

旭辉永升服务集团有限公司

(原名为永升生活服务集团有限公司)

CIFI Ever Sunshine Services Group Limited

(Formerly known as Ever Sunshine Lifestyle Services Group Limited)

(Incorporated in the Cayman Islands with limited liability)

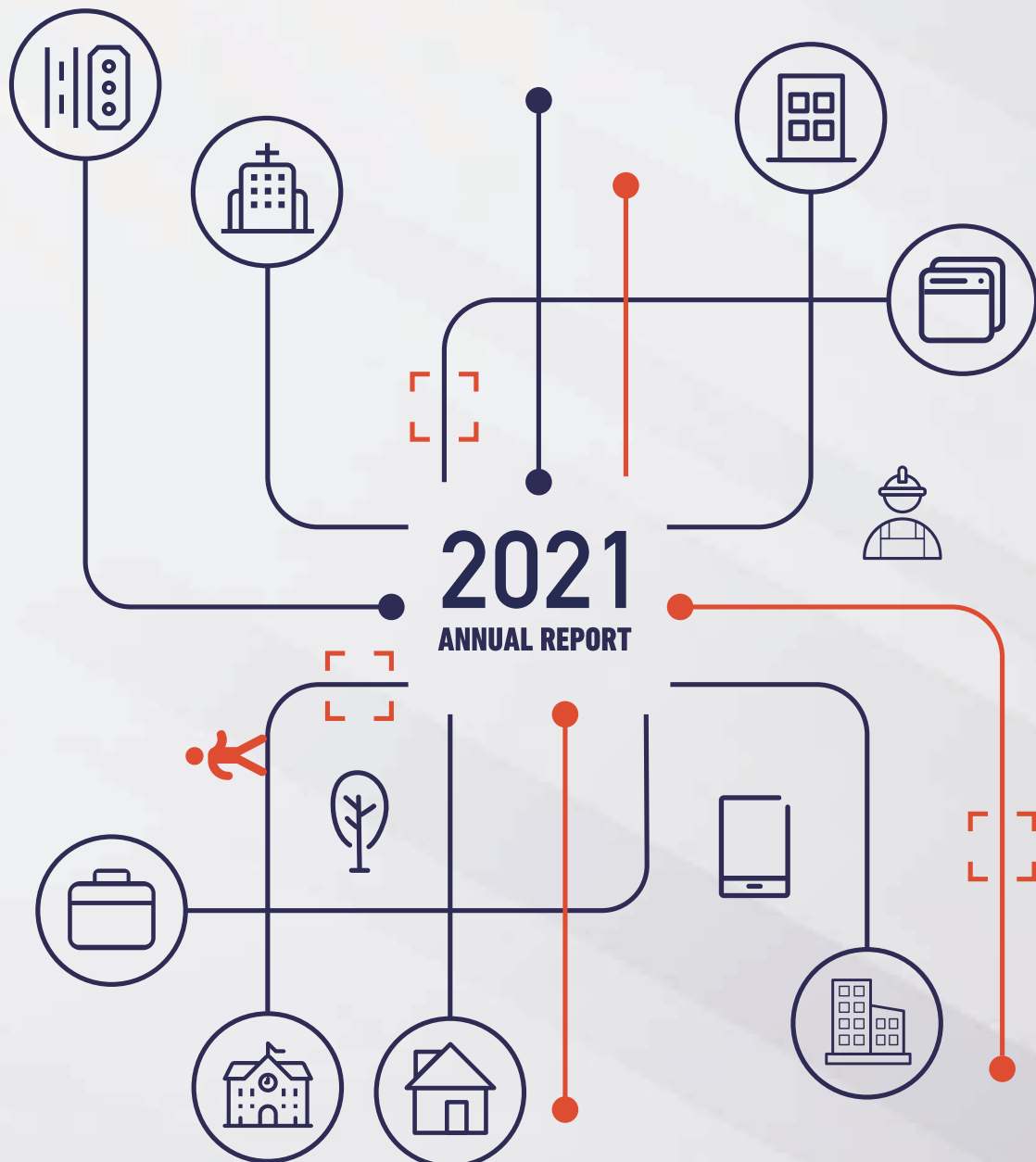
Stock code: 01995

 旭辉永升服务  
CIFI ES - SERVICE

# 用心構築美好生活

## BUILDING BETTER LIVES

Grow into a customer -  
preferred smart city service brand



# CONTENTS

Corporate Information	2
Awards and Honors	4
Definitions	6
Chairman's Statement	10
Management Discussion and Analysis	13
Profile of Directors and Senior Management	36
Corporate Governance Report	43
Directors' Report	57
Independent Auditors' Report	80
Consolidated Statements of Profit or Loss and Other Comprehensive Income	86
Consolidated Statements of Financial Position	87
Consolidated Statements of Changes in Equity	89
Consolidated Statements of Cash Flows	91
Notes to the Consolidated Financial Statements	93
Financial Summary	180



## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors

Mr. LIN Zhong (*Chairman*)

Mr. ZHOU Hongbin

Mr. ZHOU Di

#### Non-executive Director

Mr. LIN Feng

#### Independent Non-executive Directors

Mr. MA Yongyi

Mr. CHEUNG Wai Chung

Mr. YU Tiecheng (Appointed on 16 November 2021)

Mr. WANG Peng (Removed on 14 December 2021)

### COMPANY SECRETARY

Ms. CHAN Yin Wah (Appointed on 20 July 2021)

Ms. LEE Shuk Man (Appointed on 21 January 2021 and resigned on 20 July 2021)

Ms. YEUNG Ching Man (resigned on 21 January 2021)

### AUTHORISED REPRESENTATIVES

Mr. LIN Zhong

Ms. CHAN Yin Wah (Appointed on 20 July 2021)

Mr. LIN Feng (Resigned on 20 July 2021)

### STRATEGY COMMITTEE

Mr. LIN Zhong (*Chairman*)

Mr. LIN Feng

Mr. ZHOU Hongbin

### AUDIT COMMITTEE

Mr. CHEUNG Wai Chung (*Chairman*)

Mr. LIN Feng

Mr. MA Yongyi

### REMUNERATION COMMITTEE

Mr. YU Tiecheng (*Chairman*)

(Appointed on 16 November 2021)

Mr. LIN Zhong

Mr. MA Yongyi

Mr. WANG Peng (Ceased on 16 November 2021)

### NOMINATION COMMITTEE

Mr. LIN Zhong (*Chairman*)

Mr. YU Tiecheng (Appointed on 16 November 2021)

Mr. MA Yongyi

Mr. WANG Peng (Ceased on 16 November 2021)

### REGISTERED OFFICE

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman KY1-1111

Cayman Islands

### PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

6F, Henderson CIFI Center

No. 20 Lane, 1188 Shenhong Road

Minhang District, Shanghai, PRC

### PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre

No. 248 Queen's Road East

Wanchai, Hong Kong

## PRINCIPAL BANKS

China Construction Bank Shanghai Putuo Branch  
8th Floor  
95 Changshou Road  
Putuo District, Shanghai, PRC

China Construction Bank Shanghai Nujiang Road Branch  
Room 101  
1006 Jinshajiang Road  
Putuo District, Shanghai, PRC

Ningbo Bank Shanghai Huangpu Branch  
37 Huanghe Road  
Huangpu District  
Shanghai, PRC

China Construction Bank Suzhou New District Branch  
95 Shishan Road  
Gaoxin District  
Suzhou, Jiangsu Province, PRC

## AUDITOR

Deloitte Touche Tohmatsu  
Registered Public Interest Entity Auditors  
35/F One Pacific Place  
88 Queensway  
Hong Kong

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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, 17th Floor  
Hopewell Centre, 183 Queen's Road East  
Wanchai, Hong Kong

## LEGAL ADVISOR

Sidley Austin

## STOCK CODE

01995

## WEBSITE

[www.cifies.com](http://www.cifies.com)

# AWARDS AND HONORS



## AWARDS AND HONORS





## DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

5.375% Perpetual Securities	the senior perpetual capital securities (securities stock code: 05261) issued by CIFI Holdings in August 2017 with the aggregate principal amount of US\$300 million at a distribution rate of 5.375% per annum, which are listed on the Stock Exchange in August 2017
6% Senior Notes	the 6% senior notes (securities stock code: 40120) due 2025 issued by CIFI Holdings with the aggregate amount of US\$567 million, which are listed on the Stock Exchange in January 2020
AGM	the annual general meeting of the Company to be convened and held on 7 June 2022
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Company
associate(s)	has the meaning ascribed thereto under the Listing Rules
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share award scheme adopted by Best Legend
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the "Board Committee" means any of them
BU	Business unit
BVI	the British Virgin Islands
CG Code	the Corporate Governance Code in force from time to time set out in Appendix 14 to the Listing Rules
China or PRC	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
CIFI Group	CIFI Holdings and its subsidiaries

## DEFINITIONS

CIFI Holdings	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (stock code: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board
CIFI (PRC)	CIFI Group Co., Ltd. (旭輝集團股份有限公司) (formerly known as Shanghai Yongsheng Real Estate Co., Ltd. (上海永升置業有限公司) and CIFI Group Company Limited (旭輝集團有限公司)), a joint stock company with limited liability established in the PRC and an indirect wholly-owned subsidiary of CIFI Holdings
Company, Ever Sunshine, we or us	CIFI Ever Sunshine Services Group Limited (旭輝永升服務集團有限公司) (formerly known as Ever Sunshine Lifestyle Services Group Limited (永升生活服務集團有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and the Shares of which are listed on the Main Board
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, Elite Force Development, CIFI Holdings, Xu Sheng, Spectron and Best Legend
COVID-19	Coronavirus Disease 2019
Deed of Non-Competition	the deed of non-competition dated 26 November 2018 given by our Ultimate Controlling Shareholders in favor of the Company (for itself and as trustee for each of the subsidiaries)
Ding Chang	Ding Chang Limited
Director(s)	director(s) of the Company
Elite Force Development	Elite Force Development Limited, a limited liability company incorporated in the BVI on 4 April 2018, one of our Controlling Shareholders and is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK\$	Hong Kong dollars, the lawful currency of Hong Kong
Independent Third Party(ies)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates





## DEFINITIONS

IPO	the initial public offering of the Company
Listing	the listing of the Shares on the Main Board
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
M&A	Merger and acquisition
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
Memorandum	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee of the Company
Over-allotment Option	the option granted by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 57,000,000 additional new Shares to, among other things, cover the over-allocations (if any) in the placing of Shares to professional, institutional and other investors (the portion of which has not been exercised has lapsed on 6 January 2019)
Prospectus	the prospectus of the Company dated 4 December 2018
Rain-Mountain	Rain-Mountain Limited
Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	the lawful currency of the PRC
Reporting Period	the period from 1 January 2021 to 31 December 2021
Rosy Fortune	Rosy Fortune Investments Limited
SCTS Capital	SCTS Capital Pte. Ltd.
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time



## DEFINITIONS

Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
Spectron	Spectron Enterprises Limited, a limited liability company incorporated in the BVI on 18 September 2014 and one of our Controlling Shareholders
Standard Chartered Trust	Standard Chartered Trust (Singapore) Limited
Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Company
Substantial shareholder	has the meaning as ascribed thereto under the Listing Rules
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd. (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

\* For identification purposes only



## CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous support for the evolution and development of the Group.

On behalf of the Board, I am pleased to present this annual report of the Group for the year ended 31 December 2021, which summarizes the Group's achievements and shortcomings throughout the reporting period, and to share our future plans and developments.

The Group's revenue increased by approximately 50.8% to approximately RMB4,702.8 million in 2021. Our three major business lines continued the momentum of balanced and coordinated development, and also stepped into city services business during the year. Driving the performance growth with diversified income, Ever Sunshine has taken a solid step in developing into a conglomerate. In 2021, the total amount of our two kinds of value-added services income increased rapidly by approximately 44.5% year-on-year to approximately RMB1,966.8 million, of which revenue from value-added services to non-property owners increased by approximately 51.7% to approximately RMB867.4 million and revenue from community value-added services increased by approximately 39.2% to approximately RMB1,099.5 million. This maintains the overall income structure of our three business lines at a good state of approximately "60%, 20%, 20%".

Our gross profit increased by approximately 32.7% to approximately RMB1,299.9 million, resulting in a profit attributable to owners of the Company of approximately RMB617.0 million, a year-on-year growth of approximately 58.0%. Net cash inflow generated from operating activities reached approximately RMB837.0 million. We have continuously achieved high quality profits while maintaining rapid growth.

It is currently our core goal to expand the GFA under our management in the market. The Group adhere to its established "four-wheel driven" strategy to expand our GFA. During the Reporting Period, the contracted GFA of the Group increased from 181.2 million sq.m. as at 31 December 2020 to 270.8 million sq.m. as at 31 December 2021, representing a growth of 49.4%. In addition, the GFA under management grew by 68.3% to 171.0 million sq.m. as at 31 December 2021, compared with 101.6 million sq.m. as at 31 December 2020. Every contract will be a source of reserve of follow-up income and profit growth after being implemented.

In 2021, the development of property management service industry have continued to quickly proceeded. In early 2021, we witnessed the circular jointly promulgated by 10 government ministries, providing great support for development of property management service industry. Driven by such a material favorable policy, our peers are gearing up for competition. With the fast advance of policies, talents and funds, the property management service industry has entered an unprecedented stage of vigorous development. However, in the second half of 2021, the rapid outbreak of real estate crisis had a great impact on the industry chain of real estate in different forms, and due to the weakening of the overall macro-economy, although in view of some characteristics including strong cash flow, low debt and high growth that are different from other forms of real estate and the real estate industry chain, the players in this industry, wherever at the capital market level or the corporate operation level, were given a blow to their confidence.

Changes in the external environment have undoubtedly increased the difficulty of operation. In 2021, a year full of challenges and difficulties for Ever Sunshine, we hereby express our most sincere thanks to all our members for their extraordinary achievements with their courage and persistence under the leadership of the management team, and we are firmly moving forward with our boundless enthusiasm, unremitting struggle spirit and scientific methods.

Looking back at the six management goals we set in early 2021, we have achieved good results.

To achieve large-scale boost, we have completed the goal of contracted GFA and the GFA under management based on the established "four-wheel driven" strategy. In the turbulent market, the stability of our parent company CIFI Group has provided us strong confidence in our development. Our good reputation, service quality and the application of technical methods including public marketing and business opportunities have enabled us to constantly expand our ability and achievements as well as our businesses. Based on the scale expansion, the completion of the acquisition of Shanghai Macalline Property Management Services Co., Ltd.\* (上海美凱龍物業管理服務有限公司) ("Macalline Property") and Hunan Meizhong Biophysical Environment Technology Co., Ltd.\* (湖南美中環境生態科技有限公司) ("Meizhong Environment") has improved our effective capacity building.

2021 was the year for quality as the Group internally defined. Refined operation and quality upgrade to improve our owners' satisfaction has become our major work objective. We have improved our quality from different aspects, including our commitment to a sustainable systematic service plan, benchmarking project building and 37°C community standardized service plan, our community service principle strengthening, butler-centered all-round butler service product series, butler's warm house-visiting experience, monthly experience plan of projects, the complaint/report workorder system and strategic procurement upgrading, and new tools and service experience building, all of which have continuously improved our satisfaction and have approved by our owners, which can be seen in their high property management prepayment.

Brand competitiveness has always been regarded by the Company as the key to a decisive future success, while brand reputation has become the core element for customers choosing to cooperate with us. In 2021, we have promoted proactive service to build good reputation brand, and more than 83 projects have been credited as local advanced demonstration projects. We have maintained our commitment to pursuing good reputation brand, which can be obviously seen that Suzhou Lake Mansion (蘇州鉞悅犀湖) received top leaders at national ministerial level and some touching stories arose from fighting against flood and pandemic. Particularly, the Company's ESG has been awarded the MSCI A rating, which represents a higher level for our ESG rating after we got our first MSCI BBB rating in April 2021, indicating that the Company's social governance, environmental protection, social responsibility and employee care, etc. have reached a higher level.

We have advanced our BU business rapidly. Our commitment to achieving customer satisfaction can bring us more business opportunities. In our model of community ecology and business, in view of the specialization and capacity different from traditional property management services, the professional BU business has become an important tool for acquiring business chances. In terms of home services, we have carried self-operated business including air conditioning cleaning, which have provided more new home service business chances for more than 400 certified engineering personnel. We have completed our further digital certification and stock-tacking for the reorganized community space resources which then have been utilized efficiently. Moreover, we have considered owners' common needs as well as the features of trustworthiness as well as fast availability, further upgrading and optimizing community rental and sales, construction, house repair, house decoration and group buying of popular items.



## CHAIRMAN'S STATEMENT



In 2021, another material management goal is to upgrade our organization and create our corporate culture. “Comprehensive acknowledge managers” - understanding the industry, strategy, management, operation and technology is our major goal and guidance to cultivate management team members. In terms of grassroots managers training, 5 sessions of “the Rock Plan” has witnessed the growth of more than 200 project managers, and about 500 students, representing the future growth forces, have accepted our offer during on-campus recruitment and will formally join the Company in the summer of 2022. In addition, the opening of 387 online courses will provide more opportunities for all employees to learn and grow. While in the process of strengthening our culture recognition and cultivation, we have provided more platforms for all employees to express opinions and reach consensus through the CEO’s live podcast and BBS forum.

