Hong Kong dollars ("**HK$**"). The relevant exchange rate will be based on the average central parity rate of RMB against HK$ as announced by the People's Bank of China for the five business days preceding the date of declaration of dividend.

The proposed final dividend will offer an option to the Shareholders to receive the final dividend in new Shares in lieu of cash. The scrip dividend arrangement is subject to the approval of the listing committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the new Shares to be issued pursuant to such arrangement.

A circular containing details of such scrip dividend arrangement together with the relevant election form is expected to be despatched to the Shareholders in due course.

Financial Summary

A financial summary of the Group for the last five financial years is set out on page 156.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Acquisition of Shanghai Shenqin

Pursuant to an acquisition agreement dated 29 June 2021 entered into by Guangdong Hejing Youhuo Holdings Group Co., Ltd. ("**Guangdong Hejing Youhuo**", an indirect wholly-owned subsidiary of the Company) as the purchaser, and MIN Xiaoping and LIU Chong as the vendors, the Group conditionally agreed to acquire 80% equity interests in Shanghai Shenqin at a cash consideration of RMB498.0 million. Shanghai Shenqin is principally engaged in property management. The acquisition of Shanghai Shenqin constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Details of the acquisition are set out in the Company's announcement dated 29 June 2021.

Pursuant to the acquisition agreement, MIN Xiaoping undertakes that Shanghai Shenqin shall achieve a revenue of no less than RMB300.0 million and a net profit after tax of no less than approximately RMB44.0 million for the year ended 31 December 2021. According to the financial results of Shanghai Shenqin, the aforesaid financial guarantees have been achieved.

Acquisition of Living Technology

Pursuant to an acquisition agreement dated 17 January 2021 entered into by Guangdong Hejing Youhuo as the purchaser, Guangzhou Xiangtai Business Management Co., Ltd. as the vendor, Cedar Industrial Group Limited and Shouguang Qixing Enterprise Management Center (Limited Partnership) as the guarantors, and Living Technology as the target company, the Group conditionally agreed to acquire 80% equity interests in Living Technology at a cash consideration of RMB1,316.0 million. Living Technology is principally engaged in property management. The acquisition of Living Technology constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Details of such acquisition are set out in the announcement of the Company dated 18 January 2021 and the circular of the Company dated 17 June 2021.

Pursuant to the acquisition agreement, the vendor undertakes that the net profit after tax of the Guaranteed Target Group (as defined in the announcement) for the year ended 31 December 2021 shall increase by not less than 5% as compared to that of the immediate preceding financial year. According to the financial results of the Guaranteed Target Group for the year ended 31 December 2021, the aforesaid financial guarantee has been achieved.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the year ended 31 December 2021.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 25 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

By the shareholders' resolution passed by the Shareholders at the annual general meeting of the Company held on 3 June 2021, the Directors were granted a general mandate to buy back a maximum of 201,781,023 Shares, representing 10% of the total number of issued Shares as at 3 June 2021. During the year ended 31 December 2021, the Company bought back an aggregate of 700,000 Shares for a total amount of HK$3,580,200 on the Stock Exchange, details of which are as follows:

Date	Number of Shares bought back	Price per Share		Total amount paid (HK$)
		Highest (HK$)	Lowest (HK$)	
17 September 2021	400,000	5.25	4.97	2,018,230
20 September 2021	300,000	5.23	5.18	1,561,970
	700,000			3,580,200

All the Shares bought back by the Company have been cancelled on 16 November 2021. The Board is of the view that such buy-backs were made for the benefit of the Company and the Shareholders as a whole with a view to enhancing the net assets value per Share and earnings per Share of the Company.

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

Tax Relief and Exemption of Holders of Listed Securities

The Company is not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new shares on a pro rata basis to existing Shareholders.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 36 and 27 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

Total distributable reserves of the Company as at 31 December 2021, calculated in accordance with Article 143 of the Articles of Association, amounted to approximately RMB2,238,520,000 of which approximately RMB242,053,000 has been proposed as a final dividend for the year ended 31 December 2021.

Major Customers and Suppliers

For the year ended 31 December 2021, the transaction amount of the Group's top five customers accounted for 40.1% of the total revenue of the Group (2020: 53.9%), while the transaction amount of the Group's single largest customer, KWG Group and its associates, accounted for 36.8% of the total revenue of the Group (2020: 49.9%).

For the year ended 31 December 2021, the transaction amount of the Group's top five suppliers accounted for 10.5% of the total purchase of the Group (2020: 8.0%), while the transaction amount of the Group's single largest supplier accounted for 3.4% of the total purchase of the Group (2020: 2.5%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers (other than KWG Group and its associates).

Directors

The list of Directors and their biographical information are set out on page 2, and pages 56 to 61 in this annual report respectively.

Pursuant to Article 84 of the Articles of Association, Mr. KONG Jianmin, Ms. LIU Xianlan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum will retire from office by rotation and being eligible, offer themselves for re-election at the 2022 AGM.

The Company has received from Ms. LIU Xianlan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum, their confirmations of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent for the year ended 31 December 2021.

No Director proposed for re-election at the 2022 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Chief Executive

As at 31 December 2021, 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 Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")) which were required to be (i) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

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	849,718,661[(2)]	219,635,885[(4)]	1,071,654,546	53.13
KONG Jiannan	—	81,827,772[(3)]	988,977,774[(4)]	1,070,805,546	53.09
YANG Jingbo	—	—	134,000[(5)]	134,000	0.01
WANG Yue	—	—	134,000[(5)]	134,000	0.01

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,110,233 Shares) as at 31 December 2021.

(2) Plus Earn Consultants Limited ("**Plus Earn**") and Hero Fine Group Limited ("**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 ("**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 ("**Right Rich**"), Excel Wave Investments Limited ("**Excel Wave**"), Wealth Express Investments Limited ("**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.

(5) These Shares represent the interests in the Shares granted to such Directors by the Company under the Share Award Scheme (as defined hereinafter), which remain unvested.

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 31 December 2021, 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) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**"), which was approved by the Shareholders by passing an ordinary resolution at the annual general meeting of the Company held on 3 June 2021 (the "**SO Adoption Date**").

The following is a summary of the principal terms of the Share Option Scheme:

(1) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the SO Eligible Participants (as defined hereinbelow) had or may have made to the Group. The Share Option Scheme will provide the SO Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the SO Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the SO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option ("**Option(s)**") to the SO Eligible Participants to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with the rules of the Share Option Scheme.

An "**SO Eligible Participant**" means:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and

(ii) any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries.

(3) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which Options and options may be granted under the Share Option Scheme is 201,781,023 Shares, representing 10% of the total number of Shares in issue as at the date of this annual report.

(4) Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and other schemes of the Company (including both exercised and outstanding options) to each SO Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of Options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the SO Eligible Participant, the number of and terms of the Options to be granted (and Options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such SO Eligible Participant and his/her close associates (or his/her associates if the SO Eligible Participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of Options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the Options to such SO Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares.

(5) Period within which the Shares must be taken up under an Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted more than 10 years after the date of approval of the Share Option Scheme. There is no minimum period specified by the Share Option Scheme, for which the Option must be held before it can be exercised.

(6) Amount payable on application or acceptance of the Options and Period within which payments or calls mush or may be made or loans for such purposed must be repaid

An Option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the Options duly signed by the grantee, together with a remittance or payment in favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(7) Basis of determining the exercise price

Subject to any adjustments made under the Share Option Scheme, the subscription price of a Share in respect of any particular Option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(8) Remaining life of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the SO Adoption Date and ending on 2 June 2031.

During the year ended 31 December 2021, the Company granted 594,000 Options to certain SO Eligible Participants ("**SO Grantees**") under the Share Option Scheme on 23 July 2021. Particulars of the outstanding share options granted and their movements during the year are as follows:

				Number of Options					
SO Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period(1)	Balance as at 01.01.2021	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2021	Closing price per Share(2) (HK$)
Employees	23.07.2021	8.964	15.04.2022 to 14.04.2026	N/A	594,000	—	—	594,000	8.78
Total				N/A	594,000	—	—	594,000	

Note:

(1) Subject to the vesting conditions being met, the vesting period of the Options is as follows: the Options can be exercised up to 25% of the Options granted from 15 April 2022, up to 50% of the Options granted from 15 April 2023; and 100% of the Options granted from 15 April 2024. If any of such days falls on a Saturday, a Sunday or a public holiday, then the next business day following it.

(2) This represented the closing price of the Shares immediately before the date on which the Options were granted.

Details of the value of the Options granted by the Company during the year ended 31 December 2021, and the accounting policy adopted for the Options are set out in note 26 to the consolidated financial statements.

Share Award Scheme

The Company has adopted a share award scheme (the "**Share Award Scheme**"), which was approved by the Board at the Board meeting held on 23 July 2021 (the "**SA Adoption Date**"). Such Share Award Scheme does not constitute a share option scheme within the meaning of Chapter 17 of the Listing Rules and is a discretionary scheme of the Company, accordingly, no Shareholders' approval is required for the adoption or implementation of it. A summary of the Share Award Scheme was set out in the announcement of the Company dated 23 July 2021 headed "Adoption of Share Award Scheme and Grant of Awarded Shares".

(1) Purposes and objectives

The specific objectives of the Share Award Scheme are: (i) to recognise and motivate the contributions by certain SA Eligible Participants (as defined hereinafter) and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) to attract suitable professional personnel beneficial for further growth of the Group; and (iii) to provide certain SA Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and such SA Eligible Participants.

(2) Participants of the Share Award Scheme

Pursuant to the rules of the Share Award Scheme (the "**SA Scheme Rules**"), the Board may, from time to time, at its absolute discretion select any SA Eligible Participant for participation in the Share Award Scheme as a selected participant (the "**Selected Participant**") and determine the number of Shares to be awarded (the "**Awarded Shares**").

An "**SA Eligible Participant**" means: any employee (whether full time or part time, including without limitation any executive director) of the Company and/or any member of the Group ("**Employee**"); and non-executive director of the Company and/or any member of the Group (excluding any Excluded Participants (as defined in the SA Scheme Rules)) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group.

(3) Duration

Subject to any early termination as may be determined by the Board pursuant to the SA Scheme Rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from the SA Adoption Date and ending on 22 July 2031.

(4) Maximum limit

The Board shall not make any further grant of Awarded Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of the SA Adoption Date.

If the relevant subscription or purchase would result in the trustee (the "**Trustee**"), TMF Trust (HK) Limited and any additional or replacement trustee, holding in aggregate, more than 5% of the total number of Shares in issue of the Company as of the SA Adoption Date, the Trustee shall not subscribe or purchase any further Shares.

(5) Operation

Pursuant to the SA Scheme Rules, the Board may, from time to time, at its absolute discretion select any SA Eligible Participant for participation in the Share Award Scheme as a Selected Participant and determine the number of Shares to be awarded. The Board shall, after having regard to all relevant circumstances and affairs of the Group including without limitation the Group's business and financial performance, determine the maximum amount of funds to be allocated by the Board out of the Company's resources for the purchase or subscription of the Awarded Shares, as the Board deems appropriate, pursuant to the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay the Trustee the subscription or purchase price for the Shares and the related expenses from the Company's resources. The Trustee shall purchase from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the SA Scheme Rules.

During the year ended 31 December 2021, the Company granted 1,444,000 Awarded Shares to certain Selected Participants (the "**SA Grantees**") under the Share Award Scheme on 23 July 2021. Details of the Awarded Shares granted and their movements during the year are as follows:

			Number of Awarded Shares				
SA Grantees	**Date of grant**	**Vesting Period[1]**	**Balance as at 01.01.2021**	**Granted during the year**	**Vested during the year**	**Lapsed during the year**	**Balance as at 31.12.2021**
YANG Jingbo	23.07.2021	15.04.2022 to 15.04.2024	N/A	134,000	—	—	134,000
WANG Yue	23.07.2021	15.04.2022 to 15.04.2024	N/A	134,000	—	—	134,000
Directors of certain subsidiaries of the Company	23.07.2021	15.04.2022 to 15.04.2024	N/A	332,000	—	—	332,000
Ordinary Employees	23.07.2021	15.04.2022 to 15.04.2024	N/A	844,000	—	—	844,000
Total			N/A	1,444,000	—	—	1,444,000

Note:

(1) Subject to the vesting conditions being met, the Awarded Shares shall be vested in accordance with the following dates: (i) 25% of which shall be vested on 15 April 2022; (ii) another 25% of which shall be vested on 15 April 2023; and (iii) the remaining 50% of which shall be vested on 15 April 2024. If any of such days falls on a Saturday, a Sunday or a public holiday, then the next business day following it.

Directors' Interests in a Competing Business

During the year and up to the date of this annual report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Director's Interests in Transactions, Arrangements and Contract

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

Directors' Remuneration

The Directors' remunerations are subject to the recommendations of the Remuneration Committee and the Board's approval. The remunerations are determined by the Board with reference to Directors' duties, responsibilities, performances and the results of the Group.

Equity-linked Agreements

Other than the Share Option Scheme as disclosed above, no equity-linked agreements was entered into by the Company during the year or subsisted at the end of the year ended 31 December 2021.

Donation

During the year ended 31 December 2021, the Group did not make any charitable donations.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2021, 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	—	390,963,597[3]	1,069,354,546	53.01
Hero Fine[4]	171,327,712	—	898,026,834[3]	1,069,354,546	53.01
Peace Kind[4]	80,376,772	—	988,977,774[3]	1,069,354,546	53.01
KONG Jiantao	—	139,259,113[2]	930,095,433[3]	1,069,354,546	53.01
Right Rich	136,667,833	—	932,686,713[3]	1,069,354,546	53.01
Excel Wave	2,079,450	—	1,067,275,096[3]	1,069,354,546	53.01
Wealth Express	511,830	—	1,068,842,716[3]	1,069,354,546	53.01

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,017,110,233 Shares) as at the 31 December 2021.

(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 Jianmin (a Non-executive Director) is the sole director of Plus Earn and Hero Fine and Mr. KONG Jiannan (an Executive Director) is the sole director of Peace Kind.

Save as disclosed above, as at 31 December 2021, 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.

Non-competition Undertaking

Each of the controlling Shareholders has entered into a deed of non-competition dated 14 October 2020 (the "**Undertakings**") details of which are disclosed in the Company's prospectus dated 19 October 2020 (the "**Prospectus**"). Each of them has confirmed to the Company that, since the Listing Date and up to 31 December 2021, he/it has complied with the Undertakings.

The Independent Non-executive Directors had reviewed the status of compliance and the confirmation provided by each of the controlling Shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from all of them regarding the Undertakings; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the Independent Non-executive Directors are of the view that the Undertakings have been complied with and been enforced by the Company in accordance with the terms.

Continuing Connected Transactions

Set out below are the continuing connected transactions between the Group and KWG Group for the year ended 31 December 2021, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Property Lease Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property lease framework agreement (the "**Property Lease Framework Agreement**") with KWG Holdings (for itself and on behalf of its subsidiaries), pursuant to which KWG Group agreed to lease to the Group (i) certain properties for office and staff quarters uses; and (ii) car parking lots for sub-leasing to end-users for a term commencing from the Listing Date to 31 December 2022.

The annual caps for the two years ending 31 December 2022 under the Property Lease Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are RMB22.7 million and RMB29.6 million, respectively. The actual transaction amount for the transactions under the Property Lease Framework Agreement during the year ended 31 December 2021 is approximately RMB8.6 million.