Technology leads the future, and smart property development driven by digitization and intelligence is the key to improving the efficiency and embracing the future. In 2021, we have comprehensively promoted the two APPs, Ever Joyful (永小樂) APP and YongShengHuo (永升活) APP, made our payment, complaint, report, morning meeting, inspection and other common affairs online and initially built the Internet of Things platform through self-research and integration. More than 100 projects of community smart pass have been launched online, and 11 smart community demonstration benchmark projects have been put into operation. Our Company has taken a giant step toward the development of science and technology.

2022 will be the most critical year for the Group to implement the “1st Five-Year Plan”. We have set six major goals for our struggle for brand, ecology, organization, technology, operation, and scale, so as to further improve our comprehensive management strength. Although we have a long way to go, we firmly believe that all Ever Sunshine people will maintain our original commitment to “Building Better Lives” with a concerted effort and keep going, and we will eventually achieve the goal of growing into a customer-preferred smart city service brand.



# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Overview

We are a reputable and fast-growing comprehensive property management service provider in China. In April 2021, we were honourably elected as one of the “2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業)” by the China Index Academy. The overall strength ranking was 11th, promoted by 1 place compared with 2020. As at 31 December 2021, we provided property management services, value-added services, as well as city services in 124 cities within Mainland China, with total contracted GFA of approximately 270.8 million sq.m., among which, total GFA under management amounted to approximately 171.0 million sq.m., serving more than 600,000 households.

Our business covers a board spectrum of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, school campus, hospitals, scenic spots, government-owned buildings, expressway stations, rail transit, and ferry terminals) and the provision of other quality tailor-made services.

We embrace the philosophy of “Building better lives”, revolve around the core value of “Let Customer be Trouble-Free, Worry-Free, and Discontent-Free (讓用戶省心、放心、開心)”, using technological innovation to drive diversified development, adhere to the development strategy of “Platform + Ecosystem”. We are committed to providing our wide range of clients with comprehensive, attentive, and professional property management services, and are devoted to growing into a customer-preferred smart city service brand.

### Our Business Model

We operate four major business lines, namely (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) city services, which form a comprehensive service portfolio offering to our customers and cover the entire value chain of the property management industry.

- **Property management services:** We provide a variety of property management services to property developers, property owners and residents, which primarily include cleaning, security, gardening and repair and maintenance services. We manage a portfolio of residential and non-residential properties. Our non-residential properties include office buildings, shopping malls, schools, hospitals, scenic spots, government-owned buildings, expressway service stations, rail transit and ferry terminals.
- **Community value-added services:** We provide community value-added services to both property owners and residents with the aim of not only improving their living experiences, but also the upkeep and betterment of their asset values. These services mainly cover (i) home- living services; (ii) parking unit management and leasing services; (iii) property agency services; and (iv) common area value-added services.
- **Value-added services to non-property owners:** We provide a comprehensive range of value-added services to non-property owners, which primarily include property developers and, to a lesser extent, non-property developers who require certain additional tailored services in respect of their non-residential properties and property management services providers who outsource certain value-added services to us. Our value-added services to non-property owners mainly includes (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services, which cover on-site inspection services for each unit to provide sufficient recommendations from the end-user’s perspective.

## MANAGEMENT DISCUSSION AND ANALYSIS

- City services: We can provide a wide range of city services, which mainly include (i) city environmental sanitation; (ii) waste sorting and treatment; (iii) installation of block facilities; (iv) landscaping project; (v) old communities renovation; and (vi) smart block construction, etc.

### Property Management Services

#### Continuous High Quality Growth in Area Size

The Group has made it one of its strategic objectives to sustain the rapid expansion of GFA under management, and during the year, it achieved rapid growth in contracted GFA and GFA under management through multi-wheel drivers. As at 31 December 2021, we had approximately 270.8 million sq.m. of contracted GFA and 1,409 contracted projects, representing an increase of approximately 49.4% and 43.0% respectively as compared with those as at 31 December 2020. As at 31 December 2021, we had approximately 171.0 million sq.m. of GFA under management and 1,032 projects under management, representing an increase of approximately 68.3% and 61.8% respectively as compared with those as at 31 December 2020.

The table below sets forth the changes in our contracted GFA and GFA under management for the years ended 31 December 2021 and 2020 respectively:

	For the year ended 31 December			
	2021		2020	
	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)
As at the beginning of the year	181,192	101,625	110,558	65,151
New engagements <sup>(1)</sup>	76,302	59,138	74,604	40,952
Acquisitions <sup>(2)</sup>	17,975	14,862	3,389	2,417
Terminations <sup>(3)</sup>	(4,702)	(4,588)	(7,359)	(6,895)
As at the end of the year	<u>270,767</u>	<u>171,037</u>	<u>181,192</u>	<u>101,625</u>

Notes:

- With respect to our residential and non-residential projects under management, new engagements primarily included preliminary management contracts for new properties developed by property developers, and property management service contracts pursuant to which we replace the previous property management service providers.
- Acquisitions during the year included Huaxi Xin'an (Beijing) Property Management Co., Ltd.\* (華熙鑫安(北京)物業管理有限公司) ("Huaxi Xin'an"), Shanghai Xingyue Property Services Co., Ltd.\* (上海星悅物業服務有限公司) ("Xingyue Property"), Shandong XinJian Property Development Co., Ltd.\* (山東鑫建物業發展有限公司) ("Shandong XinJian"), Meizhong Environment, and Macalline Property.
- These terminations included our voluntary non-renewals of certain property management services contracts as we reallocated our resources to more profitable engagements in order to optimize our property management portfolio.

### Our Geographic Footprint

Since the Group's inception up to 31 December 2021, we have expanded our geographic footprint from Shanghai to 124 cities in China.

The table below sets forth a breakdown, by geographic location, of our total GFA under management as at the dates indicated and the revenue generated from property management services for the years ended 31 December 2021 and 2020 respectively:

	As at 31 December or for the year ended 31 December					
	2021			2020		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
Eastern region <sup>(1)</sup>	97,556	1,731,755	65.2	65,949	1,176,427	66.9
Northern region <sup>(2)</sup>	26,517	252,836	9.5	8,222	152,967	8.7
Central Southern region <sup>(3)</sup>	22,540	264,791	10.0	12,875	194,690	11.1
Western region <sup>(4)</sup>	19,654	285,793	10.8	11,364	147,638	8.4
Northeastern region <sup>(5)</sup>	4,770	119,250	4.5	3,215	85,576	4.9
<b>Total</b>	<b>171,037</b>	<b>2,654,425</b>	<b>100.0</b>	<b>101,625</b>	<b>1,757,298</b>	<b>100.0</b>

#### Notes:

- (1) Cities in the eastern region in which we have property management projects include Shanghai, Suzhou, Dezhou, Zhenjiang, Xuzhou, Nanjing, Hangzhou, Jiaxing, Huzhou, Ningbo, Fuzhou, Xiamen, Chuzhou, Wuhu, Hefei, Heze, Bozhou, Qingdao, Wuxi, Jiangyin, Taizhou, Zhangzhou, Huainan, Wenzhou, Nantong, Quzhou, Jinan, Jining, Changzhou, Jinhua, Yixing, Zhangjiagang, Kunshan, Shishi, Weifang, Binzhou, Yantai, Quanzhou, Fuyang, Shaoxing, Yangzhou, Bengbu, Chizhou, Linyi, Taizhou, Weihai, Suqian, Xuancheng, Zibo, Huaian, Lianyungang, Yancheng, Huangshan, Jiujiang, Luan, Anqing, Dongying, Qidong, Ningxia and Fuqing.
- (2) Cities in the northern region in which we have property management projects include Beijing, Tianjin, Langfang, Shijiazhuang, Taiyuan, Hohhot, Tangshan, Cangzhou, Handan, Hengshui, Baotou and Chifeng.
- (3) Cities in the central southern region in which we have property management projects include Wuhan, Changsha, Guangzhou, Guilin, Zhuhai, Foshan, Yichang, Yiyang, Shaoyang, Hengyang, Shaoguan, Zhengzhou, Jiangmen, Nanning, Dongguan, Huanggang, Zhongshan, Yueyang, Huizhou, Nanchang, Luoyang, Nanyang, Zhuzhou, Xuchang, Luohe, Haikou, Liuzhou, Shenzhen, Changde, Loudi, Yicheng and Xiaogan.
- (4) Cities in the western region in which we have property management projects include Chongqing, Kunming, Xi'an, Yinchuan, Chengdu, Guiyang, Liupanshui, Anshun, Baiyin, Bijie, Tongren, Xianyang, Baoji, Jinzhong, Weinan, Urumqi, Xining, Guizhou, Lanzhou and Datong.
- (5) Cities in the northeastern region in which we have property management projects include Shenyang, Dalian, Dandong, Harbin and Changchun.





## MANAGEMENT DISCUSSION AND ANALYSIS

### **Multi-wheel Driven Strategy Promotes the Continuous Expansion of Service Scale**

#### ***Growing together with CIFI Group***

As a long-term service partner of CIFI Group, our services are widely recognized by them and we have built up a consolidated collaborative partnership with CIFI Group and benefited from the business stability and diversified development of the property plus segment of the CIFI Group.

According to the announcement published by CIFI Holdings on 5 January 2022, in 2021, CIFI Group recorded aggregated contracted sales (including contracted sales by joint ventures and associated companies) of approximately RMB247.25 billion, and contracted sales area of approximately 14.49 million sq.m..

#### ***Seize Development Opportunities in Independent Third-Party Markets***

As one of the most important drivers of the Company's four-wheel driven strategy, we have been actively exploring third-party markets in a diversified manner to increase our market share by expanding our resources to different independent markets. Our main targets for market expansion include independent regional property developers, property owners' committees and local governments. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In 2021, we acquired premium first-hand projects such as Jinchen Huangmei Tiandi (錦晨黃梅天地), Hongxing • Tangong Linyi (紅星 • 檀宮臨邑) and Zhonghai International Building (中海國際大廈). To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In 2021, we acquired premium second-hand projects such as Shengshi Huafu (盛世華府), Zhongliang Longwan Shoufu (中梁龍灣首府) and Miluo International Home Furnishing Expo (汨羅國際家居博覽中心) through public tender. We also participated in government procurement, including tenders for public construction projects such as sports stadiums, rail transit, transportation hub points and office buildings. In 2021, we acquired premium public construction projects such as Hangzhou Changhe Senior High School (杭州長河高級中學), Jiashan First People's Hospital (嘉善第一人民醫院) and Rongchang District Administration Centre (榮昌區行政中心).

Meanwhile, we are actively seeking opportunities to enter into strategic partnerships with various property developers and set up joint ventures to provide property management services. Until now, we have successfully entered into strategic partnerships with 28 property development companies or state owned construction investment companies, giving us priority access to the management rights of properties developed by these strategic partners.

Attributable to our high quality services, professional marketing team, multi-channels for sourcing and renowned reputation, we have achieved rapid growth in terms of GFA developed by third party property developers.

### Strategic Mergers and Acquisitions

Strategic mergers and acquisitions have become a crucial part of our development process. In terms of merger and acquisition, the Group adheres to the principle of “Selects the target carefully before investment; conducts effective management after investment (投前精選標的，投後完善管理)”. Through strategic mergers and acquisitions, we increased our concentration in existing markets, expanded our regional business scales, and made up the weaknesses among sectors quickly to enhance our multi-sector services capabilities.

During the year, the Group successfully acquired 50% of equity interests in Huaxi Xin'an, which has become a subsidiary of the Company since then. The project of Huaxi Xin'an, Wukesong Arena (華熙Live • 五棵松), is a unique cultural and sports landmark in Beijing including high-end commercial and official buildings, large sports halls and other diversified sectors.

During the year, the Group successfully acquired Xingyue Property. Xingyue Property is principally engaged in property management services for furnishing shopping malls. Its projects are mainly located in Shanghai and developed cities in Jiangsu and Zhejiang provinces.

In July 2021, the Group successfully acquired Shandong XinJian. This acquisition was our third acquisition in Shandong Province, further thickening our regional concentration and duplication capabilities. Shandong Xinjian is primarily engaged in warehousing and logistics public construction projects, and has a certain professional monopoly advantage in the region. This acquisition has also strengthened our comprehensive service capability in the non-residential sector in Shandong.

In October 2021, the Group completed the acquisition of 51% of equity interests in Meizhong Environment, complementing the Company's development in the environmental sanitation sector. Meizhong Environment is a fully licensed environmental sanitation service provider, which is able to cater for the tendering business of the environmental sanitation industry on a national scale. The acquisition of Meizhong Environment expanded the Company's capabilities in the city services sector, which was in line with the Company's objective to “Grow into a customer-preferred smart city service brand”.

During the second half of the year, the Company also successfully acquired 80% of the equity interests of Macalline Property, further enhancing its professional capabilities in the commercial and official property management segment. Subsequent to the acquisition of Xingyue Property in the first half of the year, the acquisition of Macalline Property further deepened our cooperation with Red Star Macalline Group Corporation Ltd. (紅星美凱龍家居集團股份有限公司). Based on mutual trust and recognition, it is expected that the continuous cooperation could result in satisfactory synergy effect and further promote the business growth of the Group.

In December 2021, we entered into an agreement to acquire Zhengzhou Jinyi Property Services Co., Ltd.\* (鄭州錦藝物業服務有限公司) (“Zhengzhou Jinyi”). This acquisition was completed in January 2022. Zhengzhou Jinyi is a property management service company, with 24 projects under management and 14 projects pending delivery, all of which are concentrated in Zhengzhou market with high density. Excellent project quality and a strong management team are conducive to the strengthening of the Group's position in Zhengzhou market and highly consistent with the Group's strategy of intensive regional development.

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the breakdown, by type of property developer, of our total GFA under management as at the dates indicated:

	As at 31 December			
	2021		2020	
	GFA sq.m. '000	%	GFA sq.m. '000	%
CIFI Group <sup>(1)</sup>	32,051	18.7	21,718	21.4
Third-party property developers <sup>(2)</sup>	138,986	81.3	79,907	78.6
<b>Total</b>	<b>171,037</b>	<b>100.0</b>	<b>101,625</b>	<b>100.0</b>

(1) Included properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers in which CIFI Group held a controlling interest.

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers in which CIFI Group did not hold a controlling interest.

### Transforming into a comprehensive property management service provider

We manage a wide range of properties, including residential and non-residential properties. We have accumulated tremendous experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and schools. Meanwhile, with the further opening up of the non-residential market, we were offered with more opportunities to participate in the tender bidding in such market and expand market share. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including expressway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We will treat the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the expansion of GFA under management as well as increase in the concentration in local market. Despite the fact that revenue generated from residential property projects has contributed and will continue to contribute the largest proportion of our property management revenue, we strive to diversify our service portfolio to cover more types of properties. As at 31 December 2021, non-residential properties accounted for approximately 34.4% in our GFA under management, while that was 28.6% as at 31 December 2020.

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth a breakdown, by different types of properties as they were developed, of our total GFA under management as at the dates indicated and revenue from property management services generated therefrom for the years ended 31 December 2021 and 2020 respectively:

As at 31 December or for the year ended 31 December						
	2021			2020		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m.'000	Revenue RMB'000	%
Residential properties	112,173	1,478,060	55.7	72,552	1,028,651	58.5
Non-residential properties	58,864	1,176,365	44.3	29,073	728,647	41.5
<b>Total</b>	<b>171,037</b>	<b>2,654,425</b>	<b>100.0</b>	<b>101,625</b>	<b>1,757,298</b>	<b>100.0</b>

### Lump Sum Basis and Commission Basis

We generally price our services by taking into account, among others, factors such as the characteristics and locations of the residential communities, our budget, targeted profit margins, property owner and resident profiles and the scope and quality of our services. We charge property management fees primarily on a lump sum basis, with a small portion of which charged on a commission basis.

The following table sets forth a breakdown, by revenue model, of our total GFA under management as at the dates indicated and revenue from property management services for the years ended 31 December 2021 and 2020 respectively:

As at 31 December or for the year ended 31 December						
	2021			2020		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m.'000	Revenue RMB'000	%
Lump sum basis	169,202	2,651,157	99.9	100,117	1,754,248	99.8
Commission basis	1,835	3,268	0.1	1,508	3,050	0.2
<b>Total</b>	<b>171,037</b>	<b>2,654,425</b>	<b>100.0</b>	<b>101,625</b>	<b>1,757,298</b>	<b>100.0</b>



## MANAGEMENT DISCUSSION AND ANALYSIS

### Community Value-Added Services

In 2021, revenue from community value-added services increased significantly by approximately 39.2% from approximately RMB789.9 million in 2020 to approximately RMB1,099.5 million, mainly due to the expansion in the scale of our GFA under management, the increase in the number of households served, and our further development in the provision of diversified specialized value-added services.

Promoting rapid development of community value-added services and establishing a value-added service development system is one of the Group's key strategic development directions. We adhered to the concept of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for property owners, so as to boost the revenue generated from our community value-added services.

Leveraging on our expanded service scope, enriched experience in developing community value-added services and continuous improvement and upgrade of talents, we continued to deepen our research on community conditions and targeted service groups, and proceeded from multiple areas including demand identification, product and service design, channel and supplier selection, as well as marketing plan formulation. In 2021, we continued with the development trend of community value-added services. The revenue generated from community value-added services accounted for 23.4% of our total revenue and maintained at a high level, and the Group will continue to adhere to the strategy of promoting the increase in the percentage of revenue from community value-added services.