2. Residential Property Management Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a residential property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Residential Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with residential property management services, including but not limited to (i) pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by KWG Group and/or its associates; and (ii) property management services, such as cleaning, security, gardening and repair and maintenance services for residential properties developed by KWG Group and/or its associates which are unsold or sold but not yet delivered to the property owners for a term commencing from the Listing Date to 31 December 2022.

The annual caps for the two years ending 31 December 2022 under the Residential Property Management Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are RMB496.6 million and RMB596.0 million, respectively. The actual transaction amount for the transactions under the Residential Property Management Services Framework Agreement during the year ended 31 December 2021 is approximately RMB436.6 million.

3. Property Agency Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property agency services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Property Agency Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with property agency services for properties developed by KWG Group and/or its associates for a term commencing from the Listing Date to 31 December 2022.

The annual caps for the two years ending 31 December 2022 under the Property Agency Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are RMB635.3 million and RMB762.4 million, respectively. The actual transaction amount for the transactions under the Property Agency Services Framework Agreement during the year ended 31 December 2021 is approximately RMB427.8 million.

4. Commercial Property Management Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with commercial property management services, including but not limited to (i) pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by KWG Group and/or its associates; and (ii) commercial property management services, such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties developed by KWG Group and/or its associates which are (a) unsold or sold but not yet delivered to the new owners; (b) pending to be leased out; or (c) owned by KWG Group and/or its associates for their own use for a term commencing from the Listing Date to 31 December 2022.

The annual caps for the two years ending 31 December 2022 under the Commercial Property Management Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) are RMB186.5 million and RMB225.3 million, respectively. The actual transaction amount for the transactions under the Commercial Property Management Services Framework Agreement during the year ended 31 December 2021 is approximately RMB150.2 million.

5. Commercial Operational and Value-added Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial operational and value-added services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Operational and Value-added Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with (i) commercial operational services, such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by KWG Group and/or its associates; and (ii) other value-added services, such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by KWG Group and/or its associates for a term commencing from the Listing Date to 31 December 2022.

The annual caps for the two years ending 31 December 2022 under the Commercial Operational and Value-added Services Framework Agreement are RMB150.8 million and RMB172.9 million, respectively. The amount for the transactions under the Commercial Operational and Value-added Services Framework Agreement involved during the year ended 31 December 2021 is approximately RMB140.3 million.

6. Publicity Planning Services Framework Agreement

On 27 August 2021, the Company (for itself and on behalf of its subsidiaries) entered into a publicity planning services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Old Publicity Planning Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with publicity planning services, such as promotion design, advertisement promotion and official account marketing for the residential properties developed by KWG Group and/or its associates for a term commencing from 27 August 2021 to 31 December 2021. The Company is expected to carry on the transactions contemplated thereunder upon its expiry, accordingly, a new publicity planning services framework agreement dated 10 December 2021 (the "**New Publicity Planning Services Framework Agreement**") has then been entered into between the Company (for itself and on behalf of its subsidiaries) and KWG Holdings (for itself and on behalf of its subsidiaries and associates) for a term commencing from 1 January 2022 to 31 December 2022.

The annual cap for the year ended 31 December 2021 under the Old Publicity Planning Services Framework Agreement is RMB36.0 million, and the annual cap for the year ending 31 December 2022 under the New Publicity Planning Services Framework Agreement is RMB45.0 million. The actual transaction amount for the transactions under the Old Publicity Planning Services Framework Agreement during the year ended 31 December 2021 is approximately RMB29.6 million.

7. **Marketing Channel Services Framework Agreement**

On 27 August 2021, the Company (for itself and on behalf of its subsidiaries) entered into a marketing channel services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Old Marketing Channel Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with marketing channel management service for the Universal Marketing Plan of properties developed by KWG Group and its associates for a term commencing from 27 August 2021 to 31 December 2021. Leveraging the Group's experience on management of property agents, the Group will be asked to provide administrative management services regarding the non-employees participants of the Universal Marketing Plan including human resource management, awards settlement, tax declaration and other administrative work. The Company is expected to carry on the transactions contemplated thereunder upon its expiry, accordingly, a new marketing channel services framework agreement dated 10 December 2021 (the "**New Marketing Channel Services Framework Agreement**") has then been entered into between the Company (for itself and on behalf of its subsidiaries) and KWG Holdings (for itself and on behalf of its subsidiaries and associates) for a term commencing from 1 January 2022 to 31 December 2022.

The annual cap under the Old Marketing Channel Services Framework Agreement for the year ended 31 December 2021 is RMB15.0 million, and the annual cap for the year ending 31 December 2022 under the New Marketing Channel Services Framework Agreement is RMB20.0 million. The actual transaction amount for the transactions under the Old Marketing Channel Services Framework Agreement during the year ended 31 December 2021 is approximately RMB14.4 million.

As at the date of the aforementioned agreements of the continuing connected transactions, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the ultimate controlling shareholders of each of the Company and KWG Holdings pursuant to the respective shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Holdings, as an associate of the controlling shareholders of the Company, is a connected person of the Company.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions under each of the Property Lease Framework Agreement, the Residential Property Management Services Framework Agreement, the Property Agency Services Framework Agreement, the Commercial Property Management Services Framework Agreement, the Commercial Operational and Value-added Services Framework Agreement, the Old Publicity Planning Services Framework Agreement and the Old Marketing Channel Services Framework Agreement as mentioned above (collectively the "**Agreements**"), and confirmed the transactions have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms of the Agreements that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company for the year ended 31 December 2021 in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor did not notice any of these continuing connected transactions:

- have not been approved by the Board;

- (for the connected transactions involving the provision of goods or services by the Group) were not in accordance with the pricing policies of the Group in all material aspects;

- were not entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and

- have exceeded the relevant caps for the year ended 31 December 2021.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in note 31 to the consolidated financial statements.

The related party transactions set out in note 31 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of Directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than Directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Unless otherwise disclosed in this annual report, the Directors believe, all other related party transactions set out in note 31 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Company confirmed that it was in compliance with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2021 or a waiver from such provisions has been obtained from the Stock Exchange.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

Employees and Remuneration Policy

As at 31 December 2021, the Group has approximately 18,000 employees (2020: 9,380 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. Share Option Scheme and Share Award Scheme are in place to provide appropriate long-term incentives to the key staff of the Group, details of which are set out in the sections headed "Share Option Scheme", "Share Award Scheme", and note 26 to consolidated financial statements, respectively.

Permitted Indemnity Provision

The Articles of Association provides that Directors, secretary and other officers and every auditor of the Company at any time, whether at present or in the past, and the liquidator or trustees (if any) acting or who have acted in relation to any of the affairs of the Company, and everyone of them, and everyone of their heirs, executors and administrators, shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. During the year, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained a sufficient public float as required by the Listing Rules as at the latest practicable date prior to the issue of this annual report.

Events after the Reporting Period

On 10 January 2022, Guangdong Hejing Youhuo as the purchaser has entered into an equity acquisition agreement with HOU Wenqing and CHENG Naizhen as the vendors for the acquisition of 50% equity interests in Guangdong Telijie at a cash consideration of RMB165,000,000. Guangdong Telijie is principally engaged in urban and rural environmental sanitation service. For details, please refer to the announcement of the Company dated 10 January 2022.

On 10 January 2022, the Company also announced that there was a further change in use of Net Proceeds (defined below). Details for the change in use of Net Proceeds are set out in the announcement of the Company dated 10 January 2022 and the section headed "Use of Net Proceeds from the Listing" in this annual report.

Use of Net Proceeds from the Listing

The Shares were listed on the Stock Exchange on 30 October 2020 by way of Global Offering (as defined in the Prospectus of the Company dated 19 October 2020), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately HK$2,913.1 million (the "**Net Proceeds**").

By using the allocations basis as stated in the Prospectus, the Group intended to use the Net Proceeds as follows: (i) approximately 60%, or approximately HK$1,747.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately 25%, or approximately HK$728.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately 10%, or approximately HK$291.4 million for further diversifying its value-added services; and (iv) approximately 5%, or approximately HK$145.7 million for its general corporate purposes and working capital.

The Group continues to expand its business scale through market expansion, persists in seeking investment opportunities, extends the scope and boundary, breadth and depth of its integrated property management services, and explores potential market opportunities so as to provide products and services to our customers in a better manner and continue to bring values for the Shareholders. Given the above considerations and the following reasons, in order to enhance the use efficiency of the funds raised, capture market opportunities for business development in a timely manner, and strike a more reasonable balance in the use of funds, the Group further revised the allocation of the Net Proceeds on 29 June 2021. As set out in the announcement of the Company dated 29 June 2021 (the "**Announcement**"), the unutilised and unplanned Net Proceeds were intended to be allocated and used as follows: (i) approximately HK$705.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$241.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$145.6 million for further diversifying its value-added services; and (iv) approximately HK$72.8 million for its general corporate purposes and working capital.

As of 31 December 2021, an analysis of the utilisation of Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	Revised allocation as stated in the Announcement HK$ million	Utilised or reserved Net Proceeds as at 31 December 2021 HK$ million	Unutilised or unplanned Net Proceeds as at 31 December 2021 HK$ million	Expected time of full utilisation
To pursue strategic acquisitions and investment opportunities	2,453.4	2,453.4	—	Not applicable
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	168.5	—	168.5	Before 31 December 2023
— to develop and upgrade the intelligence service systems	72.8	—	72.8	Before 31 December 2023
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	72.8	—	72.8	Before 31 December 2022
— to form a designated team that utilizes big-data technology	72.8	—	72.8	Before 31 December 2022
For general corporate purposes and working capital	72.8	—	72.8	Not applicable
Total	2,913.1	2,453.4	459.7	

The unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above. The expected time of utilisation for the unutilised or unplanned Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and may be subject to change based on the future development of the Company's business and the market conditions. On 10 January 2022, the Board has resolved to further amend the proposed use of Net Proceeds. For details, please refer to the announcement of the Company dated 10 January 2022.

Auditors

There has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2021 have been audited by Ernst & Young, Certified Public Accountants, who are proposed for reappointment at the 2022 AGM.

On behalf of the Board

KONG Jianmin
Chairman

Hong Kong
28 March 2022

Biographical Information of Directors and Senior Management

Executive Directors

KONG Jiannan, aged 56, was appointed as a Director on 11 September 2019 and was re-designated as an Executive Director and Chief Executive Officer on 19 June 2020. He is responsible for the overall management and operation of the Group. He currently holds directorships in various subsidiaries of the Group.

Mr. Kong has over 21 years of experience in the real estate industry. He joined the Group in May 2004 as a director of Guangzhou Ningjun Property Management Co., Ltd. ("**Ningjun Property**")#, where he was primarily responsible for the overall management of Ningjun Property. Prior to joining the Group, from September 1984 to October 1997, he worked at the Dongshan District Justice Bureau (東山區司法局) in Guangzhou, the PRC, where he last served as a section chief. From November 1997 to June 2007, he served as a director of Guangzhou Hejing Real Estate Co., Ltd. (廣州合景房地產開發有限公司), a subsidiary of KWG Holdings, where he was primarily responsible for coordinating and managing human resources, administrative management and IT management. Since June 2007, he has been an executive director and an executive vice president of KWG Holdings, where he is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs.

Mr. Kong has been a president of the 17th General Committee of Hong Kong Industrial & Commercial Association (香港工商總會) since August 2019, and an executive council member of the 2nd Council of Happy Hong Kong Foundation (築福香港基金會) since September 2018. He has also been a council member of Guangzhou Chuanshuo Children's Culture Foundation (廣州船説少兒文化基金會) since March 2017.

Mr. Kong graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) (also known as the Open University of China (Guangzhou) (國家開放大學(廣州))) in the PRC majoring in law in October 1988.

Mr. Kong is the elder brother of Mr. Kong Jianmin, a Non-executive Director and the Chairman of the Board.

Pursuant to the service agreement with the Company, Mr. Kong is entitled to receive a basic annual director's fee of HK$150,000.

YANG Jingbo, aged 44, was appointed as an Executive Director on 19 June 2020. She was the general manager of the financial management center of the Group and was then promoted as the Chief Financial Officer of the Group on 24 March 2021, responsible for the financial and treasury matters of the Group. She currently holds directorships in certain subsidiaries of the Group.

Ms. Yang has over 20 years of experience in the real estate industry. She joined the Group in September 2009 as the senior tax manager of the Group. From September 2009 to February 2020, she successively served as the senior tax manager, the deputy general manager of financial sharing center and the general manager of finance and tax. She was appointed as the general manager of the financial management center of the Group in February 2020. Prior to joining the Group, from July 2000 to September 2009, she served as manager of finance and tax of the Guangzhou regional branch (廣州地區公司) of Hopson Development Holdings Limited (合生創展集團有限公司), a property developer whose shares are listed on the main board of the Stock Exchange (stock code: 0754), where she was primarily responsible for financial and tax management.

Ms. Yang is currently a member of the China Real Estate Industry Tax Compliance Promotion Committee (中國房地產開發行業稅法遵從提升委員會). She has been the vice president as well as the president of South China division of the Communication Platform of the Corporate Chief Tax Officer (企業稅務總監交流平台) since October 2019. She was a deputy supervisor of Financial Management Committee of Guangdong Real Estate Association (廣東省房地產行業協會財務管理專業委員會) from July 2015 to June 2018. Ms. Yang is a main author of the publications namely Analysis of the Practical Points of Collecting Value-added Tax in lieu of Business Tax (《營改增實務點解構》), Practice of the Filing of Returns of Individual Income Tax on Comprehensive Income on a Consolidated Basis (《個人所得稅綜合所得滙算清繳實務》) and Tax-related Book for Real Estate Enterprises (《房地產企業涉稅一本通》).

Ms. Yang obtained a bachelor's degree in auditing from Guangdong Business College (廣東商學院) (now known as Guangdong University of Finance & Economics (廣東財經大學)) in the PRC in June 2000, and an executive master of business administration degree from Jinan University (暨南大學) in the PRC in December 2015. She obtained a qualification of intermediate accountant granted by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2006, a qualification of certified internal auditor granted by the Institute of Internal Auditors in November 2006 and a qualification of tax accountant granted by the China Association of Chief Financial Officers (中國總會計師協會) in June 2010.

Pursuant to the service agreement with the Company, Ms. Yang is entitled to receive a basic annual director's fee of HK$150,000.

WANG Yue, aged 40, was appointed as an Executive Director on 19 June 2020. He was the general manager of the residential property management department of the Group and was then promoted as the Vice President of the Group on 24 March 2021, responsible for the residential property management matters of the Group. He was further appointed as the General Manager in the Northern China region of the Company in November 2021.

Mr. Wang has over 12 years of experience in the property management industry. Mr. Wang joined the Group in June 2016 as the deputy general manager of the residential property management department of the Group. Prior to joining the Group, from August 2008 to July 2011, he served as a regional manager of the Beijing branch of Changcheng Property Group Co., Ltd. (長城物業集團股份有限公司), a property management service provider in the PRC, where he was responsible for overseeing the daily operation. From August 2011 to May 2016, he worked at Beijing Longfor Property Services Co., Ltd. (北京龍湖物業服務有限公司), a subsidiary of Longfor Group Holdings Limited (龍湖集團控股有限公司), a property developer in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 0960), where he last served as the director of the company's property management division, and he was responsible for overseeing the operation and management of regional companies of the group.

Mr. Wang obtained a qualification of property manager granted by the Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in October 2010 and a qualification of certified property manager granted by the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部) in February 2014.

Mr. Wang obtained a bachelor's degree in business administration from Beijing University of Chemical Technology (北京化工大學) in the PRC in January 2008. He is pursuing a master's degree in business administration through long distance learning program in Business School Netherlands in Netherlands.

Pursuant to the service agreement with the Company, Mr. Wang is entitled to receive a basic annual director's fee of HK$150,000.

Non-executive Director

KONG Jianmin, aged 54, was appointed as a Non-executive Director and the Chairman of the Board on 19 June 2020. He is responsible for providing guidance and formulation of business strategies for the overall development of the Group.

Mr. Kong has over 26 years of experience in property development and investment. He founded KWG Group in November 1994. From November 1994 to April 1995, he served as a general manager of Guangzhou Xinhengchang Enterprises Development Co., Ltd. (廣州新恒昌企業發展有限公司), a subsidiary of KWG Holdings, where he was primarily responsible for the formulation of strategies and operation plans as well as the implementation of the business plans. From June 1995 to June 2007, he served as the chairman of the board of Guangzhou Hejing Real Estate Development Ltd. (廣州合景房地產開發有限公司), a subsidiary of KWG Holdings, where he was responsible for strategic planning and implementation, sales and marketing of the company. Since July 2007, he has been an executive director and the chairman of the board of directors of KWG Holdings and is responsible for the formulation of the development strategies, as well as supervising project planning, business operation and sales and marketing of KWG Group. Prior to founding KWG Group, from December 1985 to July 1993, he worked at the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司廣州白雲路支行), where he served as a credit officer.

Mr. Kong has been an executive president of the executive committee of Guangdong Real Estate Chamber of Commerce (廣東省地產商會) since March 2008 and has been a director of the board of directors of Jinan University (暨南大學) in the PRC since November 2010. He has also been a director of the board of directors of China Real Estate Developers and Investors Association (中華房地產投資開發商會) since February 2022.

Mr. Kong graduated from Jinan University (暨南大學) in the PRC majoring in computer science in June 1989.

Mr. Kong Jianmin is the younger brother of Mr. Kong Jiannan, an Executive Director and the Chief Executive Officer.

Pursuant to the appointment letter with the Company, Mr. Kong is entitled to receive a basic annual director's fee of HK$300,000.

Independent Non-executive Directors

LIU Xiaolan, aged 55, was appointed as an Independent Non-executive Director on 9 October 2020 and is primarily responsible for providing independent advice on the operations and management of the Group.

Ms. Liu has over 9 years of working experience in real estate industry. From May 2002 to May 2005, she served as an assistant to the general manager and the head of the branch management center at Xiamen Powerlong Information Industry Development Co., Ltd. (廈門寶龍信息產業發展有限公司), where she was mainly responsible for assisting the general manager in the daily matters of the company and its branches all over the country. Starting from May 2005, she worked at Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a real estate developer in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 1238), where she was responsible for assisting president in the daily matters, establishment of management system of the project companies and the management of commercial property management business, and was appointed as an executive director in August 2009. She was re-designated as a non-executive director of Powerlong Real Estate Holdings Limited in April 2012 and resigned in March 2014. From March 2012 to November 2012, she served as the general manager at Kunshan Stereo City Investment Management Co., Ltd. (昆山立體之城投資管理有限公司), a company principally engaged in investment management and consulting services, where she was mainly responsible for investment management of the project. Since September 2013, she has been serving as the chairman of the board of Shanghai Yizhen Investment Management Co., Ltd. (上海溢臻投資管理有限公司), a company principally engaged in real estate consulting services and investment management, where she have been mainly responsible for its company investment and strategy formulation.

Ms. Liu has been serving as a mentor of PMBA program of E-house & Wharton Case Study and Teaching Facility (易居沃頓案例研究與教育基地) since June 2015, an economic counselor of Chengdu Skyscraper Economics Promotion Association (成都市樓宇經濟促進會) since September 2019 and a special consultant of Tianfu Institute of Building Economy (樓宇經濟天府學院) since June 2019.

Ms. Liu obtained her bachelor's degree in clinical medicine from Fujian University of Traditional Chinese Medicine (福建中醫學院) in the PRC in July 1988.

Pursuant to the appointment letter with the Company, Ms. Liu is entitled to receive a basic annual director's fee of HK$300,000.

FUNG Che Wai, Anthony, aged 53, was appointed as an Independent Non-executive Director on 9 October 2020 and is primarily responsible for providing independence advice on the operations and management of the Group.

Mr. Fung has over 29 years of experience in accounting and financial management. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator in Cambodia whose shares are listed on the main board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to August 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司) from July 2014 to April 2017 and from September 2014 to April 2017, respectively, a solar power plants investor and operator whose shares are listed on the main board of the Stock Exchange (stock code: 0295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. From June 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller whose shares are listed on the main board of the Stock Exchange (stock code: 1695), where he was primarily responsible for supervising and providing independent advice to the board. Since May 2017, Mr. Fung has been the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider whose shares are listed on the main board of the Stock Exchange (stock code: 3718), where he has been primarily responsible for the supervision and management of finance of the group. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider whose shares are listed on GEM of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. Since November 2021, Mr. Fung has been appointed as an independent non-executive director of Zhong An Group Limited (眾安集團有限公司), a property developer whose shares are listed on the main board of the Stock Exchange (stock code: 672), where he has been primarily responsible for supervising and providing independent advice to the board.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") in October 2001 and September 2005, respectively. Mr. Fung is currently a fellow member of the HKICPA.

Mr. Fung received his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992.

Pursuant to the appointment letter with the Company, Mr. Fung is entitled to receive a basic annual director's fee of HK$300,000.

NG Yi Kum, aged 64, was appointed as an Independent Non-executive Director on 9 October 2020 and is responsible for providing independent advice on the operations and management of the Group.

From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (恒隆地產有限公司), a real estate development company whose shares are listed on the main board of the Stock Exchange (stock code: 0101). Prior to her joining in Hang Lung Properties Limited, she worked as a senior vice president of the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (碧桂園控股有限公司), a real estate development company whose shares are listed on the main board of the Stock Exchange (stock code: 2007). Ms. Ng joined Tse Sui Luen Jewellery (International) Limited (謝瑞麟珠寶(國際)有限公司) ("**TSL**"), a jewelery company whose shares are listed on the main board of the Stock Exchange (stock code: 417), in July 2015 and is currently an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary of TSL where she is primarily responsible for group finance and other administrative functions as well as defining corporate strategies.

Ms. Ng has been an independent non-executive director of Tianjin Development Holdings Limited (天津發展控股有限公司), a utilities, hotel, electrical and mechanical, strategic and other investments and pharmaceutical company whose shares are listed on the main board of the Stock Exchange (stock code: 882), since July 2010, an independent non-executive director of Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a solution provider of wireless systems whose shares are listed on the main board of the Stock Exchange (stock code: 2342), since March 2019, an independent non-executive director of CT Vision (International) Holdings Limited (中天宏信(國際)控股有限公司) (formerly known as Win Win Way Construction Holdings Limited (恆誠建築控股有限公司)), a construction company whose shares are listed on the main board of the Stock Exchange (stock code: 994), since July 2019, an independent non-executive director of CMGE Technology Group Limited (中手游科技集團有限公司), a mobile game publisher whose shares are listed on the main board of the Stock Exchange (stock code: 302), since September 2019, and an independent non-executive director of Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a commercial operational and residential property management services provider whose shares are listed on the main board of the Stock Exchange (stock code: 9909), since December 2019.

While Ms. Ng is currently holding directorships in six other companies listed on the Stock Exchange as disclosed above, our Directors are of the view that Ms. Ng will be able to devote sufficient time to discharge her duties and responsibilities as an independent non-executive Director given that: (i) save for her role in TSL as an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary, her roles in the other five listed companies primarily require her to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) she has demonstrated that she is capable of devoting sufficient time to discharge her duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year; (iii) as retrieved from the annual report(s) of these listed companies, she has attended most of the board meetings, committee meetings and shareholders' meetings during her tenure as an independent non-executive director of Tianjin Development Holdings Limited, and all of the board meetings, committee meetings and shareholders' meetings during her tenure as an executive director of TSL, and as an independent non-executive director of Comba Telecom Systems Holdings Limited, CT Vision (International) Holdings Limited, CMGE Technology Group Limited and Powerlong Commercial Management Holdings Limited; (iv) as confirmed by Ms. Ng, none of the listed companies that she has a directorship with has questioned or complained about her time devoted to such companies; (v) she has acquired extensive management experience and developed substantial knowledge on corporate governance through her directorships in other listed companies, which is expected to facilitate the proper discharge of her duties and responsibilities as an independent non-executive director; (vi) Ms. Ng's role in the Group is non-executive in nature and she will not be involved in the daily management of the Group's business, thus her engagement as our Independent Non-executive Director will not require her full-time participation; and (vii) she has confirmed that she will have sufficient time to fulfill her duties as an Independent Non-executive Director notwithstanding her directorships in six other listed companies.

Ms. Ng served as a director of DS Healthcare Group, Inc. from May 2016 to May 2017, a company which develop proprietary technologies and products of hair care and personal care needs, whose shares were listed on the Nasdaq Capital Market in the United States (old stock code: DSKX) but were delisted in December 2016. She served as an independent director of China Mobile Games and Entertainment Group Limited, a mobile games company listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, from September 2012 to August 2015. From June 2013 to August 2019, Ms. Ng was an independent non-executive director of China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), a clean energy development company which was delisted from the main board of the Stock Exchange (old stock code: 0735) in August 2019. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (香港資源控股有限公司), a jewelery company whose shares are listed on the main board of the Stock Exchange (stock code: 2882), from September 2008 to July 2015, and an independent non-executive director of China Finance Investment Holdings Limited (中國金控投資集團有限公司) (formerly known as Cypress Jade Agricultural Holdings Limited (從玉農業控股有限公司)), a company principally engaged in agricultural business and money lending business whose shares are listed on the main board of the Stock Exchange (stock code: 0875), from December 2011 to June 2013.

Ms. Ng is a qualified accountant and holds a master's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong. She is an associate of The Institute of Chartered Accountants in England and Wales, The Hong Kong Institute of Chartered Secretaries, a fellow of the Association of Chartered Certified Accountants and the HKICPA and a member of the American Institute of Certified Public Accountants. She is an elected member of Quality Tourism Services Association Governing Council (Retailer Category) with effect from February 2019. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013.

Pursuant to the appointment letter with the Company, Ms. Ng is entitled to receive a basic annual director's fee of HK$300,000.

Senior Management

KUANG Xiaoling, aged 45, joined the Group in March 2007 as a human resources supervisor and was appointed as our human resources general manager in September 2016. She is the general manager of the human resources and administration center of the Group since February 2020 and was then appointed as the vice president of the Group since March 2021. Ms. Kuang is primarily responsible for the management of human resources and administrative matters of the Group.

Prior to joining the Group, from June 2004 to July 2006, Ms. Kuang worked at Productivity (Guangzhou) Consulting Co., Ltd. (生產力(廣州)諮詢有限公司), a company engaged in the provision of environmental technology consulting services, where she served as a consultant responsible for providing human resources consulting services. From August 2005 to March 2006, she worked at PricewaterhouseCoopers, where she served as a senior consultant responsible for providing consulting services. From April 2006 to March 2007, she worked at Mercer Consulting (China) Co., Ltd. Guangzhou Branch (美世諮詢(中國)有限公司廣州分公司), a company engaged in providing enterprises management services, where she served as a consultant responsible for providing human resources consulting services.

Ms. Kuang graduated from Jiangxi Normal University (江西師範大學) in the PRC majoring in English in December 1998, and a master's degree in business administration from Sun Yat-sen University (中山大學) in the PRC in June 2004. Ms. Kuang obtained her Master's degree in business administration from China Europe International Business School in August 2021.

FANG Shuyang, aged 42, joined the Group in January 2018 as an administrative supervisor and was appointed as a general manager of Guangzhou Yijia Chuangsheng Property Management Co., Ltd. ("**Yijia Chuangsheng**")# in December 2019. Mr. Fang is primarily responsible for the property management service business of the Group. He was then appointed as a general manager of post-investment management department in December 2020, primarily responsible for post-investment management for the Group.

From January 2018 to December 2019, Mr. Fang served as an administrative supervisor of the Group responsible for administrative management. He has also been the deputy general manager of residential property management department since September 2019 and is responsible for administrative, procurement, branding management. Prior to joining the Group, from July 2005 to January 2010, Mr. Fang worked at Southern Metropolis Daily, where he served as a journalist responsible for news reporting. From January 2010 to October 2015, he worked at Amway (China) Co., Ltd. (安利(中國)日用品有限公司), a company engaged in the sale of health, beauty and home care products, where he served as an assistant manager of strategic communication. From November 2015 to January 2018, he worked at Lvshou Health Industry Group Co., Ltd. (綠瘦健康產業集團有限公司), a company engaged in manufacturing and sale of health and nutrition related products, where his last position was an administrative supervisor responsible for administrative and procurement management.

Mr. Fang obtained a bachelor's degree in information management and library science and a master's degree in management from Nanjing University (南京大學) in the PRC in June 2002 and June 2005, respectively.

CHEN Yan, aged 41, joined the Group in April 2012 as a senior manager of legal department of the Group. He is the general manager of the legal center of the Group since February 2020. Mr. Chen is responsible for overseeing the legal and compliance matters of the Group.

Mr. Chen has over 14 years of experience in handling legal matters. Prior to joining the Group, from December 2005 to October 2007, he worked at Guangzhou Arbitration Commission (廣州仲裁委員會), where he served as a secretary responsible for handling arbitration cases. From November 2007 to March 2010, he worked at the Guangzhou branch of Carrefour (China) Management Consulting Co., Ltd. (家樂福(中國)管理諮詢有限公司廣州分公司), a company engaged in property management, where he served as a manager of legal department in the southern China region responsible for overseeing legal and compliance matters. From March 2010 to April 2012, he worked at the Guangzhou branch of Teyi Elite Property Management (Beijing) Co., Ltd. (特易精英物業管理(北京)有限公司廣州分公司), a company engaged in property management in the PRC, where he served as a legal manager responsible for contract management. From April 2012 to February 2020, Mr. Chen successively served as a senior manager, a deputy supervisor, a supervisor, and the general manager of legal department of the Group.

Mr. Chen obtained a bachelor's degree in law from Sun Yat-sen University (中山大學) in the PRC in June 2003. He obtained a master's degree in international business and corporate law from the University of Lancaster in the United Kingdom in November 2005.