We adhered to our strategy of "Platform" + "Ecosystem" by applying the BU approach to our growing specialized business. Through adopting the expanding community as a platform base and providing specialized assistance, we enabled our specialized business units to grow up independently on such platform. In 2021, on the basis of the rapid development of such business units as community maintenance and repairing, and home decoration, we further applied the BU approach to the property agency business, increased our strategic focus, introduced high-level talents, formed a professional team. In the future, we will continue to promote the application of the BU approach to value-added business which are in line with our business development strategies.

## MANAGEMENT DISCUSSION AND ANALYSIS

Currently, our community value-added services cover four major areas, namely home-living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the years ended 31 December 2021 and 2020 respectively:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Home-living services <sup>(1)</sup>	570,044	51.8	454,534	57.5
Parking unit management and leasing services <sup>(2)</sup>	124,176	11.3	104,266	13.2
Property agency services <sup>(3)</sup>	321,913	29.3	191,632	24.3
Common area value-added services <sup>(4)</sup>	83,351	7.6	39,463	5.0
<b>Total</b>	<b>1,099,484</b>	<b>100.0</b>	<b>789,895</b>	<b>100.0</b>

Notes:

- (1) This primarily included house delivery-stage renovation services such as house decoration, partial house renovation, turnkey furnishing etc.; mature community services such as on-site maintenance, housekeeping and cleaning, home management, secondary renovation, community group purchasing etc.; and special services such as facilities and equipment repair, maintenance and renovation for communities.
- (2) This primarily included fees received from leasing and management of parking units.
- (3) This primarily included agency services related to apartments and agency sales and agency leasing of parking unit.
- (4) This primarily included service income received from leasing and management of common areas.

### Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services that primarily includes display units management services (the scope of services mainly covers security, cleaning, greening, reception etiquette, and other services for display units), additional tailored services, preliminary planning and design consultancy services, housing repair services, and pre-delivery inspection services. We extend the professional services of property management to the front end of real estate development. Most of these non-property owners are property developers.

In 2021, revenue from value-added services to non-property owners increased significantly by approximately 51.7% to approximately RMB867.4 million as compared with RMB571.7 million in 2020, mainly due to the increase in the number of projects developed by CIFI Group and the partner property developers, as well as the number of property developers we served. Under the guidance of the "Vertical Industry Chain Expansion Strategy", we have enhanced professionalism level and service capacity. Along with providing services to CIFI Group, more third-party property developers have commissioned us to provide value-added services. During the year, the revenue from value-added services to non-property owners accounted for 18.4% of the Group's total revenue.

## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth a breakdown of our revenue generated from our value-added services provided to non-property owners for the years ended 31 December 2021 and 2020 respectively:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Sales assistance services	353,668	40.8	330,480	57.8
Additional tailored services	310,021	35.7	103,171	18.0
Preliminary planning and design consultancy services	96,961	11.2	79,593	13.9
Housing repair services	67,437	7.8	33,474	5.9
Pre-delivery inspection services	39,275	4.5	24,962	4.4
<b>Total</b>	<b>867,362</b>	<b>100.0</b>	<b>571,680</b>	<b>100.0</b>

### City Services

With the continuous development of social governance and the socialisation of logistic services for the authorities, we have gradually expanded from the traditional residential property sector to the non-residential sector and then to the operation of city services based on the market demand and the development direction of the Company's "big property services (大物業)" strategy. From 2020, we have earned experiences in urbanization services through strategic cooperation with regional urban investment platforms such as Shanghai Lingang New City Investment & Construction Co., Ltd.\* (上海臨港新城投資建設有限公司) and Wuxi Huishan State-owned Investment Holding Group Co., Ltd.\* (無錫市惠山國有投資控股集團有限公司), and further built up our professional capabilities in city services through the acquisition and integration of Meizhong Environment in 2021.

We launched the Company's mission "Building Better Lives" at the initial stage of our listing, and in 2020, we first announced the Company's vision to "Grow into A Customer-preferred Smart City Service Brand". After continuous exploration and research, we have positioned the Company's city services in three directions: (i) city municipal services butler focusing on environmental sanitation and greening, old community renovation services, (ii) urban asset management assistant serving urban idle space and area resource management, and (iii) urban future development partner serving smart city construction.

With the encouragement of government policies and the evolution of the property management industry's own capabilities, the property management industry has been provided with more opportunities for new business expansion. During the year, by adopting city services as one of our strategic development directions, we successfully entered into strategic partnerships with Hunan Jieshou Urban and Rural Construction Co., Ltd.\* (湖南省界首市城鄉建設有限公司) and Handan Hanshan District Urban Construction Investment Group Co., Ltd.\* (邯鄲市邯山區城市建設投資集團有限公司), further building up our comprehensive capabilities in city services and striving to become the customer-preferred smart city service brand.

### FUTURE OUTLOOK

The outbreak of the COVID-19 has brought great challenges to society and disrupted economic activities. As a responsible property management company, we bravely undertook responsibilities and spared no efforts on actively participating in community work of the front line to help fight the disease, while always putting the safety of its employees as its first priority.

The Group has also been cooperating with the local government in its neighbourhood governance work in order to safeguard the health and safety of property owners and provide them with daily necessities. During this process, the trust and relationship built up between us and property owners, reputation and brand we have established, will be a continuous growth driver for us and will pave the way for the long-term development of the Group. In the face of the new challenges and opportunities in the future, the management of the Group will lead our staff to overcome obstacles and march forward quickly in line with set goals.

#### Step-up increase in our business size and market share

We plan to increase both the number and GFA of properties under management. We will further expand and optimize our professional marketing team to prepare for strategical evaluation and participation in biddings. We strive to acquire more property management engagements through tendering and bidding and achieve quality growth. We intend to further increase our business footprint and project density in strategic locations with high population density and consumption capacity. In addition to continuing to solidify our presence in the existing markets, we will seek new business opportunities brought by CIFI Group's extensive business coverage and its "concentric circles strategy (同心圓戰略)". Based on the Group's strong brand, we have also established strategic alliances with property developers and urban construction investment companies to provide property management services for their projects and enter new markets with potential for development. In addition, we will seize opportunities in the industry by making strategic acquisitions to complement sectors and deepen scales, so as to quickly strengthen our service capabilities in various sectors by closing the gaps. Moreover, we aim to leverage on the overwhelming trend of service socialization to diversify the portfolio of properties under management via managing more non-residential properties, such as hospitals, exhibition centers and industrial parks. With the evolution of the Group's capabilities and opportunities arising in the industry, we will also gradually expand the Group's footprint and seize opportunities in city service as well as other segments.

#### Continuous endeavour to diversify our services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services. We will enhance full industry chain coverage for property development, sales and management so as to achieve vertical industry extension. We aim to acquire more opportunities to secure property management projects while providing value-added services to property developers. We also plan to provide consultancy services to local property management companies to expand our business and enhance our brand awareness.

Community value-added services have always been our strategic focus "to make the platform bigger and stronger, and to make the ecosystem better and more thorough (做大做強平台、做優做透生態)". We will continue to implement the BU system and operate on independent line for specialized business after validation of business logic with more focus, professionalism, talent and focus. We hope to increase our market penetration rate and reach out to the common needs of property owners in a better and broader way.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Continuing to Bring in Talents and Upgrade Organization

We continue to bring in premium young blood to the Group through our “Endless Dynamic (永動力)” campus recruitment programme. As we expand our management scale and upgrade our service offerings, we further expanded our school admissions in 2021 to nurture dedicated talents for the Group’s “1<sup>st</sup> Five-year Strategy (一五戰略)” and longer-term future. For our senior management, we have continued to implement our strategy of “vacating cage to change bird (騰籠換鳥)”, aiming to build a genuine senior management team with vision and consensus. We also give our middle-level management sufficient room for growth and professional training in various business areas. We have been building an all-round organization at different levels to activate team dynamics.

### Further Investment in Technologies and Intelligent Operations

We will make further investments in technologies and intelligent operations to improve our service quality and operational efficiency. In 2019, we established Linjiu Intelligent Technology Co., Ltd.\* (霖久智慧科技有限公司) with the aim to enhance our service quality management with digital construction and to enable technology to drive the property revolution.

We plan to invest further in the upgrade of our internal management system. We expect to optimize our internal ERP information system, office automation system, financial system, human resources system and contract management system. We will build a big data information sharing platform, comprising management tools such as CRM cloud, property management cloud, bill management cloud and parking cloud, to enable the interconnection of information among property owners, our employees, and business partners. We plan to establish a centralized command center to enable remote control of our operation, conduct data analysis, reduce intermediate logistics and improve management accuracy and efficiency. We will continue to press forward with our progress towards standardization, centralization, digitalization and automation to ensure the consistent delivery of quality services with minimal human errors and to exercise effective control on operational costs.

## FINANCIAL REVIEW

### Revenue

In 2021, due to our continuous multi-wheel driven business development, the Group's revenue was approximately RMB4,702.8 million, representing an increase of 50.8% from approximately RMB3,119.6 million in 2020.

Revenue of the Group by business line is as follows:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	2,654,425	56.4	1,757,298	56.4
Community value-added services	1,099,484	23.4	789,895	25.3
Value-added services to non-property owners	867,362	18.4	571,680	18.3
City services	80,579	1.7	—	—
Others	966	0.1	690	—
<b>Total revenue</b>	<b>4,702,816</b>	<b>100.0</b>	<b>3,119,563</b>	<b>100.0</b>

The property management services were still our largest source of income. During 2021, the revenue from property management services was approximately RMB2,654.4 million, accounting for 56.4% of the Group's total revenue. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. During the year, our total GFA under management increased from approximately 101.6 million sq.m. as at 31 December 2020 to approximately 171.0 million sq.m. as at 31 December 2021, which was resulted from both our steady cooperation with CIFI Group and our efforts to expand the third-party customer base, as well as our acquisitions of other property management service providers. The following table sets out the Group's revenue derived from property management services by type of property developer during the year:

	For the year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
CIFI Group <sup>(1)</sup>	1,044,773	39.4	650,181	37.0
Third-party property developers <sup>(2)</sup>	1,609,652	60.6	1,107,117	63.0
<b>Total revenue</b>	<b>2,654,425</b>	<b>100.0</b>	<b>1,757,298</b>	<b>100.0</b>

(1) Included properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers in which CIFI Group held a controlling interest.

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers in which CIFI Group did not hold a controlling interest.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group was committed to optimize the business structure. During the year, the revenue from value-added services continued to record an upward trend and the percentage maintained stable.

The revenue from community value-added services increased by approximately 39.2% from approximately RMB789.9 million for 2020 to approximately RMB1,099.5 million for 2021. The increase in revenue from community value-added services was mainly due to the increase of our management area, the growth in the customer base we served, as well as our further development in the provision of specialized value-added services such as decoration services and property agency services to meet diversified customer needs.

The revenue from value-added services to non-property owners increased by approximately 51.7% from approximately RMB571.7 million for 2020 to approximately RMB867.4 million for 2021. Such increase was mainly driven by the increase in the number of projects and property developers we served. During the year, we further strengthened our cooperation relationship with partner property developers, and provided them with professional and quality services.

In 2021, the Group acquired Meizhong Environment, a reputable environmental sanitation service provider, which means that we have officially stepped into the city services business in the PRC. During the year, the revenue generated from city services was approximately RMB80.6 million.

### Cost of Services

Cost of services increased by approximately 59.0% from approximately RMB2,140.1 million for 2020 to approximately RMB3,403.0 million for 2021, primarily due to the increase of various kinds of costs as a result of the scale-up of our business. The rate of increase in cost of services was higher than that in our revenue, principally because of the withdrawal of the national social security reduction policy. We will continuously invest in intelligent operation and conduct effective cost control measures to improve our operation efficiency.

### Gross profit

As a result of the above principal factors, the Group's gross profit increased by approximately 32.7% from approximately RMB979.5 million for 2020 to approximately RMB1,299.9 million for 2021.

Gross profit margin of the Group for major business lines was as follows:

	For the year ended 31 December	
	2021	2020
Property management services	23.1%	25.4%
Community value-added services	44.9%	49.6%
Value-added services to non-property owners	20.9%	24.6%
City services	15.5%	—
<b>Overall</b>	<b>27.6%</b>	<b>31.4%</b>

In 2021, the gross profit margin of the Group was 27.6%, representing a decrease of 3.8 percentage points as compared with that of 31.4% for 2020, which was primarily due to the decrease in gross profit margin of our property management services, community value-added services and value-added services to non-property owners, as well as the introduction of city services which has a relatively lower gross profit margin.

The gross profit margin of property management services was 23.1%, representing a decrease as compared with that of 25.4% for 2020. The decrease was primarily due to the withdrawal of the national social security reduction policy put in place initially by the government in 2020 to mitigate the impact of the COVID-19 on enterprises, which was helpful in relieving our burden then. Along with the expansion of our property management scale, the Group is also devoted to promote the construction of intelligent community and standardization of management system to provide property owners with a better experience.

The gross profit margin of community value-added services was 44.9%, decreased from 49.6% for 2020, which was mainly due to the development of the new community maintenance and repairing business as well as the home decoration business, which were at the growth stage and thereby had a relatively lower gross profit margin and suffered relatively higher expenditures.

The gross profit margin of value-added services to non-property owners was 20.9%, representing a decrease from 24.6% for 2020, which was mainly due to the increase in the proportion of revenue from additional tailored services and housing repair services which has a relatively lower gross profit margin.

### **Other income and other gains and losses**

In 2021, the Group's other income and other gains and losses recorded a net gain of approximately RMB122.2 million, while that was a net losses of approximately RMB10.3 million for 2020. This was primarily due to an increase in bank interest income and gain from fair value changes of financial assets at fair value through profit and loss, and a decrease in foreign exchange loss which was caused by the depreciation of the Hong Kong dollar against the Renminbi.

### **Administrative and selling expenses**

In 2021, the Group's total administrative and selling expenses amounted to approximately RMB464.9 million, representing an increase of approximately 39.8% from approximately RMB332.7 million for 2020, which was mainly due to the increase of personnel investment caused by the increase in the headcount of administrative and selling staff and the increase of other expenses caused by the growth of our business volume. The Group attached great importance to improving management efficiency. During the year, the growth rate of the Group's administrative and selling expenses was much lower than that of the Group's revenue.

### **Other expenses**

During the year ended 31 December 2021, the Group recorded other expenses of approximately RMB22,000, representing a decrease from approximately RMB4.8 million for 2020. Such decrease was mainly due to the over-accrual of provisions for contingent liability in 2020.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Profit before taxation

During the year ended 31 December 2021, the profit before income tax was approximately RMB891.4 million, representing an increase of approximately 49.0%, as compared with approximately RMB598.1 million for 2020.

### Income tax expense

During the year ended 31 December 2021, the Group's income tax was approximately RMB198.9 million, representing 22.3% of the profit before income tax expense, compared with approximately RMB155.5 million, representing 26.0% of the profit before income tax expense in 2020. The lower income tax rate during the year was due to the increase in number of Company's subsidiaries with preferential tax rate of 15%.

### Profit attributable to owners of the Company

The profit attributable to owners of the Company for 2021 was approximately RMB617.0 million, representing an increase of approximately 58.0%, as compared with approximately RMB390.4 million for 2020.

### Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of buildings, leasehold improvements, computer equipment, transportation equipment, as well as other fixed assets. As at 31 December 2021, the Group's property, plant and equipment amounted to approximately RMB112.3 million, representing an increase from approximately RMB86.2 million as at 31 December 2020, which was mainly due to the increase of transportation equipment as a result of acquisition of Meizhong Environment.

### Investment properties

Our investment properties mainly comprised parking spaces and storage rooms at the properties we owned. As at 31 December 2021, the Group's investment properties amounted to approximately RMB59.0 million, representing a slight increase from approximately RMB55.1 million as at 31 December 2020.

### Intangible assets

The Group's intangible assets mainly comprised property management contracts and customer relationship attributable to acquired companies, and information technology systems. As at 31 December 2021, the Group's intangible assets amounted to approximately RMB371.7 million, representing an increase from approximately RMB91.0 million as at 31 December 2020, which was mainly caused by the property management contracts and customer relationship arising from the acquisitions completed by the Group during the year, and our continuous investment in information technology systems for the purpose of improving our managerial competence and delivering better services to our clients.

### Goodwill

As at 31 December 2021, the Group's goodwill amounted to approximately RMB1,343.7 million, representing an increase from approximately RMB471.0 million as at 31 December 2020. This increase in goodwill was mainly resulted from the acquisition of subsidiaries from third parties during the year.

### Trade and bill receivables

Our trade and bill receivables mainly arose from property management services income under a lump sum basis, value-added services to non-property owners and city services. As at 31 December 2021, trade and bills receivables of the Group amounted to approximately RMB788.3 million, representing an increase from approximately RMB458.6 million as at 31 December 2020, which was mainly due to the increase in our revenue.

### Prepayments and other receivables

Our prepayments and other receivables mainly consisted of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits and bidding deposits. As at 31 December 2021, our prepayments and other receivables amounted to approximately RMB536.1 million, representing an increase from approximately RMB264.7 million as at 31 December 2020, which was mainly due to the growth of our business.

### Bank balance, deposits and cash

As at 31 December 2021, the Group's bank balances, deposits and cash were approximately RMB3,985.0 million, representing an increase from approximately RMB3,170.6 million as at 31 December 2020. This increase was mainly attributable to the net proceeds from the subscription of 83,520,000 new shares of the Company (the "Shares") on 1 November 2021, details of which were disclosed in the Company's announcements dated 24 October 2021 and 1 November 2021.