Independent Auditor's Report

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To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KWG Living Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 70 to 155, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's *Code of Ethics for Professional Accountants* (the "**Code**"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other intangible assets	
As at 31 December 2021, the net carrying amount of goodwill and other intangible assets arising from business combinations amounted to approximately RMB699,775,000 and RMB216,998,000, respectively. The Group's other intangible assets arising from business combinations comprised property management contracts, customer relationships and non-compete agreements, and all of these other intangible assets are with finite useful lives. In accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* ("**HKAS 36**"), the Group is required to annually test the goodwill for impairment. Besides, according to HKAS 36, for an intangible asset with a finite useful life, the Group shall also assess at the end of each reporting period whether there is any indication that the intangible asset may be impaired, and shall test the intangible asset for impairment if such indication exists. Management's assessment on the impairment was complex and involves significant management judgements and estimates to determine the asset's recoverable amount, such as forecasted revenues, costs, expenses and discount rates, which are sensitive to the expected future market conditions and the relevant cash-generating units' actual performance. Relevant disclosures are included in notes 2.4, 3, 15 and 16 to the consolidated financial statements.	Our audit procedures included an analysis of the rationale and objective evidence used by management in evaluating whether there are impairment indicators for individual intangible asset arising from business combinations. If any impairment indicator exists, the related intangible asset is taken into further assessment about whether any impairment losses occur. For goodwill and those intangible assets arising from business combinations with impairment indicators, with the assistance from our valuation specialists, we evaluated the methodologies and assumptions used by the Group. We reviewed assumptions relating to the forecasted revenues, costs, expenses and discount rate for each cash-generating unit. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test was most sensitive, that was, those that had the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets arising from business combinations.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2021, the gross amount of the Group's trade receivables amounted to RMB1,079,492,000, against which an allowance for impairment of RMB17,460,000 was made based on the expected credit loss approach under Hong Kong Financial Reporting Standard 9 *Financial Instruments*. Management assessed the expected credit losses for trade receivables based on assumptions about risk of default and expected credit loss rates. It involved significant judgements and estimates when management made these assumptions and selected the inputs to the impairment calculation, based on the Group's past history, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period. Relevant disclosures are included in notes 2.4, 3, and 20 to the consolidated *financial statements*.	Our procedures in relation to management's impairment assessment on trade receivables included assessing the appropriateness of the credit loss provisioning methodology adopted by management and the reasonableness of the estimated credit loss rates by considering historical cash collection performance and movements of the ageing of trade receivables, and taking into account the existing market conditions. We also assessed, on a sampling basis, the accuracy of ageing analysis of trade receivables prepared by management. Our testing also included checking the mathematical accuracy of the calculation of the provision for loss allowance.

Other information included in the Annual Report

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

EY安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

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

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

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

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

Ernst & Young
Certified Public Accountants
Hong Kong

28 March 2022

Consolidated Statement of Profit or Loss

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	5	**3,255,446**	1,517,227
Cost of sales		**(2,029,338)**	(878,679)
Gross profit		**1,226,108**	638,548
Other income and gains	5	**26,606**	11,548
Selling and distribution expenses		**(4,795)**	(1,987)
Administrative expenses		**(333,176)**	(193,563)
Other expenses, net		**(22,842)**	(10,514)
Finance costs	7	**(261)**	(317)
Share of profit and loss of:			
A joint venture	17	**(836)**	—
An associate	18	**1,949**	1,911
PROFIT BEFORE TAX	6	**892,753**	445,626
Income tax expense	10	**(208,436)**	(121,937)
PROFIT FOR THE YEAR		**684,317**	323,689
Attributable to:			
Owners of the parent		**674,843**	323,083
Non-controlling interests		**9,474**	606
		684,317	323,689
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB cents per share)	12	**33**	19
Diluted (expressed in RMB cents per share)	12	**33**	19

Consolidated Statement of Comprehensive Income

Year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
PROFIT FOR THE YEAR	**684,317**	323,689
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**23,473**	163
Net other comprehensive income that may be reclassified to profit or loss in subsequent periods	**23,473**	163
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(69,322)**	(73,806)
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(69,322)**	(73,806)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(45,849)**	(73,643)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**638,468**	250,046
Attributable to:		
Owners of the parent	**628,994**	249,440
Non-controlling interests	**9,474**	606
	638,468	250,046

Consolidated Statement of Financial Position

31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**8,762**	8,240
Right-of-use assets	14	**7,363**	6,827
Goodwill	15	**699,775**	260,208
Other intangible assets	16	**223,353**	157,856
Investment in a joint venture	17	**1,614**	—
Investment in an associate	18	**9,903**	7,954
Deferred tax assets	19	**18,873**	14,741
Other non-current assets		**—**	287
Other financial asset		**16,500**	—
Prepayment for acquisition of subsidiaries	21	**1,316,000**	—
Total non-current assets		**2,302,143**	456,113
CURRENT ASSETS			
Trade receivables	20	**1,062,032**	606,708
Prepayments, other receivables and other assets	21	**397,109**	200,942
Restricted cash	22	**7,189**	5,150
Cash and cash equivalents	22	**1,233,598**	2,959,619
Total current assets		**2,699,928**	3,772,419
CURRENT LIABILITIES			
Trade payables	23	**245,830**	154,465
Other payables and accruals	24	**857,583**	628,367
Contract liabilities	5	**101,967**	95,695
Lease liabilities	14	**6,137**	3,557
Dividend payable	11	**5,560**	200,000
Tax payable		**213,466**	115,922
Total current liabilities		**1,430,543**	1,198,006
NET CURRENT ASSETS		**1,269,385**	2,574,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,571,528**	3,030,526
NON-CURRENT LIABILITIES			
Lease liabilities	14	**1,393**	3,172
Deferred tax liabilities	19	**54,249**	33,879
Total non-current liabilities		**55,642**	37,051
Net assets		**3,515,886**	2,993,475

	Notes	2021 RMB'000	2020 RMB'000
EQUITY			
Share capital	25	**17,493**	17,499
Reserves	27	**3,449,015**	2,939,456
Equity attributable to owners of the parent		**3,466,508**	2,956,955
Non-controlling interests		**49,378**	36,520
Total equity		**3,515,886**	2,993,475

KONG Jiannan
Director

YANG Jingbo
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2021

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 Note 27(a,b)	Capital reserve RMB'000 Note 27(b)	Statutory surplus funds RMB'000 Note 27(d)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2020	—	—	7,000	—	10,181	(123)	367,525	384,583	12,845	397,428
Profit for the year	—	—	—	—	—	—	323,083	323,083	606	323,689
Other comprehensive loss for the year: Exchange differences on translation into presentation currency	—	—	—	—	—	(73,643)	—	(73,643)	—	(73,643)
Total comprehensive income/(loss) for the year	—	—	—	—	—	(73,643)	323,083	249,440	606	250,046
Issue of shares (note 25)	3,325	2,619,929	—	—	—	—	—	2,623,254	—	2,623,254
Share issue expenses	—	(66,714)	—	—	—	—	—	(66,714)	—	(66,714)
Capitalisation issue (note 25)	14,174	(14,174)	—	—	—	—	—	—	—	—
Contribution from a shareholder (note 27(b))	—	—	—	942	—	—	—	942	—	942
Acquisition of a subsidiary under common control (note 27(a,b))	—	—	(7,000)	(27,550)	—	—	—	(34,550)	—	(34,550)
Acquisition of subsidiaries	—	—	—	—	—	—	—	—	23,027	23,027
Proceeds from capital injection from non-controlling shareholders of subsidiaries	—	—	—	—	—	—	—	—	800	800
Transfer to statutory surplus funds	—	—	—	—	38,261	—	(38,261)	—	—	—
Dividends declared	—	—	—	—	—	—	(200,000)	(200,000)	—	(200,000)
Dividend paid to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(758)	(758)
At 31 December 2020	17,499	2,539,041*	—	(26,608)*	48,442*	(73,766)*	452,347*	2,956,955	36,520	2,993,475

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 Note 27(a,b)	Employee share-based compensation reserve RMB'000 Note 27(c)	Statutory surplus funds RMB'000 Note 27(d)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	17,499	2,539,041	(26,608)	–	48,442	(73,766)	452,347	2,956,955	36,520	2,993,475
Profit for the year	–	–	–	–	–	–	674,843	674,843	9,474	684,317
Other comprehensive loss for the year:										
Exchange differences on translation into presentation currency	–	–	–	–	–	(45,849)	–	(45,849)	–	(45,849)
Total comprehensive income/(loss) for the year	–	–	–	–	–	(45,849)	674,843	628,994	9,474	638,468
Contribution from a shareholder (note 27(b))	–	–	1,189	–	–	–	–	1,189	–	1,189
Share-based compensation expenses (note 26))	–	–	–	3,414	–	–	–	3,414	–	3,414
Repurchase and cancellation of shares (note 25)	(6)	(2,969)	–	–	–	–	–	(2,975)	–	(2,975)
Acquisition of a subsidiary (note 28)	–	–	–	–	–	–	–	–	15,484	15,484
Proceeds from capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	400	400
Transfer to statutory surplus funds	–	–	–	–	15,705	–	(15,705)	–	–	–
2020 final dividends declared	–	(121,069)	–	–	–	–	–	(121,069)	–	(121,069)
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(12,500)	(12,500)
At 31 December 2021	17,493	2,415,003*	(25,419)*	3,414*	64,147*	(119,615)*	1,111,485*	3,466,508	49,378	3,515,886

* These reserve accounts comprised the consolidated reserves of approximately RMB3,449,015,000 (2020: RMB2,939,456,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**892,753**	445,626
Adjustments for:			
Finance costs	7	**261**	317
Share of profit and loss of:			
A joint venture	17	**836**	—
An associate	18	**(1,949)**	(1,911)
Bank interest income	5	**(6,042)**	(2,443)
Income from wealth management financial products	5	**(2,011)**	—
Gain on disposal of items of property, plant and equipment, net	5, 6	**(134)**	(35)
Depreciation of property, plant and equipment	6	**3,797**	2,201
Depreciation of right-of-use assets	6	**7,645**	4,441
Amortisation of other intangible assets	6	**32,369**	22,629
Impairment losses on financial assets, net	6	**17,527**	10,212
Share-based payment expense		**1,189**	942
Share-based compensation expense		**3,414**	—
		949,655	481,979
Increase in trade receivables		**(466,013)**	(22,956)
Decrease in prepayments, other receivables and other assets		**852,304**	581,687
Decrease in other non-current assets		**287**	17
Decrease/(increase) in restricted cash		**(1,300)**	17,068
Increase/(decrease) in trade payables		**83,609**	(22,155)
Decrease in other payables and accruals		**(1,025,449)**	(697,901)
Increase in contract liabilities		**2,752**	18,735
Cash generated from operations		**395,845**	356,474
Interest received		**6,042**	2,443
Interest paid		**(261)**	(317)
Income tax paid		**(127,309)**	(85,051)
Net cash flows from operating activities		**274,317**	273,549
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	13	**(4,560)**	(2,942)
Purchase of items of other intangible assets	16	**(982)**	(7,221)
Proceeds from disposal of items of property, plant and equipment		**475**	325
Investment in a joint venture		**(2,450)**	—
Purchase of wealth management financial products		**(228,764)**	—
Disposal of wealth management financial products		**228,764**	—
Income received from wealth management financial products		**2,011**	—
Cash advances made to related parties		**(1,019,674)**	(613,707)
Repayment from related parties		**142,232**	548,337
Prepayment for acquisition of a subsidiary		**(1,316,000)**	—
Investment in other financial asset		**(16,500)**	—
Acquisition of subsidiaries		**(581,026)**	(67,209)
Net cash flows used in investing activities		**(2,796,474)**	(142,417)

	Notes	2021 RMB'000	2020 RMB'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Principal portion of lease payments		**(7,195)**	(3,941)
Acquisition of a subsidiary under common control	27(a)	**—**	(34,550)
Proceeds from issue of shares	25	**—**	2,623,254
Share issue expenses		**—**	(66,714)
Proceeds from capital injection from non-controlling shareholders		**400**	800
Cash advances from related parties		**985,374**	440,600
Repayment of cash advances to related parties		**(50)**	(473,315)
Dividend paid to a non-controlling shareholder of a subsidiary		**(12,500)**	(758)
Dividends paid		**(121,069)**	—
Repurchase of shares	25	**(2,975)**	—
Net cash flows from financing activities		**841,985**	2,485,376
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(1,680,172)**	2,616,508
Cash and cash equivalents at beginning of the year		**2,959,619**	416,765
Effect of foreign exchange rate changes, net		**(45,849)**	(73,654)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,233,598**	2,959,619
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,233,598**	2,959,619
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**1,233,598**	2,959,619

1. Corporate and Group Information

General information

KWG Living Group Holdings Limited (the "**Company**") is a limited liability company incorporated in the Cayman Islands on 11 September 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman KY1-1111, Cayman Islands. The Company's shares became listed on the main board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020.

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

In the opinion of the directors, the immediate and ultimate holding company of the Company was Plus Earn Consultants Limited ("**Plus Earn**"), which was incorporated in the British Virgin Islands ("**BVI**").

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Robust Profit Enterprises Limited	BVI	US$50,000	100	—	Investment holding
Forever Fame Enterprises Limited	BVI	US$50,000	—	100	Investment holding
Ever Thriving Developments Limited	BVI	US$1	—	100	Investment holding
Gorgeous Chance Development Limited	Hong Kong	HK$1	—	100	Investment holding
KWG Living Group (Hong Kong) Co., Ltd.	Hong Kong	HK$1	—	100	Investment holding
Guangzhou Ningjun Property Management Co., Ltd. ("**Ningjun Property**")#	PRC/Mainland China	RMB70,000,000	—	100	Property management
Guangdong Hejing Youhuo Holdings Group Co., Ltd. ("**Guangdong Hejing Youhuo**")#^	PRC/Mainland China	RMB50,000,000	—	100	Business services
Guangzhou Guanli Property Agency Co., Ltd.#	PRC/Mainland China	RMB1,000,000	—	100	Real estate intermediary business
Guangzhou Liheng Commercial Management Co., Ltd.#	PRC/Mainland China	RMB100,000,000	—	100	Commercial operational services
Meishan Jiangtianyue Property Management Co., Ltd.#	PRC/Mainland China	RMB5,000,000	—	100	Property management
Guangzhou Lijun Property Management Co., Ltd.#	PRC/Mainland China	RMB100,000,000	—	100	Property management
Guangzhou Fuxin Property Management Co., Ltd.#	PRC/Mainland China	RMB7,000,000	—	100	Property management
Guangzhou Fuyu Property Management Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100	Property management

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangdong Gangyu Enterprise Management Co., Ltd. ("**Gangyu Enterprise**")#	PRC/Mainland China	RMB5,000,000	—	100	Business services
Guangzhou Yijia Chuangsheng Property Management Co., Ltd.#	PRC/Mainland China	RMB20,000,000	—	100	Property management
Guangzhou Huanyu Property Management Co., Ltd.#	PRC/Mainland China	RMB2,000,000	—	60	Property management
Foshan Xingyu Property Management Co., Ltd.#	PRC/Mainland China	RMB500,000	—	60	Property management
Taizhou Yuncheng Property Management Co., Ltd.# ("**Taizhou Yuncheng**")	PRC/Mainland China	RMB10,000,000	—	60	Property management
Guangzhou Runtong Property Management Co., Ltd. ("**Guangzhou Runtong**")#	PRC/Mainland China	RMB11,180,000	—	80	Property management
Shanghai Shenqin Property Management Service Co., Ltd. ("**Shanghai Shenqin**")#	PRC/Mainland China	RMB20,000,000	—	80	Property management
Guangzhou Junchang Property Management Co., Ltd.#	PRC/Mainland China	RMB50,000,000	—	100	Property management
Jiangsu Nuoshang Property Agency Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100	Real estate consultant
Guangxi Yaotai Advertising Planning Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100	Advertising planning

The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

^ This entity is registered as a wholly-foreign-owned enterprise under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the option of the directors, result in particular of excessive length.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

2.1 Basis of Preparation *(continued)*

Basis of consolidation *(continued)*

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

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

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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

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

2.2 Changes in Accounting Policies and Disclosures

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

2.2 Changes in Accounting Policies and Disclosures *(continued)*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 address issues not dealt with in the previous amendments which affect financial reporting when an existing interest rate benchmark is replaced with an alternative risk-free rate ("**RFR**"). The amendments provide a practical expedient to allow the effective interest rate to be updated without adjusting the carrying amount of financial assets and liabilities when accounting for changes in the basis for determining the contractual cash flows of financial assets and liabilities, if the change is a direct consequence of the interest rate benchmark reform and the new basis for determining the contractual cash flows is economically equivalent to the previous basis immediately preceding the change. In addition, the amendments permit changes required by the interest rate benchmark reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued. Any gains or losses that could arise on transition are dealt with through the normal requirements of HKFRS 9 to measure and recognise hedge ineffectiveness. The amendments also provide a temporary relief to entities from having to meet the separately identifiable requirement when an RFR is designated as a risk component. The relief allows an entity, upon designation of the hedge, to assume that the separately identifiable requirement is met, provided the entity reasonably expects the RFR risk component to become separately identifiable within the next 24 months. Furthermore, the amendments require an entity to disclose additional information to enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy. The adoption of the revised HKFRSs has had no significant financial effect on the Group's financial statements.