### Trade payables

As at 31 December 2021, trade payables of the Group amounted to approximately RMB586.4 million, representing an increase from approximately RMB362.8 million as at 31 December 2020, which was mainly a result of the scale-up of our business, the increase of the sub-contracting cost as we continued to sub-contract certain services to third parties to optimize our operations, and the development of our new community construction and decoration business.

### Accruals and other payables

As at 31 December 2021, our accruals and other payables was approximately RMB1,106.3 million, representing an increase from approximately RMB693.3 million as at 31 December 2020, which was mainly due to the increase of other payables and salaries payables, caused by the increase of our management scale and the expansion of our business.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Contract liabilities

Contract liabilities of the Group were fees paid by customers in advance for the services which had not been provided and not been recognized as revenue. As at 31 December 2021, our contract liabilities amounted to approximately RMB597.3 million, representing an increase of 54.0% from approximately RMB387.8 million as at 31 December 2020, which was primarily due to the increase in our GFA under management and our customer base during the year.

### Cash flows

During the year ended 31 December 2021, net cash inflow from operating activities of the Group amounted to approximately RMB837.0 million, representing an increase from approximately RMB709.1 million for 2020, which was mainly attributable to the increase of our operating profit.

During the year ended 31 December 2021, net cash outflow from investing activities amounted to RMB917.0 million, representing an increase from approximately RMB12.8 million for 2020, which was mainly due to the increase in consideration payment for acquisitions.

Net cash inflow from financing activities amounted to approximately RMB908.1 million for 2021, representing a decrease from approximately RMB1,272.3 million for 2020, which was mainly caused by the decrease in net proceeds from subscription.

### Gearing ratio and the basis of calculation

As at 31 December 2021, the gearing ratio of the Group was 0.03% (31 December 2020: nil). The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.

### Capital expenditure

During the year ended 31 December 2021, capital expenditure of the Group amounted to approximately RMB59.6 million (2020: RMB31.3 million). The capital expenditure was mainly used to invest in information technology systems and software as well as leasehold improvements and transportation equipment for business operation.

### Capital structure

As at 31 December 2021, the Group's cash and bank balances were mainly held in Renminbi, and the Group's borrowings were denominated in Renminbi with approximately RMB1.4 million at fixed interest.

As at 31 December 2021, equity attributable to owners of the company amounted to approximately RMB4,443.8 million, compared to approximately RMB2,893.4 million as at 31 December 2020.

Financial position of the Group remained stable. As at 31 December 2021, the Group's net current assets was approximately RMB2,890.9 million, compared to approximately RMB2,348.1 million as at 31 December 2020.

### Liquidity and financial resources

During the year ended 31 December 2021, the Group's principal use of cash was working capital and consideration payment for acquisition of subsidiaries, which was mainly funded from cash flow from operations, proceeds raised from the IPO and other fundraising activities conducted. In the foreseeable future, we expect cash flow from operations will continue to be our principal source of liquidity and we may use a portion of the proceeds from the IPO and our other fundraising activities conducted to finance some of our capital expenditures.

As at 31 December 2021, the Group's borrowings were RMB1.4 million (31 December 2020: nil). Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at the end of 2021.

### Pledging of assets

As at 31 December 2021, the Group had pledged owned properties with carrying amounts of approximately RMB2.7 million (31 December 2020: nil) to secure general banking facilities granted to the Group.

### Contingent liabilities

As at 31 December 2021, the Group had no material contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims that have arisen during our usual and ordinary course of business. The Group does not expect that such legal claims will incur any material adverse effect on our business, financial condition or operating results and has made best estimation of the liability after considering legal advice.

### Interest rate risk

As the Group has no significant interest-bearing assets and liabilities other than bank deposits and bank loans, the Group's exposure to the interest rate risk is limited to the market risk for changes in interest rates which relates primarily to bank balances that bear floating interest rates. Our management monitors the interest rate risk and takes prudent measures to reduce the interest rate risk.

### Foreign exchange risk

The principal activities of the Group are conducted in China, and a majority of the Group's income and expenses were denominated in Renminbi. Certain bank balances were denominated in Hong Kong dollars and US dollars. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

### Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees.

As at 31 December 2021, the Group had 16,709 employees (as at 31 December 2020: 11,263 employees).



## MANAGEMENT DISCUSSION AND ANALYSIS

### Use of proceeds raised from IPO

On 17 December 2018, our issued Shares were successfully listed on the Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. The Company raised net proceeds of (i) approximately HK\$619.8 million from the IPO, and (ii) approximately HK\$63.2 million from partial exercise of an over-allotment option on 4 January 2019 (collectively, the "Net Proceeds").

As stated in the Prospectus, we intended to use (i) approximately 55%, or approximately HK\$375.6 million for strategic acquisition and investment; (ii) approximately 26%, or approximately HK\$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers; (iii) approximately 9%, or approximately HK\$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform; and (iv) approximately 10%, or approximately HK\$68.3 million as for our general corporate purposes and working capital.

Further, as stated in the announcement of the Company dated 18 June 2019, the Board resolved to change the proposed use of the Net Proceeds. The unutilised Net Proceeds originally allocated for (i) acquiring property management services providers that provide community products and services complementary to our own, and (ii) for investing in property management industry funds jointly with business parties will be used for acquiring or investment in quality property management service providers that operate on a regional scale. For further details of the change in the proposed use of the Net Proceeds, please refer to the announcement of the Company dated 18 June 2019.

As at 31 December 2021, our planned use and actual use of the Net Proceeds was as follows:

	Net Proceeds					Expected timeline for the unutilised Net Proceeds
	Percentage of Net Proceeds	Available to utilise (HK\$ million)	Utilised during the year ended 31 December 2021 (HK\$ million)	Utilised (up to 31 December 2021) (HK\$ million)	Unutilised (as at 31 December 2021) (HK\$ million)	
To pursue strategic acquisition and investment opportunities	55%	375.6	160.2	375.6	—	N/A
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	60.9	79.3	98.3	By 31 December 2023
To develop a one-stop service community platform and our "Joy Life" (悦生活) online service platform	9%	61.5	3.8	7.8	53.7	By 31 December 2022
For general corporate purposes and working capital	10%	68.3	—	68.3	—	N/A
	<u>100%</u>	<u>683.0</u>	<u>224.9</u>	<u>531.0</u>	<u>152.0</u>	

The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

### 2020 Placing and 2020 Subscription

On 4 June 2020, the Company, Elite Force Development and three placing agents entered into a placing and subscription agreement (the "2020 Placing and Subscription Agreement"), pursuant to which, (a) Elite Force Development has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the placing price of HK\$11.78 per Share (the "2020 Placing Price") (the "2020 Placing"); and (b) Elite Force Development has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development, a total of 134,000,000 new Shares at the subscription price of HK\$11.78 per Share (being the same as the 2020 Placing Price) (the "2020 Subscription").

The 2020 Placing Price was HK\$11.78 per Share and represented (i) a discount of approximately 6.95% to the closing price of HK\$12.66 per Share as quoted on the Stock Exchange on 3 June 2020, being the last trading day prior to the signing of the 2020 Placing and Subscription Agreement (the "2020 Last Trading Date"); (ii) a discount of approximately 3.63% to the average closing price of HK\$12.22 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2020 Last Trading Day; and (iii) a discount of approximately 0.61% to the average closing price of HK\$11.85 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2020 Last Trading Day.

Completion of the 2020 Placing and the 2020 Subscription took place on 8 June 2020 and 16 June 2020, respectively. A total of 134,000,000 existing Shares have been successfully placed at the 2020 Placing Price of HK\$11.78 per Share to no less than six (6) independent placees, and a total of 134,000,000 new Shares (equal to the number of the existing Shares successfully placed under the 2020 Placing) were subscribed by Elite Force Development at the subscription price of HK\$11.78 per Share.

## MANAGEMENT DISCUSSION AND ANALYSIS

The Company received net proceeds from the 2020 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,564,476,000 and intended to use the net proceeds from the 2020 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2020 Subscription was as follows:

	Net proceeds from the 2020 Subscription					Expected timeline for the unutilised net proceeds
	Percentage of net proceeds	Available to utilise (HK\$ million)	Utilised during the year ended 31 December 2021 (HK\$ million)	Utilised (up to 31 December 2021) (HK\$ million)	Unutilised (as at 31 December 2021) (HK\$ million)	
Strategic acquisition and investment opportunities	80%	1,251.6	1,102.4	1,102.4	149.2	By 31 December 2023
Information technology related development	5%	78.2	—	—	78.2	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	—	234.7	—	N/A
	<u>100%</u>	<u>1,564.5</u>	<u>1,102.4</u>	<u>1,337.1</u>	<u>227.4</u>	

### 2021 Placing and 2021 Subscription

On 23 October 2021, the Company, Elite Force Development and two placing agents entered into a placing and subscription agreement (the "2021 Placing and Subscription Agreement"), pursuant to which, (a) Elite Force Development has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development on a several (but not joint nor joint and several) basis to procure purchasers, on a best effort basis, to purchase a total of 83,520,000 existing Shares at the placing price of HK\$15.76 per share (the "2021 Placing Price") (the "2021 Placing"); and (b) Elite Force Development has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development, a total of 83,520,000 new Shares at the subscription price of HK\$15.76 per share (being the same as the 2021 Placing Price) (the "2021 Subscription").

The 2021 Placing Price was HK\$15.76 per Share and represented (i) a discount of approximately 8.80% to the closing price of HK\$17.28 per Share as quoted on the Stock Exchange on 22 October 2021, being the last trading day prior to the signing of the 2021 Placing and Subscription Agreement (the "2021 Last Trading Date"); (ii) a discount of approximately 4.67% to the average closing price of HK\$16.53 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2021 Last Trading Day; and (iii) a discount of approximately 2.60% to the average closing price of HK\$16.18 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2021 Last Trading Day.

## MANAGEMENT DISCUSSION AND ANALYSIS

Completion of the 2021 Placing and the 2021 Subscription took place on 27 October 2021 and 1 November 2021, respectively. A total of 83,520,000 existing Shares have been successfully placed at the 2021 Placing Price of HK\$15.76 per Share to no less than six (6) independent placees, and a total of 83,520,000 new Shares (equal to the number of the existing Shares successfully placed under the 2021 Placing) were subscribed by Elite Force Development at the subscription price of HK\$15.76 per Share.

The Company received net proceeds from the 2021 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK\$1,304,000,000 and intended to use the net proceeds from the 2021 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2021 Subscription was as follows:

	Net proceeds from the 2021 Subscription				Expected timeline for the unutilised net proceeds
	Percentage of net proceeds	Available to utilise (HK\$ million)	Utilised (during and up to 31 December 2021) (HK\$ million)	Unutilised (as at 31 December 2021) (HK\$ million)	
Strategic acquisition and investment opportunities	65%	847.6	—	847.6	By 31 December 2025
Working capital and general corporate purposes	35%	456.4	—	456.4	By 31 December 2025
	<u>100%</u>	<u>1,304.0</u>	<u>—</u>	<u>1,304.0</u>	



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

### EXECUTIVE DIRECTORS

Mr. LIN Zhong (林中), aged 53, was appointed as our Director on 16 April 2018 and re-designated as our executive Director and appointed as the chairman of our Board on 25 July 2018. Mr. Lin Zhong is the chairman of the Strategy Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Lin Zhong is primarily responsible for overall strategic decisions, business planning and major operational decisions.

Prior to joining our Group, Mr. Lin Zhong has been serving as the chairman and director of the board at CIFI (PRC) since August 2000, where he is responsible for overall business planning and significant decisions in business operations. Since May 2011, he has been serving as an executive director and the chairman of the board at CIFI Holdings, where he is responsible for formulating corporate strategies, business development and overall management.

Mr. Lin Zhong was appointed as the vice chairman of Shanghai Population Welfare Foundation (上海市人口福利基金會) in 2013, the deputy chief council member of the Eighth Term of Council of Shanghai Real Estate Association (上海市房地產行業協會) and the rotating chairman of Shanghai Entrepreneur Association (新滬商聯合會) in 2014, the honorary chairman of Fujian Chamber of Commerce in Shanghai (上海市福建商會) and the chairman of Xiamen Chamber of Commerce in Shanghai (上海市廈門商會) in 2016, the vice chairman of the China Real Estate Association (中國房地產業協會) in 2018, an adjunct professor at School of Business Administration of East China Normal University and the chairman of the fourth council of Oriental Real Estate Research Institute (東方房地產研究院) in 2019, and the rotating chairman of CURA (中城聯盟) and the rotating chairman of Fukien Chamber of Commerce (福建商會) in 2021.

Mr. Lin Zhong graduated from Xiamen University (廈門大學) in the PRC in July 1990, where he obtained a bachelor degree in economics. He graduated from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2009, where he obtained an executive master of business administration degree.

Mr. Lin Zhong is the brother of Mr. Lin Feng, our non-executive Director.



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. ZHOU Hongbin (周洪斌)**, aged 52, was appointed as our executive Director on 25 July 2018 and has been the president of our Group since he joined in December 2017. Mr. Zhou is a member of the Strategy Committee of the Company. He is currently a director of several subsidiaries of the Group. Mr. Zhou is primarily responsible for overall business operations and management, major decision making and executing the decisions of our Board.


Prior to joining our Group, from July 1992 to July 1997, Mr. Zhou Hongbin served as a deputy director of finance department at CCTEG Chongqing Engineering Co., Ltd. (中煤科工集團重慶設計研究院有限公司), an institute mainly engaged in mining engineering, construction engineering and municipal construction, where he was responsible for daily financial accounting. From July 1997 to January 2003, Mr. Zhou Hongbin served as an accounting supervisor at Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (formerly known as Chongqing Zhongjianke Real Estate Co., Ltd. (重慶中建科置業有限公司)), a company mainly engaged in property development and indirectly wholly owned by Longfor Group Holdings Co., Ltd. (龍湖集團控股有限公司) (formerly known as Longfor Properties Co., Ltd. (龍湖地產有限公司)) which is listed on the Stock Exchange (stock code: 0960), where he was primarily responsible for financial accounting, financial analysis and fund management. From January 2003 to August 2007, he served as a deputy general manager at Chongqing Longhu Real Estate Development Co., Ltd. Commercial Management Branch Office (重慶龍湖地產發展有限公司商業經營管理分公司), where he was responsible for daily management, investment promotion, business development and shopping mall management. From August 2007 to December 2014, he served as the chairman of the board, general manager of the company and general manager of the property management department at Longhu Property Service Co., Ltd. (龍湖物業服務集團有限公司) and was responsible for overall management and development and property management. From January 2015 to December 2017, he served as a senior vice president at Beijing Qianding Internet Company Limited (北京千丁互聯科技有限公司), a company offering value added services to residential communities, where he was responsible for platform operations and market development.

Mr. Zhou Hongbin has served as a vice president at China Property Management Institute (中國物業管理協會) from October 2014 to May 2019, and became the honorary vice president from May 2019. He has been serving as a deputy director at China Property Management Institute Industry Development Research Center (中國物業管理協會行業發展研究中心) since March 2014.

Mr. Zhou Hongbin graduated from China University of Mining and Technology (中國礦業大學) in the PRC in July 1992, where he obtained a bachelor degree in accounting.



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT



**Mr. ZHOU Di (周迪)**, aged 45, was appointed as our executive Director on 30 March 2020 and has been the chief financial officer of the Company since he joined the Group on 10 May 2019. He is currently a director of several subsidiaries of the Group. Mr. Zhou is primarily responsible for the overall financial management of the Group.

Prior to joining the Group, from July 1999 to June 2001, Mr. Zhou Di worked as financial supervisor at 上海星特浩企業有限公司 (Shanghai Xingtehao Enterprise Company Limited\*). From July 2001 to February 2008, Mr. Zhou Di joined S. B. Submarine Systems Co., Ltd., where he held the position of senior financial manager. From February 2008 to November 2016, he served as the chief financial officer for the Shanghai region at Longfor Group Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 960). From December 2016 to July 2017, he was the deputy general manager at the financial management center of 正榮集團有限公司 (Zhenro Group Co., Ltd.\*) (formerly known as 福建正榮集團有限公司 (Fujian Zhenro Group Co., Ltd.\*) where he was in charge of the group's financial management. From August 2017 to May 2019, he served as the director of the management accounting department at the financial center of CIFI Holdings, the shares of which are listed on the Stock Exchange (Stock code: 884) and is one of the controlling shareholders (as defined under the Listing Rules) of the Company.

Mr. Zhou Di graduated from Hefei University of Technology (合肥工業大學) in the PRC in June 1999, where he obtained a bachelor's degree in accounting. He graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2012, where he obtained a master's degree in management. Mr. Zhou Di became a PRC certified tax agent in June 2001, a certified public accountant of the PRC in December 2005, and an associate member of the Association of International Accountants in March 2006.

### NON-EXECUTIVE DIRECTOR

**Mr. LIN Feng (林峰)**, aged 46, was appointed as our non-executive Director and the deputy chairman of our Board on 25 July 2018. Mr. Lin Feng is a member of the Strategy Committee and Audit Committee of the Company. Mr. Lin Feng is primarily responsible for provision of guidance for the overall development of our Group.

Since November 2001, Mr. Lin Feng served in various positions at CIFI (PRC) including sales director from November 2001 to June 2003, where he was responsible for market development, financial director from July 2003 to November 2008, where he was responsible for financial management and president since November 2008, where he is responsible for overall management in operation decisions. He has been serving as an executive director and the chief executive officer at CIFI Holdings since May 2011, where he is responsible for overseeing business operations and overall management.