(b) Amendment to HKFRS 16 issued in April 2021 extends the availability of the practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic by 12 months. Accordingly, the practical expedient applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met. The amendment is effective retrospectively for annual periods beginning on or after 1 April 2021 with any cumulative effect of initially applying the amendment recognised as an adjustment to the opening balance of retained profits at the beginning of the current accounting period. Earlier application is permitted. The Group has early adopted the amendment on 1 January 2021 and it has had no significant financial effect on the Group's financial statements.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*[2]

1 Effective for annual periods beginning on or after 1 January 2022
2 Effective for annual periods beginning on or after 1 January 2023
3 No mandatory effective date yet determined but available for adoption
4 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
5 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

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 3 are intended to replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group expects to adopt the amendments prospectively from 1 January 2022. Since the amendments apply prospectively to business combinations for which the acquisition date is on or after the date of first application, the Group will not be affected by these amendments on the date of transition.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity's right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group's accounting policy disclosures.

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.3 Issued but Not Yet Effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items, in profit or loss. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied retrospectively only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The amendments are effective for annual periods beginning on or after 1 January 2022 and shall be applied to contracts for which an entity has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments. Earlier application is permitted. Any cumulative effect of initially applying the amendments shall be recognised as an adjustment to the opening equity at the date of initial application without restating the comparative information. The amendments are not expected to have any significant impact on the Group's financial statements.

Annual Improvements to HKFRSs 2018–2020 sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are expected to be applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendment is effective for annual periods beginning on or after 1 January 2022. Earlier application is permitted. The amendment is not expected to have a significant impact on the Group's financial statements.

- HKFRS 16 *Leases*: removes the illustration of payments from the lessor relating to leasehold improvements in Illustrative Example 13 accompanying HKFRS 16. This removes potential confusion regarding the treatment of lease incentives when applying HKFRS 16.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the 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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the 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 Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures 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 the associate or joint venture, the 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 Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

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 Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the 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 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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations other than those under common control and goodwill *(continued)*

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 Group's previously held equity interests in the acquiree over the identifiable 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 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 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.

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

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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Fair value measurement *(continued)*

The 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 statements 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 statements on a recurring basis, the 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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.

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties

A party is considered to be related to the 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 Group;

(ii) has significant influence over the Group; or

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

or

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

(i) the entity and the 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 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 Group or an entity related to the 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 Group or to the parent of the Group.

2.4 Summary of Significant Accounting Policies *(continued)*

Property, plant and equipment and depreciation

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 statement 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 Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the 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)	5% to 33%
Plant and machinery	9% to 33%
Furniture and fixtures	18% to 33%
Motor vehicles (excluding the right-of-use assets)	9% to 50%

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 statement 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.

2.4 Summary of Significant Accounting Policies *(continued)*

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 lives of 1 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 2 to 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 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.

Non-compete agreements

Non-compete 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 3 to 7 years.

Leases

The 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The 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 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	14 months to 17 years

If ownership of the leased asset transfers to the 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 Group and payments of penalties for termination of a lease, if the lease term reflects the 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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (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). When the Group enters into a lease in respect of a low-value asset, the 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.

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, 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 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 Group has applied the practical expedient of not adjusting the effect of a significant financing component, the 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 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 other comprehensive income, 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 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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

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 the statement of 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 Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the 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 Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the 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 Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the 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 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 Group could be required to repay.

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

The 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 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 Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the 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 Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the 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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets *(continued)*

Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The 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

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

The Group's financial liabilities include trade and other payables.

Subsequent measurement

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

Financial liabilities at amortised cost

After initial recognition, financial liabilities 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.

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 the statement of profit or loss.

2.4 Summary of Significant Accounting Policies *(continued)*

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 Group's cash management.

For the purpose of the consolidated statement 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 the statement of profit or loss.

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 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 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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, an associate and a joint venture, 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, an associate and a joint venture, 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 each 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 each 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 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 that the costs, for which it is intended to compensate, are expensed.

2.4 Summary of Significant Accounting Policies *(continued)*

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 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 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 Group and the customer at contract inception. When the contract contains a financing component which provides the 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.

(a) Residential property management services

The 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 Group bills a fixed amount for services provided on a monthly or quarterly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(ii) Pre-sale management services mainly include cleaning, security and maintenance services for pre-sale display units and sales offices to property developers at the pre-delivery stage. The 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 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 developers, 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.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

(b) Non-residential property management and commercial operational services

The Group provides commercial property management services, pre-sale management services, commercial operational services and other value-added services related to the commercial properties, including office buildings and shopping malls, to property developers, owners of the commercial properties or tenants.

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

For the provision of commercial property management services to property owners or tenants at the operation stage of the commercial properties, the Group recognises 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 Group and all the related management costs as its cost of services.

(ii) The Group enters into pre-sale management services with property developers or owners of the commercial properties, pursuant to which the Group provides cleaning, security and maintenance services for pre-sale display units and sales offices at the pre-delivery stage. The 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 Group enters into commercial operational service contracts with property developers or owners of office buildings and shopping malls, pursuant to which the Group provides the following services:

— preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services to property owners during the preparation stage; and

— commercial operational services during the operation stage, including tenant management services.

Revenue in respect of the provision of preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services was recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

For commercial operational services during the operational stage, the Group bills a service fee based on a net basis with respect to shopping malls or a profit mark-up on top of cost with respect to office buildings.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers (continued)

(b) Non-residential property management and commercial operational services (continued)

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

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

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

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 over 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 Group transfers the related goods or services. Contract liabilities are recognised as revenue when the 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 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 the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies

The financial statements is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the 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 the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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 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 Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currency of the Company and certain of its Hong Kong and overseas subsidiaries is the Hong Kong dollar ("**HK$**"). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, and its Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the reporting period are translated into RMB at the weighted average exchange rates for the reporting period.

3. Significant Accounting Judgements and Estimates

The preparation of the Group's financial statements 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 the reporting period, 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.

Impairment of goodwill

The 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 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. The carrying amount of goodwill at 31 December 2021 was approximately RMB699,775,000 (2020: approximately RMB260,208,000). Further details are given in note 15 to the financial statements.

Provision for expected credit losses on trade receivables and other receivables

The 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 customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The 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 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 Group's trade receivables and other receivables is disclosed in note 20 and note 21 to the financial statements, respectively.

Leases — Estimating the incremental borrowing rate

The 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 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 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 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).

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

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 2021 were approximately RMB3,223,000. The amount of unrecognised tax losses at 31 December 2021 were approximately RMB579,000. Further details are contained in note 19 to the financial statements.

4. Operating Segment Information

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

(a) Residential property management services; and

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

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

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

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

4. Operating Segment Information *(continued)*

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

Year ended 31 December 2021

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Segment revenue	1,936,591	1,318,855	3,255,446
Segment result	603,233	353,097	956,330
Reconciliation:			
Unallocated operating costs			(67,080)
Other income and gains			26,606
Other expenses, net			(22,842)
Finance costs			(261)
Profit before tax			892,753
Income tax			(208,436)
Profit for the year			684,317
Other segment information			
Share of profit and loss of:			
A joint venture	–	(836)	(836)
An associate	–	1,949	1,949
Depreciation of property, plant and equipment	2,197	1,600	3,797
Amortisation of other intangible assets			32,369
Depreciation of right-of-use assets			7,645
Impairment losses on trade receivables, net	6,288	4,401	10,689
Impairment losses on other receivables, net	6,367	471	6,838
Capital expenditure*	3,750	98,681	102,431
Unallocated amounts of capital expenditure			8,276
			110,707

4. Operating Segment Information *(continued)*

Year ended 31 December 2020

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Segment revenue	1,062,367	454,860	1,517,227
Segment result	273,948	211,728	485,676
Reconciliation:			
Unallocated operating costs			(40,767)
Other income and gains			11,548
Other expenses, net			(10,514)
Finance costs			(317)
Profit before tax			445,626
Income tax			(121,937)
Profit for the year			323,689
Other segment information			
Share of profit of an associate	—	1,911	1,911
Depreciation of property, plant and equipment	1,869	332	2,201
Amortisation of other intangible assets			22,629
Depreciation of right-of-use assets			4,441
Impairment losses on trade receivables, net	8,660	530	9,190
Impairment losses/(write-back of impairment losses) on other receivables, net	2,994	(1,972)	1,022
Capital expenditure*	11,511	92,351	103,862
Unallocated amounts of capital expenditure			3,588
			107,450

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

Geographical information

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

4. Operating Segment Information *(continued)*

Information about major customers

For the years ended 31 December 2021 and 2020, approximately RMB1,201.0 million and RMB757.1 million of revenue were derived from KWG Group Holdings Limited ("**KWG Holdings**") and its subsidiaries (collectively the "**KWG Group**") and its joint ventures, associates and other related parties, respectively.

5. Revenue, Other Income and Gains and Contract Liabilities

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

Revenue from contracts with customers

(a) Disaggregated revenue information

	2021 RMB'000	2020 RMB'000
Types of services by segment		
Residential property management services		
Pre-sale management services	**383,669**	258,921
Property management services	**948,241**	513,573
Community value-added services	**604,681**	289,873
	1,936,591	1,062,367
Non-residential property management and commercial operational services		
Pre-sale management services	**30,218**	24,794
Property management services	**1,057,253**	279,740
Commercial operational services	**133,860**	96,606
Other value-added services	**97,524**	53,720
	1,318,855	454,860
Total revenue from contracts with customers	**3,255,446**	1,517,227
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**2,553,241**	1,173,634
Revenue from contracts with customers recognised at a point in time	**702,205**	343,593
Total	**3,255,446**	1,517,227

5. Revenue, Other Income and Gains and Contract Liabilities *(continued)*

Revenue from contracts with customers *(continued)*

(a) *Disaggregated revenue information* *(continued)*

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2021 RMB'000	2020 RMB'000
Third parties	100,175	93,444
Related parties (note 31(b))	1,792	2,251
Contract liabilities	101,967	95,695

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2021 was mainly due to the increase in advances received from customers in relation to the provision of property management services at the end of the year.

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

	2021 RMB'000	2020 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	58,385	53,389
Non-residential property management and commercial operational services	13,344	19,212
	71,729	72,601

5. Revenue, Other Income and Gains and Contract Liabilities *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

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

For residential property management services and non-residential property management and commercial operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligation 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 an unsatisfied performance obligation at the end of each of the respective periods.

	2021 RMB'000	2020 RMB'000
Other income and gains		
Bank interest income	6,042	2,443
Government grants	5,856	3,519
Gain on disposal of items of property, plant and equipment, net	134	35
Late penalty income	1,832	973
Tax incentives on value-added tax	6,268	4,055
Income from wealth management financial products	2,011	—
Others	4,463	523
	26,606	11,548

6. Profit before Tax

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

	Notes	2021 RMB'000	2020 RMB'000
Cost of services provided		**2,029,338**	878,679
Depreciation of property, plant and equipment	13	**3,797**	2,201
Depreciation of right-of-use assets	14	**7,645**	4,441
Amortisation of other intangible assets	16	**32,369**	22,629
Auditors' remuneration		**3,800**	1,844
Gain on disposal of property, plant and equipment, net		**(134)**	(35)
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,157,952**	541,322
Share-based compensation expense		**2,882**	—
Pension scheme contributions		**100,810**	27,285
		1,261,644	568,607
Impairment losses on financial assets, net:			
Trade receivables*	20	**10,689**	9,190
Other receivables*	21	**6,838**	1,022
		17,527	10,212
Rental expense:			
Short-term leases and low-value leases	14(b)	**16,087**	10,059

* The impairment of trade receivables and other receivables are included in "Other expenses, net" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of finance costs is as follows:

	Note	2021 RMB'000	2020 RMB'000
Interest on lease liabilities	14	**261**	317

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, 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:

	2021 RMB'000	2020 RMB'000
Fees	**1,368**	253
Other emoluments:		
Salaries, allowances and benefits in kind	**2,775**	2,318
Share-based compensation expenses	**532**	—
Pension scheme contributions	**82**	62
	3,389	2,380
	4,757	2,633

Note: Directors' and chief executive's remuneration set out above included the emoluments for the services provided by them as employees of the group entities prior to becoming the directors of the Company during the year ended 31 December 2021, and was excluded from the employee benefit expense disclosed in note 6 to the financial statements.

During the year, Mr. Wang Yue and Ms. Yang Jingbo were granted share-based payment, in respect of their services to the Group, under the share-based payment scheme of the Company. The fair value of such payment, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2021 RMB'000	2020 RMB'000
Ms. Liu Xiaolan	**249**	46
Mr. Fung Che Wai, Anthony	**249**	46
Ms. Ng Yi Kum	**249**	46
	747	138

There were no other emoluments payable to the independent non-executive directors during the year (2020: nil).

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive director and chief executive:					
Mr. Kong Jiannan	**124**	**–**	**–**	**–**	**124**
Executive directors:					
Mr. Wang Yue	**124**	**1,730**	**266**	**46**	**2,166**
Ms. Yang Jingbo	**124**	**1,045**	**266**	**36**	**1,471**
	248	**2,775**	**532**	**82**	**3,637**
Non-executive director:					
Mr. Kong Jianmin	**249**	**–**	**–**	**–**	**249**
	621	**2,775**	**532**	**82**	**4,010**

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2021.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2020				
Executive director and chief executive:				
Mr. Kong Jiannan	23	—	—	23
Executive directors:				
Mr. Wang Yue	23	1,791	31	1,845
Ms. Yang Jingbo	23	527	31	581
	46	2,318	62	2,426
Non-executive director:				
Mr. Kong Jianmin	46	—	—	46
	115	2,318	62	2,495

9. Five Highest Paid Employees

The five highest paid employees during the year included one director, who is also the chief executive (2020: one director), details of whose remuneration are set out in note 8 above and members of senior management. Details of the remuneration for the year of the remaining four (2020: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**5,033**	4,266
Share-based compensation expenses	**659**	—
Pension scheme contributions	**142**	141
	5,834	4,407

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

	2021	2020
Nil to HK$1,000,000	**—**	—
HK$1,000,001 to HK$1,500,000	**—**	4
HK$1,500,001 to HK$2,000,000	**4**	—
	4	4

10. Income Tax

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

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

10. Income Tax *(continued)*

Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% for the year.

	Note	2021 RMB'000	2020 RMB'000
Current		**216,419**	128,969
Deferred	19	**(7,983)**	(7,032)
		208,436	121,937

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the income tax expense at the effective income tax rate is as follows:

	2021 RMB'000	2020 RMB'000
Profit before tax	**892,753**	445,626
Tax at the statutory tax rate (25%)	**223,188**	111,407
Lower tax rates for specific provinces	**(31,092)**	(1,887)
Expenses not deductible for tax	**16,470**	12,895
Profit and loss attributable to a joint venture	**209**	—
Profit and loss attributable to an associate	**(487)**	(478)
Tax losses not recognised	**148**	—
Tax charge for the year	**208,436**	121,937

11. Dividends

	2021 RMB'000	2020 RMB'000
Interim dividend	**—**	200,000
Proposed final dividend (with scrip option) — RMB12 cents (2020: final dividend of RMB6 cents) per ordinary share	**242,053**	121,069
	242,053	321,069

During the year, no interim dividend was declared (2020: RMB200,000,000).

The board of directors recommended a final dividend of RMB12 cents per ordinary share totalling approximately RMB242,053,000 for the year ended 31 December 2021 (2020: RMB121,069,000).

The proposed final dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

12. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,017,611,329 (2020: 1,700,418,561) in issue during the year ended 31 December 2021.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the share option scheme and the share award scheme adopted by the Group, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or vest of all dilutive potential ordinary shares into ordinary shares.

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

	2021 RMB'000	2020 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**674,843**	323,083

	Number of shares 2021	2020
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,017,611,329**	1,700,418,561
Effect of dilution — weighted average number of ordinary shares:		
Share options	**263,638**	—
Awarded shares	**640,899**	—
	2,018,515,866*	1,700,418,561

* Because the exercise prices of the share options were higher than the average market price of the Company's shares during the year, the share options were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of RMB674,843,000, and the weighted average number of ordinary shares of 2,018,252,228 in issue during the year.

13. Property, Plant and Equipment

	Note	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
Cost		954	2,587	10,961	4,433	18,935
Accumulated depreciation		(482)	(508)	(7,478)	(2,227)	(10,695)
Net carrying amount		472	2,079	3,483	2,206	8,240
At 1 January 2021, net of accumulated depreciation		472	2,079	3,483	2,206	8,240
Additions		–	812	3,087	661	4,560
Acquisition of subsidiaries	28	–	–	100	–	100
Disposals		(279)	–	(62)	–	(341)
Depreciation provided during the year		–	(1,207)	(1,456)	(1,134)	(3,797)
At 31 December 2021, net of accumulated depreciation		193	1,684	5,152	1,733	8,762
At 31 December 2021:						
Cost		542	3,399	13,989	4,962	22,892
Accumulated depreciation		(349)	(1,715)	(8,837)	(3,229)	(14,130)
Net carrying amount		193	1,684	5,152	1,733	8,762

13. Property, Plant and Equipment *(continued)*

	Note	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		1,009	1,005	8,538	2,983	13,535
Accumulated depreciation		(235)	(350)	(6,035)	(1,899)	(8,519)
Net carrying amount		774	655	2,503	1,084	5,016
At 1 January 2020, net of accumulated depreciation		774	655	2,503	1,084	5,016
Additions		89	196	2,406	251	2,942
Acquisition of subsidiaries	28	—	1,386	87	1,300	2,773
Disposals		(134)	—	(55)	(101)	(290)
Depreciation provided during the year		(257)	(158)	(1,458)	(328)	(2,201)
At 31 December 2020, net of accumulated depreciation		472	2,079	3,483	2,206	8,240
At 31 December 2020:						
Cost		954	2,587	10,961	4,433	18,935
Accumulated depreciation		(482)	(508)	(7,478)	(2,227)	(10,695)
Net carrying amount		472	2,079	3,483	2,206	8,240

14. Leases

The Group as a lessee

The Group has lease contracts for buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 3 months to 17 years, while motor vehicles generally have lease terms between 1 to 2 years and/or is individually of low value. The Group is restricted from assigning and subleasing the leased assets outside the Group according to the terms in certain agreements.

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

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

		Right-of-use assets			
	Notes	Buildings RMB'000	Motor vehicles RMB'000	Total RMB'000	Lease liabilities RMB'000
At 1 January 2020		8,164	47	8,211	8,006
New leases		3,057	—	3,057	2,664
Depreciation charge		(4,394)	(47)	(4,441)	—
Accretion of interest recognised during the year	7	—	—	—	317
Payments		—	—	—	(4,258)
At 31 December 2020		6,827	—	6,827	6,729
At 1 January 2021		**6,827**	**—**	**6,827**	**6,729**
New leases		**8,181**	**—**	**8,181**	**7,996**
Depreciation charge		**(7,645)**	**—**	**(7,645)**	**—**
Accretion of interest recognised during the year	7	**—**	**—**	**—**	**261**
Payments		**—**	**—**	**—**	**(7,456)**
At 31 December 2021		**7,363**	**—**	**7,363**	**7,530**

	2021 RMB'000	2020 RMB'000
Lease liabilities analysed into:		
Current portion	**6,137**	3,557
Non-current portion	**1,393**	3,172
	7,530	6,729

The maturity analysis of lease liabilities is disclosed in note 34(c) to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

14. Leases *(continued)*

The Group as a lessee *(continued)*

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

	Note	2021 RMB'000	2020 RMB'000
Interest on lease liabilities		**261**	317
Depreciation charge of right-of-use assets		**7,645**	4,441
Expense relating to short-term leases and low-value leases	6	**16,087**	10,059
Total amount recognised in profit or loss		**23,993**	14,817

(c) *The total cash outflow for leases is disclosed in note 29(c) to the financial statements.*

15. Goodwill

	Note	RMB'000
At 1 January 2020:		
Cost and net carrying amount		134,718
Acquisition of subsidiaries	28	125,490
Cost and carrying amount at 31 December 2020		260,208
At 1 January 2021:		
Cost and net carrying amount		**260,208**
Acquisition of subsidiaries	28	**439,567**
Cost and carrying amount at 31 December 2021		**699,775**

During the year ended 31 December 2021, the Group acquired Shanghai Shenqin from independent third parties, which are engaged in the provision of property management services. Details of the acquisitions are disclosed in note 28 to the financial statements.

15. Goodwill *(continued)*

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. Goodwill is monitored at the operating segment level and allocated to the residential property management cash-generating unit (the "**Residential CGU**") and non-residential property management and commercial operational services cash-generating unit (the "**Non-residential CGU**") for impairment testing.

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

As at 31 December 2021

CGU	Principal business	Allocated goodwill RMB'000	Annual revenue growth rate	Terminal growth rate	Pre-tax discount rate
Gangyu Enterprise — Residential	Residential property management	111,150	3.0%–7.0%	3.0%	18.72%
Gangyu Enterprise — Non-residential	Non-residential property management and commercial operational	23,568	3.0%	3.0%	18.90%
Guangzhou Runtong	Non-residential property management	125,490	3.0%–7.0%	3.0%	18.99%
Shanghai Shenqin	Non-residential property management	439,567	3.0%–7.0%	3.0%	18.79%

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

Annual revenue growth rate — The predicted revenue growth rate of the Residential CGU and Non-residential CGU for the five years subsequent to the date of assessment is one of the assumptions used in the value-in-use calculations.

Terminal growth rate — The growth rate used to extrapolate the cash flows of the Residential CGU and Non-residential CGU beyond the five-year period is estimated to be 3.0%, which has taken into consideration the prevailing industry practice.

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

The values assigned to the key assumptions are consistent with external information sources.

The directors of the Company are of the view that any reasonably possible change in any of the key assumptions would not cause the carrying amount of the CGUs to exceed their recoverable amount as at 31 December 2021 and 2020.

During the years ended 31 December 2021 and 2020, the management of the Group determined that no impairment of goodwill should be recognised for the CGUs.

16. Other Intangible Assets

	Property management contracts RMB'000	Customer relationships RMB'000	Software RMB'000	Non-compete agreements RMB'000	Total RMB'000
31 December 2021					
Cost at 1 January 2021, net of accumulated amortisation	**27,569**	**116,040**	**6,723**	**7,524**	**157,856**
Additions	**—**	**—**	**982**	**—**	**982**
Acquisition of subsidiaries (note 28)	**19,522**	**66,518**	**—**	**10,844**	**96,884**
Amortisation provided during the year	**(12,675)**	**(15,763)**	**(1,350)**	**(2,581)**	**(32,369)**
At 31 December 2021	**34,416**	**166,795**	**6,355**	**15,787**	**223,353**
At 31 December 2021:					
Cost	**73,787**	**196,433**	**10,998**	**18,368**	**299,586**
Accumulated amortisation	**(39,371)**	**(29,638)**	**(4,643)**	**(2,581)**	**(76,233)**
Net carrying amount	**34,416**	**166,795**	**6,355**	**15,787**	**223,353**
31 December 2020					
Cost at 1 January 2020, net of accumulated amortisation	15,090	65,754	963	—	81,807
Additions	—	—	7,221	—	7,221
Acquisition of subsidiaries (note 28)	26,408	57,525	—	7,524	91,457
Amortisation provided during the year	(13,929)	(7,239)	(1,461)	—	(22,629)
At 31 December 2020	27,569	116,040	6,723	7,524	157,856
At 31 December 2020 and at 1 January 2021:					
Cost	54,265	129,915	10,016	7,524	201,720
Accumulated amortisation	(26,696)	(13,875)	(3,293)	—	(43,864)
Net carrying amount	27,569	116,040	6,723	7,524	157,856

17. Investment in a Joint Venture

	2021 RMB'000	2020 RMB'000
Share of net assets	**1,614**	—

Particulars are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Keyue Operation Management Co., Ltd.#	Registered capital of RMB1 each	PRC/Mainland China	49	49	49	Property management

\# The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have any official English name.

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

	2021 RMB'000	2020 RMB'000
Share of loss of a joint venture for the year and total comprehensive income	**(836)**	—
Carrying amount of the Group's investment accounted for using the equity method at end of the year	**1,614**	—

18. Investment in an Associate

	2021 RMB'000	2020 RMB'000
Share of net assets	**9,903**	7,954

Particulars are as follows:

Name	**Particulars of issued shares held**	**Place of registration and business**	**Percentage of ownership interest attributable to the Group**	**Principal activities**
Guangzhou Guanzhou Property Management Co., Ltd.#	Registered capital of RMB1 each	PRC/Mainland China	49	Property management

The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have any official English name.

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

	2021 RMB'000	2020 RMB'000
Share of profit of an associate for the year and total comprehensive income	**1,949**	1,911
Carrying amount of the Group's investment accounted for using the equity method at end of the year	**9,903**	7,954

19. Deferred Tax Assets and Liabilities

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

Deferred tax liabilities

		2021		
	Note	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 2021		37,783	1,968	39,751
Acquisition of subsidiaries	28	24,221	–	24,221
Deferred tax credited to profit or loss during the year		(7,755)	(127)	(7,882)
At 31 December 2021		54,249	1,841	56,090

Deferred tax assets

	2021				
	Losses available for offsetting against future taxable profits RMB'000	Accrued liabilities and future deductible expenses RMB'000	Provision for impairment losses of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	–	13,913	4,378	2,322	20,613
Deferred tax credited/(charged) to profit or loss during the year	3,223	(5,588)	2,905	(439)	101
At 31 December 2021	3,223	8,325	7,283	1,883	20,714

19. Deferred Tax Assets and Liabilities *(continued)*

Deferred tax liabilities

	Note	2020 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 2020		20,211	2,053	22,264
Acquisition of subsidiaries	28	22,863	—	22,863
Deferred tax credited to profit or loss during the year		(5,291)	(85)	(5,376)
At 31 December 2020		37,783	1,968	39,751

Deferred tax assets

	2020 Accrued liabilities and future deductible expenses RMB'000	Provision for impairment losses of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2020	13,709	3,246	2,002	18,957
Deferred tax credited to profit or loss during the year	204	1,132	320	1,656
At 31 December 2020	13,913	4,378	2,322	20,613

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

19. Deferred Tax Assets and Liabilities *(continued)*

At 31 December 2021 and 2020, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,161,139,000 and RMB490,486,000 as at 31 December 2021 and 2020, respectively.

Taking into account the Group's dividend policy and the working capital demand for business operation in Mainland China, the directors of the Company are of the view that it is the best interest of the Company to distribute its final dividend in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Act of the Cayman Islands and is also permissible by the Company's articles of association upon the approval of the Company's shareholders at the annual general meeting.

In the opinion of the directors of the Company, the Company has sufficient distributable reserves, including the Company's share premium to meet its dividend policy in the foreseeable future, and it is not probable that dividends would be declared by the Group's subsidiaries and joint ventures established in Mainland China in the foreseeable future. Accordingly, the Group did not provide additional deferred tax related to the unremitted earnings of the Group's subsidiaries and joint ventures established in Mainland China that are subject to withholding taxes once distributed.

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

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 Group for financial reporting purposes:

	2021 **RMB'000**	2020 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**18,873**	14,741
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(54,249)**	(33,879)
Net deferred tax liabilities	**(35,376)**	(19,138)

The Group has tax losses arising in Mainland China of approximately RMB13,471,000, that will expire in one to five years for offsetting against future taxable profits.

Among which, tax losses of approximately RMB579,000, have not been recognised as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. Trade Receivables

	Note	2021 RMB'000	2020 RMB'000
Related parties	31(b)	**540,336**	379,301
Third parties		**539,156**	240,207
Trade receivables		**1,079,492**	619,508
Less: Allowance for impairment of trade receivables		**(17,460)**	(12,800)
		1,062,032	606,708

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

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

	2021 RMB'000	2020 RMB'000
Within 1 year	**1,028,083**	558,918
1 to 2 years	**20,612**	28,001
2 to 3 years	**12,249**	16,695
Over 3 years	**1,088**	3,094
	1,062,032	606,708

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

	Note	2021 RMB'000	2020 RMB'000
At beginning of year		**12,800**	9,144
Impairment losses recognised, net	6	**10,689**	9,190
Amount written off as uncollectible		**(6,029)**	(5,534)
At end of year		**17,460**	12,800

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.

20. Trade Receivables *(continued)*

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

	Third parties — past due				Related parties	Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years		
As at 31 December 2021						
Expected credit loss rate	**1.90%**	**7.02%**	**9.96%**	**64.39%**	**0.57%**	**1.62%**
Gross carrying amount (RMB'000)	**500,329**	**22,168**	**13,604**	**3,055**	**540,336**	**1,079,492**
Expected credit losses (RMB'000)	**(9,511)**	**(1,556)**	**(1,355)**	**(1,967)**	**(3,071)**	**(17,460)**
As at 31 December 2020						
Expected credit loss rate	2.27%	6.17%	10.40%	75.63%	—	2.07%
Gross carrying amount (RMB'000)	197,043	17,698	18,434	7,032	379,301	619,508
Expected credit losses (RMB'000)	(4,473)	(1,092)	(1,917)	(5,318)	—	(12,800)

21. Prepayments, Other Receivables and Other Assets and Prepayment for Acquisition of Subsidiaries

	Note	2021 RMB'000	2020 RMB'000
Current:			
Amounts due from related parties	31(b)	**778**	4,205
Prepayments		**65,588**	33,764
Deposits		**28,083**	13,705
Advances to employees		**4,658**	3,681
Other receivables		**128,121**	87,297
Payments on behalf of residents and tenants	(a)	**32,004**	59,751
Due from original shareholders of subsidiaries		**143,833**	—
Others		**5,716**	3,404
		408,781	205,807
Impairment allowance		**(11,672)**	(4,865)
		397,109	200,942
Non-current:			
Prepayment for acquisition of subsidiaries	(b)	**1,316,000**	—

Notes:

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

(b) Prepayment for acquisition of subsidiaries is related to the acquisition agreement the Group entered into on 17 January 2021 to acquire 80% equity interests of Living Technology Co., Ltd.