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lin Feng is currently the vice chairman of China Real Estate Chamber of Commerce (全國工商聯房地產商會), a council member of All-China Youth Federation (中華全國青年聯合會), executive council member of Shanghai Youth Federation (上海市青年聯合會), executive council member of Shanghai Federation of Industry and Commerce (上海市工商聯合會)(Commerce Chamber), council member of Shanghai Changning District Association of Industry and Commerce (上海市長寧區工商業聯合會) (Commerce Chamber), executive council member of Shanghai Putuo District Youth Federation (上海市普陀區青年聯合會), rotating chairman of the executive council of China Urban Realty Association (中國城市房地產開發商業策略聯盟總裁聯席會) and director of CIFI Charity Foundation.

Mr. Lin Feng graduated from Xiamen University (廈門大學) in the PRC in July 1998, where he obtained a bachelor degree in economics. He graduated from University of Dundee in the United Kingdom in July 2001, where he obtained a master degree in business administration.

Mr. Lin Feng is the brother of Mr. Lin Zhong, one of the executive Directors.

### INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. MA Yongyi (馬永義)**, aged 57, was appointed as our independent non-executive Director on 26 November 2018. Mr. Ma is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

In February 2004, Mr. Ma joined Beijing National Accounting Institute (北京國家會計學院) and successively served as the director of the distance education center from February 2004 to September 2008 and the director of the administrative office from September 2008 to December 2015 and has been serving as the director of teacher management committee since January 2016.

Since April 2014, Mr. Ma has been serving as an independent supervisor at Chanjet Information Technology Company Limited (暢捷通資訊技術股份有限公司), a company listed on the Stock Exchange (stock code: 1588). From April 2016 to April 2020, he served as an independent director at Zhejiang Dun'an Artificial Environmental Company Limited (浙江盾安人工環境股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002011). Since February 2018, he has been serving as an external supervisor at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Stock Exchange (stock code: 1606). Since March 2019, he has been serving as an independent director at Piesat Information Technology Co., Ltd. (航天宏圖信息技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688066). Since April 2020, he has been serving as an independent director at Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002410).

Mr. Ma graduated from the Central University of Finance and Economics (中央財經大學) (formerly known as Central College of Finance and Economics (中央財政金融學院)) in the PRC and obtained a bachelor degree of accounting in June 1989 and a doctorate degree in management in June 2003.





## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. CHEUNG Wai Chung (張偉聰)**, aged 51, was appointed as our independent non-executive Director on 26 November 2018. Mr. Cheung is the chairman of the Audit Committee of the Company.

From September 1995 to January 1998, he initially served as an investment officer and then was promoted to an assistant manager II at Sun Hung Kai Real Estate Agency Ltd. (新鴻基地產代理有限公司), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (新鴻基地產發展有限公司) which is listed on the Stock Exchange (stock code: 0016). From January 1998 to March 2000, he served as an assistant investment manager and then was promoted to a deputy investment manager at China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on the Stock Exchange (stock code: 0308). From March 2000 to April 2001, he served as a project manager at CDC Corporation (formerly known as Chinadotcom Corporation), a company mainly engaged in the provision of online information. From May 2001 to January 2009, he successively served as a research director and portfolio manager at HSZ (Hong Kong) Limited and portfolio manager at Nomura Asset Management Hong Kong Limited (野村投資管理香港有限公司), both companies are engaged in investment management. In November 2012, he joined Culturecom Enterprises Limited (文化傳信企業有限公司), a subsidiary of Culturecom Holdings Limited (文化傳信集團有限公司) which is listed on the Stock Exchange (stock code: 0343), and served as the president and chief financial officer until December 2016. Since January 2017, he has been serving as a senior consultant at RHL International Limited (永利行國際有限公司), a company mainly engaged in corporate valuation and advisory.

Mr. Cheung graduated from The Chinese University of Hong Kong in December 1992, where he obtained a bachelor (honors) degree in business administration. He has been a member and a fellow of The Association of Chartered Certified Accountants since March 1996 and March 2001, respectively, and a charter holder of Chartered Financial Analyst awarded by the Association for Investment Management and Research since November 1999. In October 2019, Mr. Cheung was awarded by the United Nation's PRI Academy Responsible Investment Essentials, an internationally recognized standard on responsible investing and Environmental, Social and Governance (ESG) qualification.

**Mr. YU Tiecheng (俞鐵成)**, aged 46, is a senior expert in corporate mergers and acquisitions in the People's Republic of China. He is also a member of the Academic and Training Committee of Quanlian M&A Association\* (全聯併購公會學術與培訓委員會) and a member of the Expert Advisory Committee of Anhui International Chamber of Commerce\* (安徽省國際商會專家諮詢委員會). Mr. Yu graduated from East China Normal University (華東師範大學) with a master's degree in economics majoring in international finance in 1999. Starting from 2000, Mr. Yu served as management in various entities in the fields of finance and investment, including the deputy general manager of Shanghai Baoyin Investment Co., Ltd.\* (上海保銀投資有限公司), assistant to the president of Jingfeng Investment Co., Ltd.\* (景豐投資有限公司), chairman of the board of Shanghai Tiandao Investment Consultancy Co., Ltd.\* (上海天道投資諮詢有限公司), general manager of Shanghai Daojie Equity Investment Management Co., Ltd.\* (上海道傑股權投資管理有限公司), and partner of Shanghai Kaishi Yizheng Asset Management Co., Ltd.\* (上海凱石益正資產管理有限公司). Currently, Mr. Yu is serving as the dean of Shanghai Huangpu Guanghui M&A Research Institute\* (上海市黃浦廣慧並購研究院), the chairman of the board of Gongqingcheng Guanghui Jiabin Venture Capital Management Co., Ltd.\* (共青城廣慧嘉賓創業投資管理有限公司), an external director of Jiangxi Provincial State-owned Enterprise Asset Management (Holding) Co., Ltd.\* (江西省省屬國有企業資產經營(控股)有限公司) and the vice chairman of Shanghai Financial Culture Promotion Centre\* (上海金融文化促進中心).



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yu has also served as director of various listed companies. Mr. Yu was an independent director of Shanghai Pudong Construction Co., Ltd. (上海浦東建設股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 600284), from May 2007 to May 2013; an independent director of Jiangsu Lianyungang Port Co., Ltd. (江蘇連雲港港口股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 601008), from December 2007 to February 2014; an independent director of Shanghai Shenda Co., Ltd (上海申達股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 600626), from May 2014 to June 2019; an independent director of Great Wall Movie & Television Co., Ltd. (長城影視股份有限公司), the shares of which was delisted from Shenzhen Stock Exchange in May 2021 (stock code: 002071), from May 2014 to April 2020; an independent director of Youon Technology Co., Ltd. (永安行科技股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 603776), from November 2019 to October 2020; and an independent director of Create Technology & Science Co. Ltd. (創元科技股份有限公司), the shares of which are listed on Shenzhen Stock Exchange (stock code: 000551), from October 2015 to October 2021. From November 2017 to present, Mr. Yu is also an independent director of Shanghai Hugong Electric Group Co., Ltd. (上海滬工焊接集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 603131).

### SENIOR MANAGEMENT

Mr. LIANG Bin (梁斌), aged 38, has been appointed as the Group's vice president since he joined the Group on 1 September 2018. Mr. Liang is primarily responsible for the Group's organizational strategy and overall management of human resources.

Prior to joining the Group, from July 2005 to May 2009, Mr. Liang joined P&G (China) Co., Ltd. as a management trainee and was promoted to the post of human resources manager. From June 2009 to September 2012, he worked as a senior human resources manager in Tencent Technology (Shenzhen) Co., Ltd. (a company listed on the Stock Exchange, stock code: 700), mainly responsible for talent recruitment and organization development. From October 2012 to September 2013, he served as assistant director of human resources at Standard Chartered Bank (China) Limited. From October 2013 to May 2016, he was the director of human resources at Shimao Real Estate Holdings Limited (a company listed on the Stock Exchange, stock code: 813). From June 2016 to June 2017, he served as the vice president of human resources of YOOZOO Interactive Co. Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002174), responsible for human resources management. From July 2017 to August 2018, he worked for CIFI Group (a company listed on the Stock Exchange, stock code: 884) as human resources director. Mr. Liang has extensive management experience in the areas of top-level organizational strategy design, organizational change and transformation, cultivation of corporate culture system, senior talent headhunt and building talent echelon.

Mr. Liang graduated from Sun Yat-sen University in June 2005 with a bachelor of science degree.



## PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. CHEN Chuanchao (陳傳超)**, aged 45, was appointed as the general manager of Huadong business department of Yongsheng Property since he joined our Group on 3 March 2014 and was promoted to the Group's vice president in January 2020. Mr. Chen is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Shanghai and Shandong Province.

Prior to joining our Group, from March 1999 to March 2014, Mr. Chen worked as a manager at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司), where he was responsible for overall project management and safety management.

Mr. Chen graduated from Central Radio and Television University (中央廣播電視大學) in the PRC in July 2011, where he obtained a diploma in law.

**Mr. LUO Xinguo (駱信國)**, aged 40, was appointed as the Group's assistant president in January 2020 and has been the general manager of Jiangsu business department of Yongsheng Property since he joined our Group on 19 March 2013, and was promoted to the Group's vice president in January 2021. Mr. Luo is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Jiangsu Province.

Prior to joining our Group, from January 2006 to March 2009, Mr. Luo served as a project manager at Shanghai Vanke Property Services Company Limited (上海萬科物業服務有限公司). From May 2009 to October 2010, Mr. Luo served as the responsible person of Tianjin branch office at Shanghai Jingrui Property Management Company Limited Tianjin Branch Office (上海景瑞物業管理有限公司天津分公司). In June 2011, he joined Jiangsu Sunan Vanke Property Services Co., Ltd. (江蘇蘇南萬科物業服務有限公司) as a deputy manager of the quality management department until April 2012 and then served as a project manager from May 2012 to March 2013.

Mr. Luo graduated from Zhengzhou University (鄭州大學) in February 2014, where he obtained a diploma in business administration through long distance learning.



# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2021.

## CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has complied with the code provisions as set out in the CG Code during the Reporting Period. Unless otherwise stated, reference of the code provisions 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.

The Company will continue to review and enhance its corporate governance practices, and identify and formalize appropriate measures and policies, to ensure compliance with the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiries to all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee or a director or employee of a subsidiary or holding company, who, because of his office or employment, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in the then applicable code provision A.6.4 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

## THE BOARD

### Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board Committees including the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

## CORPORATE GOVERNANCE REPORT

### Composition of the Board

During the year ended 31 December 2021 and up to the date of this annual report, the Board comprised seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Members of the Board are listed below:

Member of the Board	Position	Date of appointment
<b>Executive Directors</b>		
Mr. Lin Zhong	Chairman of the Board and executive Director	16 April 2018
Mr. Zhou Hongbin	Executive Director and president	25 July 2018
Mr. Zhou Di	Executive Director and CFO	30 March 2020
<b>Non-executive Director</b>		
Mr. Lin Feng	Non-executive Director and deputy chairman of the Board	25 July 2018
<b>Independent Non-executive Directors</b>		
Mr. Ma Yongyi	Independent non-executive Director	26 November 2018
Mr. Cheung Wai Chung	Independent non-executive Director	26 November 2018
Mr. Yu Tiecheng	Independent non-executive Director	16 November 2021
Mr. Wang Peng	Independent non-executive Director	26 November 2018
(Removed on 14 December 2021)		

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Biography of each Director is set out in the section headed "Profile of Directors and Senior Management" of this annual report. Save as disclosed in the section headed "Profile of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

### Chairman and President

Mr. Lin Zhong is the chairman of the Board. According to the then applicable code provision A.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Lin Zhong currently assumes the role of chairman of the Board while Mr. Zhou Hongbin, our executive Director and president, assumes the role of chief executive. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

### Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors exceeds one third of the number of the Board members.

According to Rule 3.13 of the Listing Rules, the independent non-executive Directors have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

### Appointment and Re-election of Directors

The then applicable code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas the then applicable code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association.

Each of our executive Directors has entered into a service agreement with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Director and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

Article 84 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with the Articles of Association, any new director appointed to fill a casual vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

## CORPORATE GOVERNANCE REPORT

### Training and Continuous Professional Development

Pursuant to code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director has been provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statutes, laws, rules and regulations.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

According to information provided by the Directors, records of training received by each director during the year ended 31 December 2021 are summarized below:

Directors	Types of Training
Mr. Lin Zhong	A,B
Mr. Zhou Hongbin	A,B
Mr. Zhou Di	A,B
Mr. Lin Feng	A,B
Mr. Ma Yongyi	A
Mr. Yu Tiecheng	A,B
Mr. Cheung Wai Chung	B

A *Attending briefing(s) and/or seminar(s) and/or conference(s)*

B *Reading materials relating to directors' duties and responsibilities*

### Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2021.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

As at 31 December 2021, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The statements by external auditor, Deloitte Touche Tohmatsu, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in this annual report.

### Board Meetings and General Meetings

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged when required. Notices for all regular Board meetings will be given to all Directors at least 14 days before the meetings and the agenda and accompanying Board paper will be given to all Directors at least 3 days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

The attendance record of each director at the Board meetings and the general meetings of the Company held during the year ended 31 December 2021 is set out in the table below:

Name of Directors	Attendance/no. of meetings held		
	Board Meetings	Annual General Meeting	Extraordinary General Meeting
Mr. Lin Zhong	9/9	1/1	1/1
Mr. Zhou Hongbin	9/9	1/1	1/1
Mr. Zhou Di	9/9	1/1	1/1
Mr. Lin Feng	8/9	1/1	1/1
Mr. Ma Yongyi	9/9	1/1	1/1
Mr. Wang Peng <sup>#</sup> (Removed on 14 December 2021)	1/8	1/1	0/1
Mr. Cheung Wai Chung	9/9	1/1	1/1
Mr. Yu Tiecheng <sup>#</sup> (Appointed on 16 November 2021)	2/2	0/0	1/1





## CORPORATE GOVERNANCE REPORT

# Mr. Yu Tiecheng was appointed on 16 November 2021, and Mr. Wang Peng was removed on 14 December 2021. Therefore, each of Mr. Yu Tiecheng and Mr. Wang Peng was only required to attend such number of relevant meetings held during the year ended 31 December in 2021 which he held office as a Director.

### BOARD COMMITTEES

#### Audit Committee

The Audit Committee consists of one non-executive Director and two independent non-executive Directors, namely Mr. Lin Feng, Mr. Ma Yongyi and Mr. Cheung Wai Chung (Chairman). Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

During the year ended 31 December 2021, the Audit Committee held two meetings to review annual financial results and report for the year ended 31 December 2020 and interim financial results and report for the half year ended 30 June 2021 and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor. The attendance record of the Audit Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Feng	2/2
Mr. Ma Yongyi	2/2
Mr. Cheung Wai Chung	2/2

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

## Remuneration Committee

The Remuneration Committee comprises three members, namely Mr. Yu Tiecheng (chairman), Mr. Lin Zhong and Mr. Ma Yongyi, the majority of them are independent non-executive Directors. The primary duties of the Remuneration Committee are, among other things, to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, and to determine, to determine, with delegated responsibility, the remuneration packages of the executive Directors and senior management.

The Remuneration Committee has adopted the model described in code provision B.1.2(c)(i) of the CG Code in its terms of reference.

During the year ended 31 December 2021, two meetings of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Wang Peng (Removed on 16 November 2021) <sup>#</sup>	1/2
Mr. Lin Zhong	2/2
Mr. Ma Yongyi	2/2
Mr. Yu Tiecheng (Appointed on 16 November 2021) <sup>#</sup>	0/0

<sup>#</sup> Mr. Yu Tiecheng was appointed on 16 November 2021, and Mr. Wang Peng was removed on 16 November 2021. Therefore, each of Mr. Yu Tiecheng and Mr. Wang Peng was only required to attend such number of meetings held during the year ended 31 December in 2021 which he was a member of the Remuneration Committee.

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, determine the remuneration packages of individual executive Directors and senior management with delegated responsibility and fulfilled duties as required aforesaid.

## Nomination Committee

The Nomination Committee currently comprises three members, namely Mr. Lin Zhong (chairman), Mr. Ma Yongyi and Mr. Yu Tiecheng, the majority of them are independent non-executive Directors.

The primary duties of the Nomination Committee are, among other things, to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the management, to assess the independence of the independent non-executive Directors, and to review the policy on Board diversity (the "Board Diversity Policy") and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

## CORPORATE GOVERNANCE REPORT

During the year ended 31 December 2021, two meetings of the Nomination Committee was held and the attendance record of the Nomination Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	2/2
Mr. Ma Yongyi	2/2
Mr. Wang Peng (Removed on 16 November 2021) <sup>#</sup>	1/2
Mr. Yu Tiecheng (Appointed on 16 November 2021) <sup>#</sup>	0/0

<sup>#</sup> Mr. Yu Tiecheng was appointed on 16 November 2021, and Mr. Wang Peng was removed on 16 November 2021. Therefore, each of Mr. Yu Tiecheng and Mr. Wang Peng was only required to attend such number of meetings held during the year ended 31 December in 2021 which he was a member of the Nomination Committee.

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

### Strategy Committee

The Strategy Committee comprises three members, namely Mr. Lin Zhong (chairman), Mr. Zhou Hongbin and Mr. Lin Feng.

The primary duties of the Strategy Committee are, among other things, to assist the Board in formulating and evaluating the development strategies and implementation plans of the company's medium and long-term strategic objectives; and make recommendations to the Board on material matters, material investment and financing plans.