21. Prepayments, Other Receivables and Other Assets and Prepayment for Acquisition of Subsidiaries *(continued)*

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

	Note	**2021 RMB'000**	2020 RMB'000
At beginning of year		**4,865**	3,843
Impairment losses recognised in profit or loss, net	6	**6,838**	1,022
Amount written off as uncollectible		**(31)**	—
At end of year		**11,672**	4,865

Expected credit losses are estimated by applying a loss rate approach with reference to the days past due for groupings of parties with similar loss patterns. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The following table provides information about the exposure to credit risk and ECLs for payments on behalf of residents and tenants which are assessed collectively based on an estimated average credit loss rate as at 31 December 2021 and 2020.

	31 December 2021			31 December 2020		
Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Credit-impaired	**36.5%**	**32,004**	**(11,672)**	8.1%	59,751	(4,865)

22. Cash and Cash Equivalents and Restricted Cash

	2021 RMB'000	2020 RMB'000
Cash and bank balances	**500,787**	2,712,773
Time deposits	**740,000**	251,996
	1,240,787	2,964,769
Less: Restricted cash	**(7,189)**	(5,150)
Cash and cash equivalents	**1,233,598**	2,959,619

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,232,336,000 (2020: RMB508,550,000). The 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 Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Cash and Cash Equivalents and Restricted Cash *(continued)*

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 banks restricted for social security and tendering purposes at 31 December 2021 and 2020.

23. Trade Payables

	Note	2021 RMB'000	2020 RMB'000
Related parties	31(b)	**9,689**	4,855
Third parties		**236,141**	149,610
		245,830	154,465

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

	2021 RMB'000	2020 RMB'000
Within 1 year	**229,947**	147,957
1 to 2 years	**11,038**	3,400
2 to 3 years	**1,891**	1,698
Over 3 years	**2,954**	1,410
	245,830	154,465

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

24. Other Payables and Accruals

	Notes	**2021 RMB'000**	2020 RMB'000
Amounts due to related parties	31(b)	**4,155**	1,847
Payroll and welfare payables		**174,128**	149,570
Deposits and temporary receipts from property owners		**250,500**	241,284
Other tax payables		**84,909**	17,962
Accruals and other payables		**85,625**	27,735
Consideration payable to original shareholders on acquisition of subsidiaries		**50,000**	135,600
Receipts on behalf of residents and tenants		**72,458**	54,369
Due to original shareholders of subsidiaries		**135,808**	—
		857,583	628,367

The other payables are unsecured and interest-free.

25. Share Capital

	2021 HK$'000	2020 HK$'000
Authorised:		
10,000,000,000 (2020: 10,000,000,000) ordinary shares at par value of HK$0.01 each	**100,000**	100,000

	2021 HK$'000	2020 HK$'000	**2021 Equivalent to RMB'000**	2020 Equivalent to RMB'000
Issued and fully paid:				
2,017,110,233 (2020: 2,017,810,233) ordinary shares at par value of HK$0.01 each	**20,171**	20,178	**17,493**	17,499

25. Share Capital *(continued)*

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

	Number of shares in issue	Share capital HK$'000	Share capital equivalent to RMB'000
At 31 December 2019 and 1 January 2020	1	—	—
Issue of shares at 24 June 2020 (note (a))	35	—	—
Capitalisation issue (note (b))	1,634,426,197	16,344	14,174
Initial public offering (note (c))	383,384,000	3,834	3,325
At 31 December 2020	2,017,810,233	20,178	17,499
At 31 December 2020 and 1 January 2021	**2,017,810,233**	**20,178**	**17,499**
Repurchase and cancellation of shares (note (d))	**(700,000)**	**(7)**	**(6)**
At 31 December 2021	**2,017,110,233**	**20,171**	**17,493**

Notes:

(a) On 24 June 2020, the Company adopted the "Share Incentive Scheme". As part of the arrangement under the Share Incentive Scheme, (i) KWG Holdings subscribed 35 ordinary shares of the Company at par; and (ii) KWG Holdings transferred its entire issued share capital in Happy Harmony to an employee of the company (the "**Employee**") at a consideration of US$6,075,000.

(b) On 9 October 2020, a written resolution was passed by the Company's shareholders, approving (i) the increase of the authorised share capital to HK$100,000,000 divided into 10,000,000,000 shares of HK$0.01 each; and (ii) the capitalisation of share premium into 1,634,426,197 ordinary shares by applying HK$16,344,000 (equivalent to RMB14,174,000) to pay up in full at par for allotment and issue to the then existing shareholders in proportion to their respective shareholdings in the Company.

(c) On 30 October 2020, the Company issued 383,384,000 ordinary shares in its initial public offering at HK$7.89 per share for a total cash consideration, before expenses, of approximately HK$3,024,900,000 (equivalent to approximately RMB2,623,254,000).

(d) On 17 September 2021 and 20 September 2021, the Company repurchased 700,000 of its shares on the Hong Kong Stock Exchange at a total consideration of approximately HK$3,580,000 (equivalent to RMB2,975,000). The repurchased shares have been cancelled on 16 November 2021.

26. Employees Share Schemes

(a) Share Option Scheme

Pursuant to the shareholder's resolutions of the Company passed on 3 June 2021, the Company has adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to SO Eligible Participants (as defined hereinbelow) who will contribute and has contributed to the success of the Group's operations. SO Eligible Participants include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries and any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries. Upon becoming effective, the Share Option Scheme will remain in force for 10 years from that date.

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme. The aggregate number of shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme has not exceeded 30% of the shares in issue as at the latest practicable date. The maximum number of shares issuable under share options to each SO Eligible Participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the issue of a circular by the Company and the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 23 July 2021, the Company granted 594,000 share options, to the grantees, including the board of directors of the Company and certain employees of the Group. No share options were forfeited or lapsed and exercised during the year.

26. Employees Share Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The exercise price of the outstanding share options granted on 23 July 2021 was HK$8.964 per share.

The closing price of the Company's shares on 23 July 2021, the date of grant, was HK$8.240 per share.

The share options granted to the executive directors of the Company and employees of the Group are exercisable during the following periods:

Share options granted on 23 July 2021

The following share options were outstanding under the Scheme during the year:

(i) up to 25% of the share options granted to each grantee at any time from 15 April 2022;

(ii) up to 50% of the share options granted to each grantee at any time from 15 April 2023;

(iii) up to 100% of the share options granted to each grantee at any time from 15 April 2024; and, in each case, not later than 14 April 2026.

	2021		2020	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**–**	**–**	N/A	N/A
Granted during the year	**8.964**	**594,000**	N/A	N/A
Forfeited during the year	**–**	**–**	N/A	N/A
Exercised during the year	**–**	**–**	N/A	N/A
Expired during the year	**–**	**–**	N/A	N/A
At 31 December	**8.964**	**594,000**	N/A	N/A

The following inputs were used to calculate the fair values of the share options granted:

	2021	2020
Dividend yield (%)	**1.16**	N/A
Expected volatility (%)	**60.22**	N/A
Risk-free interest rate (%)	**0.35**	N/A
Expected life of options (year)	**4**	N/A
Weighted average share price (HK$ per share)	**8.964**	N/A

HK$1.00 is payable for acceptance of grant of share options by each grantee. The fair value of the share options granted on 23 July 2021 determined at the date of grant using the Binomial models (the "**Models**") was approximately RMB1,968,000.

26. Employees Share Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The Models have been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the equity-settled share option reserve.

At 31 December 2021, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 594,000 (2020: nil), representing 0.0294% (2020: nil) of the shares of the Company in issue at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 594,000 (2020: nil) additional ordinary shares of the Company and additional share capital of HK$5,940 (2020: nil) (before issue expenses).

The Group recognised the total expense of approximately RMB485,000 for the year ended 31 December 2021 (2020:nil) in relation to share options granted by the Company with corresponding increase in share option reserve.

The number of share options granted that are expected to be vested has been reduced to reflect the management's best estimate of forfeiture of options granted prior to the completion of the vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest.

(b) Share Award Scheme

The share award scheme was adopted by the Board on 23 July 2021 (the "**Share Award Scheme**") in order to recognise the contributions by certain employees including certain executive directors of the Company and/or members of the Group (the "**SA Eligible Participant**"). Subject to the rules of the Share Award Scheme (the "**Scheme Rules**"), the Board may, from time to time, at its absolute discretion select any SA Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "**Selected Participant**"), and determine the number of shares to be granted to the Selected Participant.

26. Employees Share Schemes *(continued)*

(b) Share Award Scheme *(continued)*

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the adoption date, the trustee shall not subscribe or purchase any further shares.

On 23 July 2021, the Board resolved to grant a total of 1,444,000 awarded shares to 16 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) 25% shall be vested on 15 April 2022; (ii) 25% shall be vested on 15 April 2022; and (iii) the remaining 50% shall be vested on 15 April 2023, or an earlier date as approved by the Board.

The fair value of the Share Award Scheme at the grant date approximated to the market value of the shares which is calculated based on the closing price of the shares as at the date of grant of the awarded shares.

Movements in the number of awarded shares are as follows:

	2021 Number of shares awarded	2020 Number of shares awarded
At 1 January	**–**	N/A
Granted	**1,444,000**	
Forfeited	**–**	N/A
Vested	**–**	N/A
At 31 December	**1,444,000**	N/A

Under the Share Award Scheme, the Group recognised share-based compensation expenses of approximately RMB2,929,000 (2020: nil) during the year ended 31 December 2021.

27. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Merger reserve

As at 1 January 2020, the merger reserve of the Group represented the combined issued capital of the subsidiaries now comprising the Group arising from the reorganisation as mentioned in the prospectus of the Company dated 19 October 2020.

(b) Capital reserve

In March 2020, as part of the Reorganisation, Guangdong Hejing Youhuo, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Ningjun Property and its subsidiaries with a capital injection of RMB63,000,000 to Ningjun Property and a cash consideration of RMB34,550,000 to Total Super, a wholly-owned subsidiary of KWG Holdings. As both parties were under control of KWG Holdings before and after the combination and such control was not provisional, this combination was a business combination involving entities under common control. The difference of RMB27,550,000 between (i) the cash consideration of RMB34,550,000 and (ii) the outstanding merger reserve of RMB7,000,000 was debited to the capital reserve.

On 24 June 2020, KWG Holdings, the then sole shareholder of Happy Harmony, which in turn holds one ordinary share of the Company, approved the transfer of the entire issued share capital of Happy Harmony (the "**Transferred Share**") to the Employee, at a consideration of US$6,075,000. The consideration was fully settled on 24 June 2020 and has been funded by an interest-free loan from Mr. Kong Jianmin (the "**Loan**"), one of the Company's controlling shareholders. Upon completion of the aforesaid share transfer and immediately after the subscription of 35 shares of the Company by KWG Holdings at par on 24 June 2020, KWG Holdings and the Employee through Happy Harmony held 97.22% and 2.78% equity interests in the Company, respectively. The share transferred to the Employee constitutes a share-based payment arrangement under HKFRS 2 *Shared-based Payment* and the share-based payment expense which represents the difference of RMB320,000 between (i) the fair value of the Transferred Share and (ii) the consideration of US$6,075,000 was charged to profit or loss as an expense in full immediately upon the completion of the share transfer with a corresponding increase in capital reserve of approximately RMB320,000 during the year ended 31 December 2021. The deemed interest expense of the Loan to the Employee, calculated based on the outstanding Loan principal and a general market interest rate that the Employee could possibly obtain from financial institutions in Hong Kong on an arm's length basis as of the date of the Loan agreement entered into between Mr. Kong Jianmin and the Employee, was charged to profit or loss with a corresponding increase in capital reserve of approximately RMB1,189,000 during the year ended 31 December 2021 (2020: approximately RMB622,000) to reflect the contribution to the Company from Mr. Kong Jianmin, one of the Company's controlling shareholders.

(c) Employee share-based compensation reserve

The expenses charged to profit or loss under the Share Option Scheme and the Share Award Scheme with a corresponding increase in reserve of approximately RMB485,000 (2020: nil) and RMB2,929,000 (2020: nil) respectively during the year ended 31 December 2021. Details of the employee share schemes are disclosed in note 26 to the financial statements.

27. Reserves *(continued)*

(d) Statutory surplus funds

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the 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 these subsidiaries, 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.

28. Business Combinations

Acquisition of Shanghai Shenqin

On 31 July 2021, the Group acquired a 80% interest in Shanghai Shenqin from third parties. Shanghai Shenqin is engaged in the property management business. The above acquisitions were made as part of the Group's strategy to expand its property management operation in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB448,200,000 paid before 31 December 2021.

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

	Notes	Total RMB'000
Property, plant and equipment	13	**100**
Other intangible assets	16	**96,884**
Prepayments and other receivables		**177,867**
Cash and bank balances		**2,574**
Restricted cash		**739**
Trade payables		**(7,756)**
Other payables and accruals		**(160,316)**
Deferred tax liabilities	19	**(24,221)**
Contract liabilities		**(3,520)**
Tax payable		**(8,434)**
Total identifiable net assets at fair value		**73,917**
Non-controlling interests		**(15,484)**
Goodwill arising on acquisition		**439,567**
Satisfied by cash		**448,200**
Unpaid amount included in other payables to original shareholders		**49,800**
Total consideration		**498,000**

28. Business Combinations *(continued)*

Acquisition of Shanghai Shenqin *(continued)*

The fair value of the other receivables as at the date of acquisition amounted to approximately RMB177,867,000. The gross contractual amount of other receivables was approximately RMB177,867,000. 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 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 Shenqin is as follows:

	Total RMB'000
Cash consideration paid	(448,200)
Cash and bank balances acquired	2,574
Net outflow of cash and cash equivalents included in cash flows from investing activities	(445,626)

Since the acquisition, Shanghai Shenqin contributed approximately RMB142,018,000 to the Group's revenue and a profit of approximately RMB19,686,000 to the consolidated profit for the year ended 31 December 2021.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been approximately RMB3,448,956,000 and RMB710,713,000, respectively.

Acquisition of Guangzhou Runtong

On 31 December 2020, the Group acquired 80% equity interests in Guangzhou Runtong from third parties at a consideration of RMB214,400,000. Guangzhou Runtong is engaged in the property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in Mainland China.

28. Business Combinations *(continued)*

Acquisition of Guangzhou Runtong *(continued)*

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	2,628
Other intangible assets	89,723
Other non-current assets	112
Trade receivables	25,021
Prepayments and other receivables	13,662
Restricted cash	3,566
Cash and bank balances	12,650
Trade payables	(87)
Other payables and accruals	(13,708)
Deferred tax liabilities	(22,430)
Total identifiable net assets at fair value	111,137
Non-controlling interests	(22,227)
Goodwill arising on acquisition	125,490
Satisfied by cash	80,000
Unpaid amount included in other payables to original shareholders as at 31 December 2020	134,400
Total consideration	214,400

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB25,021,000 and RMB12,662,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB25,021,000 and RMB12,662,000, 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 Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

28. Business Combinations *(continued)*

Acquisition of Guangzhou Runtong *(continued)*

An analysis of the cash flows in respect of the acquisition of Guangzhou Runtong is as follows:

	RMB'000
Cash consideration paid	(80,000)
Cash and bank balances	12,650
Net outflow of cash and cash equivalents included in cash flows from investing activities	(67,350)

Since the acquisition, Guangzhou Runtong did not contribute any revenue and profit to the Group for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Group and the profit of the Group for the year ended 31 December 2020 would have been approximately RMB1,749,204,000 and RMB351,920,000, respectively.