During the year ended 31 December 2021, one meeting of the Strategy Committee was held and the attendance record of the Strategy Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Zhou Hongbin	1/1
Mr. Lin Feng	1/1

### BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in accordance with the requirements of the Listing Rules with effect from 26 November 2018 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is intended to set out the basic principles to ensure that members of the Board achieve an appropriate balance of skills, experience and perspectives to enhance the effective function of the Board and maintain a high standard of corporate governance.

### Nominations and Appointments

All Board nominations and appointments shall be based on the principle of meritocracy, daily business needs and the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is primarily responsible for identifying persons with suitable qualifications and selecting nominees to serve as director or to advise the Board on this.

### Measurable Objectives

Selection of candidates will be based on a range of diversity and refer to the business model and specific needs of the Company, including but not limited to gender, age, ethnicity, language, cultural background, educational background, industry experience and professional experience.

### Policy Statement

In order to achieve sustainable and balanced development, the Company regards the increment of diversification in board level as the key element to support its strategic goals and sustainable development. All appointments of the Board are based on the principle of meritocracy and considering the benefits of diversity of the Board.

### Monitoring and Reporting

The Nomination Committee is responsible for reviewing the Board Diversity Policy, expanding and reviewing measurable objectives to ensure the implementation of the Board Diversity Policy and to monitor progress towards measurable objectives. The Nomination Committee reviews the Board Diversity Policy and measurable objectives at least annually, or at the appropriate time, to ensure the Board continues to be effective. The Nomination Committee has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2021.

## CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.



## CORPORATE GOVERNANCE REPORT

### COMPANY SECRETARY

Ms. Chan Yin Wah, an associate director of SWCS Corporate Services Group (Hong Kong) Limited, was appointed as the company secretary of the Company on 20 July 2021 and has taken no less than 15 hours of relevant professional training during 2021 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Ms. Chan Yin Wah at the Company is Mr. Zhou Di, the executive Director and chief financial officer.

### AUDITORS

The financial statements contained in this annual report have been audited by Deloitte Touche Tohmatsu. The remuneration paid/payable to the external auditors of the Company in respect of audit services and non-audit services is set out below:

Services rendered	Amount
	(RMB)
Annual audit	2,950,000
Non-audit services	700,000
Total	<u>3,650,000</u>

The non-audit services mainly included the review of 2021 interim results. The statement of the external auditors of the Company about its reporting responsibilities for the consolidated financial statements is set out in the independent auditors report of this annual report on pages 80 to 85.

### RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The Group utilizes an integrated risk management system to minimize and protect against a range of strategic, business, financial and legal risks. Through our risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management. This 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.

Our risk management system is implemented on three levels. Its implementation starts with the manager of each department who is responsible for organizing the daily work in accordance with the relevant policies. The second level involves the active role of the risk management center which centralize our risk management policies and supervise the individual departments through periodic audits. Finally, the highest level involves decision-making by Board regarding certain risk management decisions. The relevant personnel at these three levels are in frequent communication in order to ensure accurate information is shared between all parties.

In order to formulate and implement effective policies, our risk management system emphasizes continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and results of operation, costs of services, changes in intellectual property law, company laws and possible legal disputes.

The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurring are more closely examined in order to ensure accurate results. We then determine what countermeasures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

The Group has set up an internal audit department, which assists the Board and/or the Audit Committee on the ongoing review of the effectiveness of the Group's risk management and internal control systems. The risk management and internal control system have been carried out under the leadership of the Board and the Audit Committee and the Board has conducted a comprehensive review of the risk management and internal control system for the year ended 31 December 2021. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies. The Board, through the review of the Audit Committee, considers that the current risk management and material control systems of the Company are effective and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under the then applicable code provisions C.2.1 to C.2.5 and C.3.3 of the CG Code relating to risk management and internal control.

### **DISCLOSURE OF INSIDE INFORMATION**

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.



## CORPORATE GOVERNANCE REPORT

### DIVIDEND

Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects, as well as any other factors which our Directors may consider relevant. We have no policy for dividend pay-out ratio. The Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

### SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

#### Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 58 of the Articles of Association, general meetings can be convened on the written requisition of any one or more members holding at the date of deposit of 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. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

#### The procedures and contact details for putting forward proposals at Shareholders' meeting

The annual general meeting and other general meetings provide an important opportunity for Shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer Shareholders' questions.

Shareholders attending the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

### Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("Proposal"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

### The procedures by which enquires may be put to the Board and sufficient contact details to enable these enquires to be properly directed

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at:

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2862 8555

Fax: (852) 2119 9137

Website: <https://www.computershare.com>

To contact the Company in relation to your query about the Company, the contact details are as follows:

Fax: (8621) 6120 8281

Email: [IR@ysss-service.com.cn](mailto:IR@ysss-service.com.cn)

## INVESTOR RELATIONS AND COMMUNICATIONS

The Company has set up a website at [www.cifies.com](http://www.cifies.com) as a channel to promote communication, publishing announcements, financial information and other relevant information of the Company. Shareholders are welcome to make enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner.





## CORPORATE GOVERNANCE REPORT



### DEED OF NON-COMPETITION BY ULTIMATE CONTROLLING SHAREHOLDERS

The Ultimate Controlling Shareholders have made an annual declaration to the Company that during the year ended 31 December 2021, he/she/it and his/her/its associates have complied with the terms of the Deed of non-Competition given in favour of the Company. Details of the Deed of Non-Competition are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by the Ultimate Controlling Shareholders with the undertakings in the Deed of Non-Competition and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition.

### CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2021, the Company has not made any changes to its Memorandum and Articles of Association. The up-to-date version of the Memorandum and Articles of Association are available on the websites of the Company and the Stock Exchange.

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2021.

### PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services in the PRC.

The activities and particulars of the Company's subsidiaries are shown under note 26 to the consolidated financial statements in this annual report. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and notes 6 and 9 to the consolidated financial statements in this annual report.

### RESULTS

The consolidated results of the Group for the year ended 31 December 2021 are set out on pages 86 to 92 of this annual report.

### FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.1299 per ordinary share of the Company for the year ended 31 December 2021. The final dividend is subject to the approval of the Shareholders at the AGM and is expected to be paid on 21 June 2022 to the Shareholders whose names appear on the register of members of the Company after the close of business on 15 June 2022.

### CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

- (i) from 1 June 2022 to 7 June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 31 May 2022; and



## DIRECTORS' REPORT

- (ii) from 13 June 2022 to 15 June 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 10 June 2022.

## BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

## KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group is of the view that employees are the foundation for the Group's business operations and an important asset of the Group. By providing employees with an ideal working environment and opportunities for sustainable development, the Group and our employees improve and grow together. More details of our relationship with employees are set out in the section headed "Human Resources" in this annual report.

The Group maintains a good relationship with its customers and suppliers. The Group's property management services are based on the principle of customer orientation, and we strive to continuously improve and explore innovative ideas to provide customers with "satisfactory + surprising" (滿意 + 驚喜) services. We value customer feedback and has established customer complaint handling procedures to ensure customers' complaints are dealt with in a timely and effective manner. We also value collaboration with our business partners to set up sustainable supply chains and achieve win-win solution. More details could be found in the section headed "Major Suppliers and Customers" in this annual report.

The Board believes effective communication and timely information disclosure builds the Shareholders' and investors' confidence, and also facilitates the flow of constructive feedback that are beneficial for investor relations and future corporate development. For more details, please refer to the section headed "Corporate Governance Report" in this annual report.

## FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 180 of this annual report. This summary does not form part of the audited consolidated financial statements.

## MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the Group's largest customer, CIFI Group, accounted for 11.4% of the Group's total revenue. The Group's five largest customers accounted for 15.6% of the Group's total revenue.

During the Reporting Period, the Group's largest supplier accounted for 1.3% of the Group's total purchase. The Group's five largest suppliers accounted for 4.1% of the Group's total purchase.

For the year ended 31 December 2021, revenue derived from CIFI Group and its associates amounted to RMB717.5 million, representing approximately 15.3% of our annual revenue. Except for the above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2021 are set out in note 14 to the consolidated financial statements in this annual report.

## SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2021 are set out in note 23 to the consolidated financial statements in this annual report.

## RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2021 are set out in the consolidated statements of changes in equity and note 25 to the consolidated financial statements in this annual report, respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2021, the Company's distributable reserves were RMB3,028.5 million.



## DIRECTORS' REPORT

### BORROWINGS

As at 31 December 2021, the Group's bank borrowings were RMB1.4 million (31 December 2020: nil).

### CHARITABLE CONTRIBUTIONS

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

### DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report were as follow:

#### Executive Directors

Mr. LIN Zhong (*Chairman*)

Mr. ZHOU Hongbin (*President*)

Mr. ZHOU Di

#### Non-executive Director

Mr. LIN Feng (*Deputy Chairman*)

#### Independent Non-executive Directors

Mr. MA Yongyi

Mr. WANG Peng <sup>Note</sup> (removed on 14 December 2021)

Mr. CHEUNG Wai Chung

Mr. YU Tiecheng (appointed on 16 November 2021)

*Note:*

Mr. WANG Peng has been removed as an independent non-executive Director with effect from 14 December 2021.

In accordance with article 84(1) of the Articles of Association, Mr. LIN Zhong and Mr. LIN Feng shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

In accordance with article 83(3) of the Articles of Association, Mr. YU Tiecheng who was appointed as an independent non-executive Director with effect from 16 November 2021, shall hold office of Director only until the AGM and, being eligible, has offered himself for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be sent to Shareholders.

### BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 36 to 42 in the section headed "Profile of Directors and Senior Management" to this annual report.

Saved as disclosed in this report, as at the date of this annual report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS**

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2021 and remain so as of the date of this annual report.

## **DIRECTORS' SERVICE CONTRACTS**

Each of the executive Directors has entered into a service agreement with the Company for a term of three year, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the non-executive Director and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years, which may be terminated by not less than three months' notice in writing served by either party on the other.

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

## **MANAGEMENT CONTRACTS**

Other than the Directors' service contract and letters of appointment, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2021.

## **PERMITTED INDEMNITY PROVISION**

Pursuant to the Articles, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

## **COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT**

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee with delegated responsibility, having regard to the Group's operating results, individual performance and comparable market statistics.



## DIRECTORS' REPORT

Details of the Directors' emoluments and emoluments of the senior management in the Group by band are set out in note 13 to the consolidated financial statements in this annual report.

For the year ended 31 December 2021, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2021.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2021, by our Group to or on behalf of any of the Directors.

## HUMAN RESOURCES

The Group had 16,709 employees as at 31 December 2021, as compared to 11,263 employees as at 31 December 2020. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The Group is concerned about the career development of its employees, and has developed a comprehensive training programme covering different topics such as new employee orientation and professional skills training to meet the needs of employees at different levels.

## RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution under this retirement benefits scheme is available to reduce the contribution payable in future years.

## INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2021, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

### *Interest in Shares or Underlying Shares of our Company*

Name of Director	Nature of Interest	Number of ordinary shares interested <sup>(1)</sup>	Approximate percentage in the Company's issued share capital
Mr. Lin Zhong <sup>(2)(3)(4)(5)</sup>	Interest in a controlled corporation, and co-founder of a discretionary trust	924,689,750 (L)	52.72%
Mr. Lin Feng <sup>(2)(3)(4)(5)</sup>	Interest in a controlled corporation, and co-founder of a discretionary trust	924,689,750 (L)	52.72%
Mr. Zhou Hongbin	Beneficial owner	42,638,250 (L)	2.43%
Mr. Zhou Di	Beneficial owner	1,340,000 (L)	0.08%

Note:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng, and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.
- (3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.
- (4) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng, and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.
- (5) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Rosy Fortune.



## DIRECTORS' REPORT

### *Interest in Shares of Associated Corporation*

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. Lin Zhong <sup>(1)(2)</sup>	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust and beneficial owner	3,937,356,507	44.83%
Mr. Lin Feng <sup>(2)(3)(4)</sup>	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust interest in a controlled corporation and beneficial owner	2,863,078,002	32.60%
Mr. Zhou Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. Zhou Di	CIFI Holdings	Beneficial owner	80,000	0.001%
Mr. Lin Zhong <sup>(5)</sup>	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. Lin Feng <sup>(5)</sup>	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. Lin Zhong <sup>(6)</sup>	Spectron	Interested in a controlled corporation	1	100%
Mr. Lin Feng <sup>(6)</sup>	Spectron	Interested in a controlled corporation	1	100%
Mr. Lin Zhong <sup>(7)</sup>	Elite Force Development	Beneficial owner	100	100%
Mr. Lin Feng <sup>(7)</sup>	Elite Force Development	Beneficial owner	100	100%
Mr. Lin Zhong <sup>(8)</sup>	Best Legend	Beneficial owner	1	100%
Mr. Lin Feng <sup>(8)</sup>	Best Legend	Beneficial owner	1	100%

#### Note:

- (1) 1,311,302,213 shares of CIFI Holdings are held by Ding Chang. The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,311,302,213 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.
- (2) 2,617,787,024 shares are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the 2,617,787,024 Shares held by Rosy Fortune pursuant to Part XV of the SFO.

- (3) 228,814,509 shares of CIFI Holdings are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 228,814,509 shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.
- (4) 9,277,380 shares of CIFI Holdings are held by Towin Resources Limited. Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the shares of CIFI Holdings held by Towin Resources Limited.
- (5) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held by Xu Sheng.
- (6) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By revenue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares held by Spectron.
- (7) The entire issued share capital of Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force Development pursuant to Part XV of the SFO.
- (8) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.

*Interest in Debentures of Associated Corporation*

Name of Director	Associated Corporation	Capacity/nature of interest	Principal amount of relevant debentures held	Approximate percentage of aggregate principal amount of the relevant debenture issued
Mr. LIN Zhong <sup>(1)(2)</sup>	CIFI Holdings	Co-founder of a discretionary trust	US\$1 million	0.18%
Mr. LIN Feng <sup>(1)(2)(3)(4)(5)</sup>	CIFI Holdings	Founder of a discretionary trust, and interest in a controlled corporation	US\$16 million	5.33%
		Co-founder of a discretionary trust	US\$1 million	0.18%



## DIRECTORS' REPORT

### Notes:

- (1) The 6% Senior Notes were freely transferable but not convertible in any shares or other securities of CIFI Holdings. For details of the 6% Senior Notes, please refer to the announcements of CIFI Holdings dated 8 January 2020 and 10 January 2020 respectively.
- (2) The principal amount of US\$1 million of 6% Senior Notes are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the principal amount of 6% Senior Notes held by Rosy Fortune pursuant to Part XV of the SFO.
- (3) The 5.375% Perpetual Securities are listed on the Stock Exchange.
- (4) Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the principal amount of US\$15 million of 5.375% Perpetual Securities held by Towin Resources Limited.
- (5) The principal amount of US\$1 million of 5.375% Perpetual Securities are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the principal amount of 5.375% Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2021, none of the Directors or the chief executive of the Company has any interests and/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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

## ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

## SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 31 December 2021, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested <sup>(1)</sup>	Approximate percentage in the Company's issued share capital
Mr. LIN Wei <sup>(2)(3)(4)(5)(6)</sup>	Interest in a controlled corporation, and co-founder of a discretionary trust	924,689,750 (L)	52.72%
Elite Force Development <sup>(2)</sup>	Beneficial owner	363,180,000 (L)	20.71%
Spectron	Beneficial owner	406,820,000 (L)	23.19%
Xu Sheng <sup>(3)</sup>	Interest in a controlled corporation	406,820,000 (L)	23.19%
CIFI Holdings <sup>(4)</sup>	Interest in a controlled corporation	406,820,000 (L)	23.19%
Best Legend <sup>(5)</sup>	Beneficial owner	153,689,750 (L)	8.76%
Cederberg Capital (Cayman) <sup>(7)</sup>	Interest in a controlled corporation	100,660,000 (L)	5.74%
Cederberg Capital (Cayman) GP <sup>(7)</sup>	Interest in a controlled corporation	100,660,000 (L)	5.74%
Krige Dawid <sup>(7)</sup>	Interest in a controlled corporation	100,660,000 (L)	5.74%
The Capital Group Companies, Inc. <sup>(8)</sup>	Interest in a controlled corporation	124,943,000 (L)	7.12%

Notes:

- (1) The letter "L" denotes the person's long position in the Shares.
- (2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of 363,180,000 shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.
- (3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.
- (4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.
- (5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.
- (6) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Rosy Fortune.



## DIRECTORS' REPORT

- (7) Based on public information available, Cederberg Capital Limited is wholly owned by Cederberg Capital (Cayman). The general partner of Cederberg Capital (Cayman) is Cederberg Capital (Cayman) GP which is owned as to 64% by Krige Dawid. By virtue of the SFO, Krige Dawid is deemed to be interested in Shares held by Cederberg Capital Limited.
- (8) These 124,943,000 shares were directly held by Capital Research and Management Company, which is in turn wholly-owned by The Capital Group Companies, Inc.

Save as disclosed herein, as at 31 December 2021, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

### DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the section headed "Material Related Party Transactions" in note 28 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director 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' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, Mr. Lin Zhong and Mr. Lin Feng, being an executive Director and the non-executive Director, respectively, were substantial shareholders of and held directorship in CIFI Holdings. In 2021, CIFI Group commenced operation of its own property management business in some projects, which was considered to be competing business for the Group. Therefore, Mr. Lin Zhong and Mr. Lin Feng were considered to have interests in competing business for the Group which were required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

### LOAN AND GUARANTEE

During the year ended 31 December 2021, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

### CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at 31 December 2021, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

## CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Connected Transactions" in this annual report and the section headed "Material Related Party Transactions" in note 28 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2021 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the year ended 31 December 2021 or subsisted at the end of the year.