Acquisition of Taizhou Yuncheng

On 31 December 2020, the Group acquired 60% equity interests in Taizhou Yuncheng from third parties at a consideration of RMB1,200,000. Taizhou Yuncheng is engaged in the property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in Mainland China.

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

	Fair value recognised on acquisition RMB'000
Property, plant and equipment	145
Other intangible assets	1,734
Trade receivables	649
Prepayments and other receivables	427
Cash and bank balances	141
Other payables and accruals	(663)
Deferred tax liabilities	(433)
Total identifiable net assets at fair value	2,000
Non-controlling interests	(800)
Goodwill arising on acquisition	—
Unpaid amount included in other payables to original shareholders as at 31 December 2020	1,200

28. Business Combinations *(continued)*

Acquisition of Taizhou Yuncheng *(continued)*

The fair values of the trade receivables and other receivables as at the date of acquisition amounted to approximately RMB649,000 and RMB69,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB649,000 and RMB69,000, 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 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 Taizhou Yuncheng is as follows:

	RMB'000
Cash consideration paid	—
Cash and bank balances acquired	141
Net inflow of cash and cash equivalents included in cash flows from investing activities	141

Since the acquisition, Taizhou Yuncheng did not contribute any revenue and loss to the Group for the year ended 31 December 2020. Had the combination taken place at the beginning of 2020, the revenue of the Group and the profit of the Group for the year ended 31 December 2020 would have been approximately RMB1,520,373,000 and RMB321,288,000, respectively.

29. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB8,181,000 (2020: RMB3,057,000) and approximately RMB7,996,000 (2020: RMB2,664,000), respectively, in respect of lease arrangements for buildings and motor vehicles.

29. Notes to the Consolidated Statement of Cash Flows *(continued)*

(b) Changes in liabilities arising from financing activities

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

	Other payables RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	**—**	**6,729**	**6,729**
Changes from financing cash flows	**985,324**	**(7,195)**	**978,129**
Interest expense	**—**	**261**	**261**
Interest paid classified as operating cash flows	**—**	**(261)**	**(261)**
Other non-cash movements	**—**	**7,996**	**7,996**
At 31 December 2021	**985,324**	**7,530**	**992,854**
At 1 January 2020	32,715	8,006	40,721
Changes from financing cash flows	(32,715)	(3,941)	(36,656)
Interest expense	—	317	317
Interest paid classified as operating cash flows	—	(317)	(317)
Other non-cash movements	—	2,664	2,664
At 31 December 2020	—	6,729	6,729

(c) Total cash outflow for leases

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

	2021 RMB'000	2020 RMB'000
Within operating activities	**16,348**	10,376
Within financing activities	**7,195**	3,941
	23,543	14,317

30. Commitments

At the end of the reporting period, the Group did not have any significant commitments.

31. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2021 RMB'000	2020 RMB'000
Residential property management service income:		
Subsidiaries, joint ventures and associates of KWG Holdings*	**908,424**	527,572
Non-residential property management and commercial service income:		
Subsidiaries and joint ventures of KWG Holdings	**290,539**	227,727
Other related parties**	**2,037**	1,774
	292,576	229,501
Rental cost and expenses:		
Subsidiaries of KWG Holdings	**8,579**	9,703
Information technology expenses:		
KWG Holdings	**2,000**	2,000

* KWG Holdings is ultimately controlled by Plus Earn.

** Other related parties are entities that are controlled by Mr. Kong Jiantao, an executive director of KWG Holdings.

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

31. Related Party Transactions *(continued)*

(b) Outstanding balances with related parties

	2021 RMB'000	2020 RMB'000
Prepayments and receivables from related parties		
Trade receivables		
Subsidiaries, joint ventures and associates of KWG Holdings	**540,336**	379,301
Prepayments and other receivables		
Subsidiaries and joint ventures of KWG Holdings	**778**	4,205
Payables to related parties		
Trade payables		
Subsidiaries and joint ventures of KWG Holdings	**9,689**	4,855
Other payables		
Subsidiaries and joint ventures of KWG Holdings	**4,155**	1,847
Other related parties	**—**	—*
	4,155	1,847
Lease liabilities		
Subsidiaries of KWG Holdings	**4,290**	1,120
Contract liabilities		
Subsidiaries and joint ventures of KWG Holdings	**1,792**	2,251
Dividend payable		
A subsidiary of KWG Holdings	**—**	194,440

* The amount is less than RMB1,000.

The Group's outstanding balances of trade receivables, trade payables, lease liabilities and contract liabilities with related parties are trade in nature; and the outstanding balances of prepayments and other receivables and other payables with related parties are non-trade in nature.

31. Related Party Transactions *(continued)*

(c) Compensation of key management personnel of the Group

	2021 RMB'000	2020 RMB'000
Salaries, allowances and benefits in kind	**7,014**	7,550
Share-based payment expenses	**1,191**	—
Pension scheme contributions	**192**	233
	8,397	7,783

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

32. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2021 RMB'000	2020 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**1,062,032**	606,708
Financial assets included in prepayments, other receivables and other assets	**321,147**	160,093
Restricted cash	**7,189**	5,150
Cash and cash equivalents	**1,233,598**	2,959,619
	2,623,966	3,731,570
Financial assets at fair value through profit and loss designated as such upon initial recognition		
Other financial asset	**16,500**	—
	2,640,466	3,731,570

32. Financial Instruments by Category *(continued)*

	2021 RMB'000	2020 RMB'000
Financial liabilities — financial liabilities at amortised cost		
Trade payables	**245,830**	154,465
Lease liabilities	**7,530**	6,729
Financial liabilities included in other payables and accruals	**598,546**	460,835
Dividend payable	**5,560**	200,000
	857,466	822,029

33. Fair Value and Fair Value Hierarchy of Financial Instruments

The carrying amounts and fair values of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts		Fair values	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Financial asset				
Other financial asset	**16,500**	—	**16,500**	—

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, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

33. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

The fair values of the financial assets 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 value:

The fair value of unlisted equity investment designated at fair value through profit or loss included in other financial asset, has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("P/E") multiple, for each comparable company identified. The multiple is calculated by dividing the share price of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	Average P/E multiple of peers	14	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB836,000/ RMB834,000
		DLOM*	20.6%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB214,000/ RMB216,000

* The DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

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

Asset measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other financial asset	–	–	**16,500**	**16,500**

33. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Fair value hierarchy *(continued)*

The Group did not hold any financial assets measured at fair value as at 31 December 2020.

The movements in fair value measurements within Level 3 during the year are as follows:

	2021 RMB'000
At 1 January	–
Purchases	16,500
Total gains recognised in the statement of profit or loss	–
At 31 December	16,500

The Group did not have any financial liabilities measured at fair value as at 31 December 2021 and 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2020: nil).

Assets and liabilities for which fair values are disclosed:

The carrying amounts of the Group's financial assets and financial liabilities were either measured at fair value in the statement of financial positions or approximate to fair values as at 31 December 2020 and 2021.

34. Financial Risk Management Objectives and Policies

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

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

34. Financial Risk Management Objectives and Policies *(continued)*

(a) Foreign currency risk

The Group's most businesses are mainly located in Mainland China and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from cash, bank deposits, other receivables, and other payables denominated in currencies other than the unit's functional currencies as at 31 December 2021 and 31 December 2020.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of HK$, with all other variables held constant, of the Group's profit before tax.

	Change in foreign currency rate	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2021			
If RMB weakens against HK$	**5%**	**(7)**	**50,995**
If RMB strengthens against HK$	**5%**	**7**	**(50,995)**
2020			
If RMB weakens against HK$	5%	—	122,811
If RMB strengthens against HK$	5%	—	(122,811)

* Excluding retained profits.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and restricted cash.

The 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 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 reporting period 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 Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

34. Financial Risk Management Objectives and Policies *(continued)*

(b) Credit risk *(continued)*

Maximum exposure and year-end staging

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

31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	1,079,492	1,079,492
Financial assets included in prepayments, other receivables and other assets					
— Normal**	300,815	–	–	–	300,815
— Doubtful**	–	32,004	–	–	32,004
Restricted cash					
— Not yet past due	7,189	–	–	–	7,189
Cash and cash equivalents					
— Not yet past due	1,233,598	–	–	–	1,233,598
	1,541,602	32,004	–	1,079,492	2,653,098

34. Financial Risk Management Objectives and Policies *(continued)*

(b) Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*
31 December 2020

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	619,508	619,508
Financial assets included in prepayments, other receivables and other assets					
— Normal**	105,207	—	—	—	105,207
— Doubtful**	—	59,751	—	—	59,751
Restricted cash					
— Not yet past due	5,150	—	—	—	5,150
Cash and cash equivalents					
— Not yet past due	2,959,619	—	—	—	2,959,619
	3,069,976	59,751	—	619,508	3,749,235

* For trade receivables to which the 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".

(c) Liquidity risk

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

34. Financial Risk Management Objectives and Policies *(continued)*

(c) Liquidity risk *(continued)*

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

As at 31 December 2021

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	**93,570**	**152,260**	**—**	**—**	**245,830**
Lease liabilities	**—**	**6,274**	**845**	**840**	**7,959**
Financial liabilities included in other payables and accruals	**162,238**	**300,500**	**135,808**	**—**	**598,546**
Dividend payable	**5,560**	**—**	**—**	**—**	**5,560**
	261,368	**459,034**	**136,653**	**840**	**857,895**

As at 31 December 2020

	On demand RMB'000	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	61,858	92,607	—	—	154,465
Lease liabilities	—	3,751	2,626	960	7,337
Financial liabilities included in other payables and accruals	83,951	376,884	—	—	460,835
Dividend payable	200,000	—	—	—	200,000
	345,809	473,242	2,626	960	822,637

34. Financial Risk Management Objectives and Policies *(continued)*

(d) Interest rate risk

The Group is not exposed to material interest rate risk.

(e) Capital management

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

The 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 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 years ended 31 December 2021 and 2020.

The 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 the reporting periods are as follows:

	2021 RMB'000	2020 RMB'000
Total current assets	**2,699,928**	3,772,419
Total current liabilities	**1,430,543**	1,198,006
Total assets	**5,002,071**	4,228,532
Total liabilities	**1,486,185**	1,235,057
Current ratio	**1.89**	3.15
Liabilities to assets ratio	**0.30**	0.29

35. Event after the Reporting Period

On 10 January 2022, Guangdong Hejing Youhuo as the purchaser has entered into an equity acquisition agreement with HOU Wenqing and CHENG Naizhen as the vendors for the acquisition of 50% equity interests in Guangdong Telijie Environment Engineering Co., Ltd. ("**Guangdong Telijie**") at a cash consideration of RMB165,000,000. Guangdong Telijie is principally engaged in urban and rural environmental sanitation service. For details, please refer to the announcement of the Company dated 10 January 2022.

On 10 January 2022, the Company also announced that there was a further change in use of net proceeds from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited on 30 October 2020. Details for the change in use of net proceeds are set out in the announcement of the Company dated 10 January 2022.

36. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2021 RMB'000	2020 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	**8,538**	2,456,208
Prepayments, deposits and other receivables	**2,247,522**	612
Total current assets	**2,256,060**	2,456,820
CURRENT LIABILITIES		
Other payables and accruals	**47**	3,977
Total current liabilities	**47**	3,977
NET CURRENT ASSETS	**2,256,013**	2,452,843
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,256,013**	2,452,843
NET ASSETS	**2,256,013**	2,452,843
EQUITY		
Share capital	**17,493**	17,499
Reserves (note)	**2,238,520**	2,435,344
TOTAL EQUITY	**2,256,013**	2,452,843

36. Statement of Financial Position of the Company *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2020	—	—	(1)	(82)	(83)
Loss for the year	—	—	—	(29,808)	(29,808)
Other comprehensive loss for the year:					
Exchange differences on translation into presentation currency	—	—	(73,806)	—	(73,806)
Total comprehensive loss for the year	—	—	(73,806)	(29,808)	(103,614)
Issue of shares	2,619,929	—	—	—	2,619,929
Share issue expenses	(66,714)	—	—	—	(66,714)
Capitalisation issue (note 25)	(14,174)	—	—	—	(14,174)
At 31 December 2020	2,539,041	—	(73,807)	(29,890)	2,435,344
At 1 January 2021	**2,539,041**	**—**	**(73,807)**	**(29,890)**	**2,435,344**
Loss for the year	**—**	**—**	**—**	**(6,878)**	**(6,878)**
Other comprehensive loss for the year:					
Exchange differences on translation into presentation currency	**—**	**—**	**(69,322)**	**—**	**(69,322)**
Total comprehensive loss for the year	**—**	**—**	**(69,322)**	**(6,878)**	**(76,200)**
Share-based compensation expenses	**—**	**3,414**	**—**	**—**	**3,414**
Repurchase and cancellation of shares	**(2,969)**	**—**	**—**	**—**	**(2,969)**
2020 final dividends declared	**(121,069)**	**—**	**—**	**—**	**(121,069)**
At 31 December 2021	**2,415,003**	**3,414**	**(143,129)**	**(36,768)**	**2,238,520**

37. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 28 March 2022.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 19 October 2020, is set out below:

	Year ended 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
RESULTS					
REVENUE	**3,255,446**	1,517,227	1,124,878	659,136	463,381
Cost of sales	**(2,029,338)**	(878,679)	(705,050)	(476,175)	(359,111)
Gross profit	**1,226,108**	638,548	419,828	182,961	104,270
Other income and gains	**26,606**	11,548	5,180	2,475	1,984
Selling and distribution expenses	**(4,795)**	(1,987)	(921)	(499)	(476)
Administrative expenses	**(333,176)**	(193,563)	(164,424)	(75,178)	(45,267)
Other expenses, net	**(22,842)**	(10,514)	(10,647)	(4,456)	(2,726)
Finance costs	**(261)**	(317)	(351)	(199)	(186)
Share of profit and loss of:					
An joint venture	**(836)**	—	—	—	—
An associate	**1,949**	1,911	1,939	(796)	—
PROFIT BEFORE TAX	**892,753**	445,626	250,604	104,308	57,599
Income tax expense	**(208,436)**	(121,937)	(65,617)	(24,626)	(13,451)
PROFIT FOR THE YEAR	**684,317**	323,689	184,987	79,682	44,148
Attributable to:					
Owners of the parent	**674,843**	323,083	184,887	79,682	44,148
Non-controlling interests	**9,474**	606	100	—	—
	684,317	323,689	184,987	79,682	44,148

	As at 31 December				
	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
ASSETS, LIABILITIES AND EQUITY					
TOTAL ASSETS	**5,002,071**	4,228,532	1,962,186	1,216,350	1,197,802
TOTAL LIABILITIES	**1,486,185**	1,235,057	1,564,758	1,016,531	1,077,665
TOTAL EQUITY	**3,515,886**	2,993,475	397,428	199,819	120,137

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