## CONNECTED TRANSACTIONS

During the Reporting Period, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its continuing connected transactions. Details of the relevant continuing connected transactions are as follows:

### Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements

#### 1. CIFI Sales Agency Services Framework Agreement

On 22 March 2019, the Company entered into a sales agency services framework agreement (the "CIFI Sales Agency Services Framework Agreement") with CIFI Holdings, which sets out the principal terms for the provision of sales agency services by the Group to CIFI Group and its associates in respect of unsold residential car parking spaces in the development projects of CIFI Group and its associates for a term commencing from 22 March 2019 to 31 December 2021 (both dates inclusive). On 22 April 2021, the Company and CIFI Holdings entered into a supplemental agreement to extend the scope of the services provided by the Company to CIFI Group under the CIFI Sales Agency Services Framework Agreement to include the sale of unsold residential properties and to revise the annual cap for the year ending 31 December 2021 under the CIFI Sales Agency Services Framework Agreement.

For the year ended 31 December 2021, the transaction amount in respect of the CIFI Sales Agency Services Framework Agreement amounted to approximately RMB34.7 million, which is within the annual cap (as revised from time to time) of RMB48.0 million.

On 23 December 2021, the Company entered into a new sales agency services framework agreement with CIFI Holdings for a term of three years commencing from 1 January 2022 to 31 December 2024 (the "2022 CIFI Sales Agency Services Framework Agreement"). It is estimated that the maximum annual commission payable by CIFI Group to the Group for the sales agency services under the 2022 Sales Agency Services Framework Agreement for each of the three financial years ending 2024 will not exceed RMB75.0 million, RMB110.0 million, and RMB140.0 million, respectively.

At the relevant time, CIFI Holdings was one of our Controlling Shareholders and was therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the CIFI Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the CIFI Sales Agency Services Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the CIFI Sales Agency Services Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.



## DIRECTORS' REPORT

### 2. UCS Sales Agency Services Framework Agreement

On 22 April 2021, the Company and the Ultimate Controlling Shareholders entered into a sales agency services framework agreement (the "UCS Sales Agency Services Framework Agreement"), which sets out the principal terms for the provision of sales agency services by the Group to the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) in respect of unsold residential properties and unsold car parking spaces in the development projects of the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for a term commencing from 22 April 2021 to 31 December 2021.

For the year ended 31 December 2021, the transaction amount in respect of the UCS Sales Agency Services Framework Agreement amounted to approximately RMB881,000, which is within the annual cap of RMB11.8 million.

Ultimate Controlling Shareholders, one of the Controlling Shareholders, are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the UCS Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the UCS Sales Agency Services Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the UCS Sales Agency Services Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.

### 3. CIFI Merchandise Procurement Framework Agreement

On 22 April 2021, the Company and CIFI Holdings entered into a merchandise procurement framework agreement (the "CIFI Merchandise Procurement Framework Agreement"), which sets out the principal terms for the provision of goods and related value-added services by the Group to CIFI Group for a term commencing from 22 April 2021 to 31 December 2023 (both dates inclusive).

For the year ended 31 December 2021, the transaction amount in respect of the CIFI Merchandise Procurement Framework Agreement amounted to approximately RMB21.0 million, which is within the annual cap of RMB86.0 million.

It is estimated that the maximum annual commission payable by CIFI Group to the Group for the merchandise procurement services under the CIFI Merchandise Procurement Framework Agreement for each of the two financial years ending 2023 will not exceed RMB110.0 million and RMB110.0 million, respectively.

At the relevant time, CIFI Holdings was one of our Controlling Shareholders and was therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the CIFI Merchandise Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the CIFI Merchandise Procurement Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the CIFI Merchandise Procurement Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.

#### 4. UCS Merchandise Procurement Framework Agreement

On 22 April 2021, the Company and Ultimate Controlling Shareholders entered into a merchandise procurement framework agreement (the "UCS Merchandise Procurement Framework Agreement"), which sets out the principal terms for the provision of goods and related value-added services by the Group to Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for a term commencing from 22 April 2021 to 31 December 2023 (both dates inclusive).

For the year ended 31 December 2021, the transaction amount in respect of the UCS Merchandise Procurement Framework Agreement amounted to approximately RMB2.5 million, which is within the annual cap of RMB34.0 million.

It is estimated that the maximum annual commission payable by Ultimate Controlling Shareholders and their associates (excluding CIFI Group) to the Group for the merchandise procurement services under the UCS Merchandise Procurement Framework Agreement for each of the two financial years ending 2023 will not exceed RMB40.0 million and RMB40.0 million, respectively.

Ultimate Controlling Shareholders, one of the Controlling Shareholders, are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the UCS Merchandise Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the UCS Merchandise Procurement Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the UCS Merchandise Procurement Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent shareholders' approval requirements.

#### 5. Macalline Property Services Framework Agreement

On 30 November 2021, Macalline Property, an indirect non-wholly-owned subsidiary of the Company, entered into a property services framework agreement (the "Macalline Property Services Framework Agreement") with Red Star Macalline Group Corporation Ltd. ("Red Star Macalline"), pursuant to which Macalline Property and its subsidiaries (collectively the "Macalline Property Group") shall agree to provide to Red Star Macalline, its subsidiaries, branch companies and associates (the "Red Star Macalline Group") property management services for the furnishing shopping malls in the PRC which are operated by the Red Star Macalline Group and certain designated properties held by or used by the Red Star Macalline Group, including but without limitation to (i) property management services for the properties which are operated by or held by the Red Star Macalline Group; (ii) pre-delivery cleaning and house inspection services for the properties operated by the Red Star Macalline Group; and (iii) other value-added services such as additional security, cleaning, greening, as well as repair and maintenance services (the "Macalline Property Services") for a term commencing from 30 November 2021 to 31 December 2023.

For the two months ended 31 December 2021, the transaction amount in respect of the Macalline Property Services Framework Agreement amounted to approximately RMB97.1 million, which is within the annual cap of RMB100.0 million.

It is estimated that the annual cap for the continuing connected transactions under the Macalline Property Services Framework Agreement for each of the two financial years ending 2023 will not exceed RMB650.0 million and RMB700.0 million, respectively.





## DIRECTORS' REPORT

As Red Star Macalline is the holding company of a substantial shareholder of Macalline Property, Red Star Macalline is a connected person of the Company at subsidiary level under the Listing Rules. Therefore, the transactions contemplated under the Macalline Property Services Framework Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Macalline Property Services Framework Agreement are exempt from circular, independent financial advice and shareholders' approval requirements.

### 6. Longzhihui Cleaning Service Framework Agreement

On 30 November 2021, Macalline Property entered into a cleaning services framework agreement (the "Longzhihui Cleaning Service Framework Agreement") with Longzhihui Shanghai Facility Management Service Co., Ltd. (the "Longzhihui Shanghai"), pursuant to which Macalline Property shall, in accordance with its business operation needs, entrust the Longzhihui Shanghai and its subsidiaries (the "Longzhihui Shanghai Group") to provide cleaning services to the Macalline Property Group, including but without limitation to (i) cleaning services with respect to all public areas, passages and elevators of the projects under the management of the Macalline Property Group; (ii) cleaning services with respect to the rooftop area, building peripheries, road surfaces in parking lots, green belts, drainage ditches and various ancillary facilities of rooftop areas, building peripheries and parking lots of the projects under the management of the Macalline Property Group; and (iii) other cleaning services required by the Macalline Property Group on an ad-hoc basis (the "Longzhihui Cleaning Services") for a term commencing from 30 November 2021 to 31 December 2023.

For the two months ended 31 December 2021, the transaction amount in respect of the Longzhihui Cleaning Service Framework Agreement amounted to approximately RMB10.8 million, which is within the annual cap of RMB12.0 million.

It is estimated that the annual cap for the continuing connected transactions under the Longzhihui Cleaning Service Framework Agreement for each of the two financial years ending 2023 will not exceed RMB93.0 million and RMB105.0 million, respectively.

As Longzhihui Shanghai is a fellow subsidiary of Red Star Macalline, and Red Star Macalline is the holding company of a substantial shareholder of Macalline Property, Longzhihui Shanghai is a connected person of the Company at subsidiary level under the Listing Rules. Therefore, the transactions contemplated under the Longzhihui Cleaning Service Framework Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Longzhihui Cleaning Service Framework Agreement are exempt from circular, independent financial advice and shareholders' approval requirements.

## 7. Qingdao Yayuan Management Services Framework Agreement

On 20 September 2019, Qingdao Yayuan entered into a management services framework agreement (the “**Qingdao Yayuan Management Services Framework Agreement**”) with New World (Qingdao) Real Estate Company Limited (新世界(青島)置地有限公司) (“**New World (Qingdao)**”), Nanchang Sunny World Real Estate Company Limited (南昌陽光新地置業有限公司) (“**Nanchang Sunny World**”), and Shanghai Sunny World Jiazhao Internet of Things Company Limited (上海新地嘉兆物聯網有限公司) (“**Jiazhao**”), pursuant to which Qingdao Yayuan shall agree to provide to New World (Qingdao), Nanchang Sunny World and Jiazhao and their respective associates (the “**Qingdao Yayuan Connected Group**”) property management services, including but not limited to (i) property management services for unsold properties, car parking lots and the properties owned by the Qingdao Yayuan Connected Group; (ii) on-site security, cleaning, greening, as well as customer services to property sales offices; (iii) preliminary planning and design consultancy services; and (iv) cleaning and house inspection services to the property projects developed by the Qingdao Yayuan Connected Group upon completion of construction and before delivery of the same to homeowners and other value-added services (the “**Qingdao Yayuan Management Services**”) for a term commencing from 20 September 2019 to 31 December 2021.

For the year ended 31 December 2021, the transaction amount in respect of the Qingdao Yayuan Management Services Framework Agreement amounted to approximately RMB386,000, which is within the annual cap of RMB40.0 million.

As Qingdao Yayuan Connected Group is a substantial shareholder of Qingdao Yayuan, Qingdao Yayuan Connected Group is a connected person of the Company at subsidiary level under the Listing Rules. Therefore, the transactions contemplated under the Qingdao Yayuan Management Services Framework Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Qingdao Yayuan Management Services Framework Agreement are exempt from circular, independent financial advice and shareholders' approval requirements.

### **Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements**

#### 1. CIFI Property Management Services Master Agreement

On 11 November 2019 and 5 November 2020, the Company entered into a property management services master agreement and a supplemental agreement (collectively referred to as the “**2019 CIFI Property Management Services Master Agreement**”) with CIFI Holdings, pursuant to which the Company and its subsidiaries agreed to provide to CIFI Group property management services, including but not limited to (i) preliminary planning and design consultancy services (the “**CIFI Planning Services**”); (ii) property management services for unsold properties, car parking lots and the properties owned by CIFI Group; (iii) on-site security, cleaning, greening, as well as customer services to property sales offices; and (iv) cleaning and house inspection services to the property projects developed by CIFI Group upon completion of construction and before delivery of the same to homeowners and other value-added services (the “**CIFI Property Management Services**”). The 2019 CIFI Property Management Services Master Agreement has a term commencing from 1 January 2020 until 31 December 2022.

The CIFI Planning Services are also included in the scope of CIFI Property Management Services under the 2019 CIFI Property Management Services Master Agreement. For the year ended 31 December 2021, the transaction amount for the CIFI Property Management Services amounted to approximately RMB479.9 million, which is within the annual cap of RMB480.0 million, meanwhile the transaction amount for the CIFI Planning Services amounted to approximately RMB53.8 million, which is also within the annual cap of RMB60.0 million.



## DIRECTORS' REPORT

It was estimated that the annual cap of service fee payable by CIFI Group in relation to the CIFI Property Management Services for the year ending 31 December 2022 is RMB480.0 million, including RMB60.0 million for the CIFI Planning Services.

CIFI Holdings, one of our Controlling Shareholders, is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for the 2019 CIFI Property Management Services Master Agreement are expected to be more than 5% on an annual basis, the transactions under the 2019 CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 2. UCS Property Management Services Master Agreement

On 25 September 2020 and 5 November 2020, the Company and the Ultimate Controlling Shareholders entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "2021 UCS Property Management Services Master Agreement"), pursuant to which the Group agreed to provide property management services, including but not limited to (i) preliminary planning and design consultancy services (the "UCS Planning Services"); (ii) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (iii) on-site securing, cleaning, greening, as well as customer services to property sales offices; and (iv) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, and other value-added services (the "UCS Property Management Services"), for a term commencing from 1 January 2021 and ending on 31 December 2023, and such associates mainly comprise the joint ventures and associated companies of CIFI Group.

The UCS Planning Services are also included in the scope of UCS Property Management Services under the 2021 UCS Property Management Services Master Agreement. For the year ended 31 December 2021, the transaction amount in respect of the UCS Property Management Services amounted to approximately RMB178.4 million, which is within the annual caps of RMB190.0 million, meanwhile the transaction amount in respect of the UCS Planning Services amounted to approximately RMB20.8 million, which is also within the annual cap of RMB26.0 million.

It is estimated that the annual caps of service fee payable by the companies controlled by the associates of the Ultimate Controlling Shareholders (except for CIFI Group) in relation to the UCS Property Management Services (i) for the year ending 31 December 2022 is RMB200.0 million, including RMB27.0 million for the UCS Planning Services; and (ii) for the year ending 31 December 2023 is RMB200.0 million, including RMB27.0 million for the UCS Planning Services.

Ultimate Controlling Shareholders, one of the Controlling Shareholders, are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the 2018 Lin Brothers Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual caps contemplated under the 2018 Lin Brothers Property Management Services Master Agreement and the 2021 UCS Property Management Services Master Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, announcement, Independent shareholders' approval and annual review requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2021, the Group has not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

The Company adjusts the scope and amount of continuing connected transactions and the annual caps exempted from disclosure (where necessary) in accordance with its internal control procedures. During the year ended 31 December 2021, the Company has followed the pricing policies and guidelines for each of the continuing connected transactions disclosed in this annual report when determining the price and terms of such transactions conducted. The Directors are of the view that the Company's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions carried out during the year and confirm the transactions thereunder had been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with 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 auditors have issued their letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules:

- (i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.
- (ii) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions.
- (iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2021 has been provided by the Company to the Stock Exchange.

## DIRECTORS' REPORT

### MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions of the Group for the year ended 31 December 2021 are set out in note 28 to the consolidated financial statements in this annual report.

Save as disclosed above, during the Reporting Period, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

### PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 2 June 2021, the Directors were granted a general mandate to exercise the power of the Company to buy back up to 167,040,000 Shares, representing 10% of the total number of Shares in issue as at 2 June 2021 (the "Buy-back Mandate"). During the year ended 31 December 2021, pursuant to the Buy-back Mandate, the Company bought back an aggregate of 558,000 of its Shares on the Stock Exchange at a total consideration of approximately HK\$6,951,366, exclusive of commissions and other expenses.

Details of the Share buy-backs were as follows:

Date of buy-back	Number of Shares bought back	Consideration per Share		Total consideration paid for the buy-back HK\$
		Highest price paid HK\$	Lowest price paid HK\$	
		16 September 2021	148,000	
17 December 2021	2,000	12.34	24,680	
20 December 2021	408,000	12.20	4,977,600	
<b>Total</b>	<b>558,000</b>		<b>6,951,366</b>	

The Shares bought back by the Company during the year ended 31 December 2021 were not cancelled as at 31 December 2021 but were subsequently cancelled on 3 March 2022.

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles, or the laws of Cayman Islands, which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

### MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2021.

### SIGNIFICANT INVESTMENTS HELD

As at 31 December 2021, the Group did not hold any significant investment.

## MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 30 September 2021, the Group entered into an acquisition agreement, pursuant to which the Group can acquire 51% equity interests in Hunan Meizhong Biophysical Environment Technology Co., Ltd.\* (湖南美中環境生態科技有限公司) ("Meizhong Environment"), for a cash consideration of approximately RMB58.2 million, subject to adjustment. Upon completion of such acquisition in October 2021, the Group became interested in 51% equity interests in Meizhong Environment and Meizhong Environment became a non-wholly-owned subsidiary of the Company. The financial results of Meizhong Environment have been consolidated into the Group's financial statements. For further details of the acquisition of 51% equity interests in Meizhong Environment, please refer to the Company's announcements dated 30 September 2021 and 29 October 2021.

On 15 October 2021, the Group entered into an acquisition agreement, pursuant to which the Group can acquire 80% equity interests in Macalline Property, for a cash consideration of approximately RMB696.0 million. Upon completion of such acquisition in November 2021, the Group became interested in 80% equity interests in Macalline Property and Macalline Property became a non-wholly-owned subsidiary of the Company. The financial results of Macalline Property have been consolidated into the Group's financial statements. Pursuant to the acquisition agreement, post-completion of the acquisition of Macalline Property, the Group and the remaining 20% shareholder of Macalline Property shall, on a pro-rata basis, (i) pay up the unpaid portion of the registered capital of Macalline Property in the amount of RMB90,000,000; and (ii) make additional capital contribution to the registered capital of Macalline Property in the amount of RMB240,000,000, such that the registered and paid-up capital of Macalline Property shall increase from RMB100,000,000 to RMB340,000,000.

Post-completion of the acquisition of Macalline Property, the Group and Tianjin Red Star Macalline World Trade Home Furnishing Company Limited\* (天津紅星美凱龍世貿家居有限公司) ("Tianjin RS") shall transfer their respective 90.1% and 9.9% equity interests in Shanghai Xingyue Property Services Company Limited\* (上海星悅物業服務有限公司) ("Xingyue Property"), a property management service provider in the PRC such equity interests in which were acquired by the Group from Tianjin RS in June 2021, to Macalline Property for a cash consideration in aggregate of RMB330,000,000, with RMB297,330,000 payable to Xuhui Yongsheng (Hainan) Investment Company Limited\* (旭輝永升(海南)投資有限公司) and RMB32,670,000 payable to Tianjin RS. Upon completion of the transfer of Xingyue Property, the Company's indirect interest in Xingyue Property shall be reduced from 90.1% to 80%, meaning the Company is effectively disposing of 10.1% equity interests in Xingyue Property back to the control of Red Star Macalline, the holding company of each of the vendors of the 80% equity interests in Macalline Property, the remaining 20% shareholder of Macalline Property and Tianjin RS, and Xingyue Property shall remain as a subsidiary of the Company.

For further details of the acquisition of 80% equity interests in Macalline Property, please refer to the Company's announcements dated 15 October 2021 and 30 November 2021.

Save as disclosed above, the Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2021.



## DIRECTORS' REPORT

### Fulfillment of performance targets

#### (a) In relation to the acquisition of Qingdao Yayuan

Reference is made to the Company's announcement dated 18 June 2019 and 20 September 2019 and the circular dated 14 August 2019 in relation to the acquisition of an aggregate of 55% equity interest in Qingdao Yayuan Property Management Company Limited\* (青島雅園物業管理有限公司) ("Qingdao Yayuan"). According to the audited consolidated financial statements of Qingdao Yayuan for the year ended 31 December 2021, the profit guarantee for the year ended 31 December 2021, as set out in the Company's announcement dated 18 June 2019 and the circular dated 14 August 2019, has been fulfilled and no compensation has been made.

#### (b) In relation to the acquisition of Meizhong Environment

According to the audited consolidated financial statements of Meizhong Environment for the year ended 31 December 2021, the profit guarantee for the year ended 31 December 2021, as set out in the Company's announcement dated 30 September 2021, has been fulfilled and the consideration needs not be downward adjusted.

#### (c) In relation to the acquisition of Macalline Property

According to the audited consolidated financial statements of Macalline Property for the year ended 31 December 2021, the profit guarantee for the year ended 31 December 2021, as set out in the announcement dated 15 October 2021, has been fulfilled and no compensation has been made.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, saved as disclosed in this annual report, the Group did not have any other immediate plans for material investments and capital assets.

### 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.

### MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

### SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

## **CORPORATE GOVERNANCE**

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the Reporting Period.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 43 to 56 of this annual report.

## **ENVIRONMENTAL POLICIES AND PERFORMANCE**

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2021 to be published in due course.

## **AUDITOR**

On 19 November 2020, the Board appointed Deloitte Touche Tohmatsu as the auditor of the Company with effect from 19 November 2020 to fill the casual vacancy following the resignation of BDO Limited. There has been no change in auditors since then. The consolidated financial statements for the year ended 31 December 2021 have been audited by Deloitte Touche Tohmatsu, Certified Public Accountants, who are proposed for reappointment at the forthcoming AGM.

## **COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS**

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2021, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

By order of the Board

**LIN Zhong**

*Chairman*

Hong Kong, 22 March 2022





## INDEPENDENT AUDITORS' REPORT

# Deloitte.

# 德勤

TO THE SHAREHOLDERS OF  
CIFI EVER SUNSHINE SERVICES GROUP LIMITED  
旭辉永升服务集团有限公司  
(FORMERLY KNOWN AS EVER SUNSHINE LIFESTYLE SERVICES GROUP LIMITED)  
(原名为永升生活服务集团有限公司)  
(incorporated in the Cayman Islands with limited liability)

### OPINION

We have audited the consolidated financial statements of CIFI Ever Sunshine Services Group Limited (formerly known as Ever Sunshine Lifestyle Services Group Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 86 to 179, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 ("HKASs") 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.

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of goodwill</i></p> <p>We identified impairment assessment of goodwill as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amounts of the cash-generating units to which goodwill have been allocated.</p> <p>As disclosed in Note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate. The Group engages independent valuers (the "Valuers") to assist the estimation. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates.</p> <p>As disclosed in Note 16 to the consolidated financial statements, the carrying amounts of goodwill were RMB1,343,707,000 as at 31 December 2021 and no impairment loss was recognised during the year ended 31 December 2021.</p>	<p>Our procedures in relation to the impairment assessment of goodwill included:</p> <ul style="list-style-type: none"> <li>• Discussing with the management to understand the management process and the key controls in impairment assessment of goodwill and the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates;</li> <li>• Evaluating the competency, capabilities and objectivity of the Valuers;</li> <li>• Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the historical financial performance;</li> <li>• Evaluating the appropriateness of pre-tax discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies;</li> <li>• Checking the mathematical accuracy of the VIU calculations; and</li> <li>• Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of the cash-generating unit (or group of cash-generating units) to the previously forecasted results used in the impairment assessment of goodwill.</li> </ul>

## INDEPENDENT AUDITORS' REPORT

### Key audit matter

### How our audit addressed the key audit matter

#### *Estimated provision of expected credit losses ("ECL") of trade and bills receivables*

We identified the estimated provision of ECL of trade and bills receivables as a key audit matter due to the significant management estimates involved in assessing the recoverability of trade and bills receivables.

As disclosed in Note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade and bills receivables and the provision rates are based on groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information.

As disclosed in Notes 17 and 33 to the consolidated financial statements, the carrying amount of trade and bills receivables is RMB788,316,000 as at 31 December 2021, after net off the allowance for credit losses of RMB110,917,000, and allowance for credit losses of RMB56,141,000 was recognised in profit or loss for the year ended 31 December 2021.

Our procedures in relation to the estimated provision of ECL of trade and bills receivables included:

- Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment of trade debtors using provision matrix and evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated by the management;
- Testing the information used by the management to develop the provision matrix, on a sample basis, to the source documents;
- Evaluating the appropriateness of the expected loss rates applied by reference to the historical default rates;
- Checking the mathematical accuracy of the ECL calculations; and
- Evaluating the reasonableness of forward looking information used by the management by reference to available market information.

### OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include 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.

### RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 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 either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.



## INDEPENDENT AUDITORS' REPORT



### 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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 HKSA's 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.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional skepticism 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.



## INDEPENDENT AUDITORS' REPORT

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine the 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 matter 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 the independent auditor' report is Cheung, Wilfred.

**Deloitte Touche Tohmatsu**  
Certified Public Accountants  
HONG KONG  
22 March 2022

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021	2020
		RMB'000	RMB'000
Revenue	6	4,702,816	3,119,563
Cost of services		(3,402,951)	(2,140,056)
Gross profit		1,299,865	979,507
Other income and other gains and losses	7	122,196	(10,278)
Administrative expenses		(382,121)	(271,613)
Selling expenses		(82,799)	(61,065)
Expected credit loss on financial assets		(62,220)	(32,148)
Finance costs	8	(3,486)	(1,498)
Other expenses		(22)	(4,786)
Profit before taxation	9	891,413	598,119
Income tax expense	10	(198,878)	(155,503)
Profit and total comprehensive income for the year		692,535	442,616
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		617,014	390,372
Non-controlling interests	27	75,521	52,244
		692,535	442,616
Earnings per share (RMB)			
Basic earnings per share	12	0.3663	0.2426

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021	2020
		RMB'000	RMB'000
<b>Non-current assets</b>			
Property, plant and equipment	14	112,264	86,201
Investment properties	15	58,970	55,119
Intangible assets	16	371,687	91,049
Goodwill	16	1,343,707	470,952
Deferred tax assets	22	38,196	20,620
Prepayments of property, plant and equipment	18	367	12,448
Deferred contract costs		12,663	—
		<u>1,937,854</u>	<u>736,389</u>
<b>Current assets</b>			
Inventories		3,549	—
Deferred contract costs		4,474	—
Trade and bills receivables	17	788,316	458,628
Prepayments and other receivables	18	536,134	264,688
Other financial assets		—	30,000
Restricted cash	19	11,119	6,873
Bank balances, deposits and cash	19	3,985,046	3,170,589
		<u>5,328,638</u>	<u>3,930,778</u>
<b>Current liabilities</b>			
Trade payables	20	586,364	362,848
Accruals and other payables	21	1,106,347	693,319
Bank loan		1,400	—
Contract liabilities	6	597,347	387,825
Lease liabilities	29	11,250	13,828
Provision for taxation		135,072	124,874
		<u>2,437,780</u>	<u>1,582,694</u>
<b>Net current assets</b>		<u>2,890,858</u>	<u>2,348,084</u>
<b>Total assets less current liabilities</b>		<u>4,828,712</u>	<u>3,084,473</u>



## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2021

	Notes	2021	2020
		RMB'000	RMB'000
<b>Non-current liabilities</b>			
Lease liabilities	29	9,179	15,508
Other long-term payables	21	20,787	4,928
Deferred tax liabilities	22	107,008	46,602
		<u>136,974</u>	<u>67,038</u>
<b>Net assets</b>		<u>4,691,738</u>	<u>3,017,435</u>
<b>Capital and reserves</b>			
Share capital	23	15,519	14,830
Reserves		4,428,294	2,878,604
Equity attributable to owners of the Company		4,443,813	2,893,434
Non-controlling interests	27	247,925	124,001
<b>Total equity</b>		<u>4,691,738</u>	<u>3,017,435</u>

The consolidated financial statements on pages 86 to 179 were approved and authorised for issue by the board of directors on 22 March 2022 and are signed on its behalf by:

\_\_\_\_\_  
Mr. Lin Zhong  
*Director*

\_\_\_\_\_  
Mr. Zhou Hongbin  
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

	Reserves						Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	Share capital	Treasury shares	Share premium	Capital reserve	Other reserve	Statutory reserve				
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	Note 23		note (a)		note (b)	note (c)				
At 1 January 2020	13,607	—	819,354	26,799	(117,600)	48,712	357,025	1,147,897	80,033	1,227,930
Profit and total comprehensive income for the year	—	—	—	—	—	—	390,372	390,372	52,244	442,616
Transfer to statutory reserve	—	—	—	—	—	52,841	(52,841)	—	—	—
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	6,681	6,681
Dividends recognised as distribution (Note 11)	—	—	(73,083)	—	—	—	—	(73,083)	—	(73,083)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(29,010)	(29,010)
Acquisition of subsidiaries (Note 24)	—	—	—	—	—	—	—	—	14,053	14,053
Placement of shares (Note 23)	1,223	—	1,439,809	—	—	—	—	1,441,032	—	1,441,032
Transaction cost attributable to the issue of new shares	—	—	(12,784)	—	—	—	—	(12,784)	—	(12,784)
At 31 December 2020 and 1 January 2021	14,830	—	2,173,296	26,799	(117,600)	101,553	694,556	2,893,434	124,001	3,017,435
Profit and total comprehensive income for the year	—	—	—	—	—	—	617,014	617,014	75,521	692,535
Transfer to statutory reserve	—	—	—	—	—	28,162	(28,162)	—	—	—
Repurchase of shares (note d)	—	(5,714)	—	—	—	—	—	(5,714)	—	(5,714)
Capital contribution from non-controlling shareholders	—	—	—	—	—	—	—	—	70,940	70,940
Transactions with non-controlling shareholders (note e)	—	—	—	—	(20,202)	—	—	(20,202)	(12,468)	(32,670)
Dividends recognised as distribution (Note 11)	—	—	(117,228)	—	—	—	—	(117,228)	—	(117,228)
Dividend paid to non-controlling shareholders	—	—	—	—	—	—	—	—	(51,787)	(51,787)
Acquisition of subsidiaries (Note 24)	—	—	—	—	—	—	—	—	41,718	41,718
Placement of shares (Note 23)	689	—	1,085,462	—	—	—	—	1,086,151	—	1,086,151
Transaction cost attributable to the issue of new shares	—	—	(9,642)	—	—	—	—	(9,642)	—	(9,642)
At 31 December 2021	15,519	(5,714)	3,131,888	26,799	(137,802)	129,715	1,283,408	4,443,813	247,925	4,691,738



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2021

notes:

- (a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.
- (b) Other reserve represents (i) the difference between the nominal amount of the share capital of Shanghai Yongsheng Property Management Co. Ltd. ("Yongsheng Property") and nominal amount of the share capital issued by the Company pursuant to a group reorganisation completed on 6 July 2018 and (ii) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received from changes in the Group's ownership interests in subsidiaries that do not result in change in control over those subsidiaries.
- (c) Statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.
- (d) During the year ended 31 December 2021, the Company has repurchased its own ordinary shares in aggregate of 558,000 shares.
- (e) In November 2021, the Group underwent a restructuring of the shareholding of Shanghai Xingyue Property Services Company Limited ("Shanghai Xingyue") (Note 24) by the means of acquisition of the entire interests in Shanghai Xingyue by a non-wholly owned subsidiary. After the restructuring, the effective interest in Shanghai Xingyue was reduced from 90.1% to 80%. Such transaction is accounted as an equity transaction and the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recorded in other reserve.

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	891,413	598,119
Adjustments for:		
Depreciation of property, plant and equipment	32,974	32,043
Amortisation of intangible assets	40,464	35,314
Expected credit loss of trade and bills receivables	56,141	30,433
Expected credit loss of deposits and other receivables	6,079	1,715
Bank interest income	(39,653)	(27,516)
Interest on other payable	2,264	—
Interest on bank loan	9	—
Interest on lease liabilities	1,213	1,498
(Gain)loss on disposal of property, plant and equipment	(43)	196
Gain from fair value changes of investment properties	(6,763)	(1,105)
Gain from fair value changes of financial assets at fair value through profit and loss("FVTPL")	(54,484)	(6,453)
Net foreign exchange loss	17,606	81,941
Operating profit before working capital changes	947,220	746,185
Increase in inventories	(1,779)	—
Increase in deferred contract costs	(17,137)	—
Increase in trade and bills receivables	(329,729)	(125,493)
Increase in prepayments and other receivables	(226,241)	(126,229)
Increase in restricted cash	(4,246)	(6,873)
Increase in trade payables	190,969	118,227
Increase in accruals and other payables	294,587	182,712
Increase in contract liabilities	193,471	41,706
Cash generated from operations	1,047,115	830,235
Income tax paid	(210,107)	(121,135)
<i>Net cash from operating activities</i>	<b>837,008</b>	<b>709,100</b>

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2021

	2021	2020
	RMB'000	RMB'000
Cash flows from investing activities		
Prepayment of property, plant and equipment	(106)	(10,351)
Purchase of property, plant and equipment	(36,528)	(20,928)
Purchase of intangible assets	(22,980)	—
Withdrawal of restricted cash	—	43,000
Disposal (acquisition) of other financial assets	30,000	(30,000)
Acquisition of subsidiaries, net of cash acquired	(980,485)	(30,148)
Payment for consideration payable	(4,195)	—
Proceed from disposal of property, plant and equipment	249	735
Proceed from disposal of investment properties	2,912	932
Bank interest income received	39,653	27,516
Purchase of financial assets at FVTPL	(3,303,500)	(318,500)
Proceed from disposal of financial assets at FVTPL	3,357,984	324,953
<i>Net cash used in investing activities</i>	<u>(916,996)</u>	<u>(12,791)</u>
Cash flows from financing activities		
Capital contribution from non-controlling shareholders	70,940	6,681
Consideration paid to non-controlling interests for change in interest in a subsidiary	(32,670)	—
Repayment of bank loan	(6,203)	(3,003)
Payment of other payables	(4,630)	—
Proceed from issue of shares	1,086,151	1,441,032
Payment of transaction cost attributable to issue of shares	(9,642)	(12,784)
Payments on repurchase of shares	(5,714)	—
Payment of bills payables	—	(43,000)
Interest on other payables paid	(312)	—
Interest on secured bank loan paid	(9)	—
Interest on lease liabilities paid	(1,213)	(1,498)
Payment of lease liabilities	(15,330)	(13,024)
Dividend payment to its former shareholder of a subsidiary	(6,840)	—
Dividends paid	(166,435)	(102,093)
<i>Net cash from financing activities</i>	<u>908,093</u>	<u>1,272,311</u>
Net increase in cash and cash equivalents	828,105	1,968,620
Cash and cash equivalents at beginning of the year	3,170,589	1,283,642
Effect of exchange rate changes on cash and cash equivalents	(13,648)	(81,673)
Cash and cash equivalents at end of the year, represented by Bank balances, deposits and cash	<u>3,985,046</u>	<u>3,170,589</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

## 1. GENERAL INFORMATION

CIFI Ever Sunshine Services Group Limited (formerly known as Ever Sunshine Lifestyle Services Group Limited) (the “Company”) is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its ultimate controlling parties are Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. Upon completion of sales and purchase of the Company’s share and execution of voting right entrustment agreement between the shareholders of the Company on 30 June 2020, Spectron Enterprises Limited (incorporated in the British Virgin Islands (the “BVI”)) became the immediate holding company of the Company and CIFI Holdings (Group) Co. Ltd. (incorporated in the Cayman Islands with its shares listed on the Stock Exchange) became the ultimate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in Note 26.

The consolidated financial statements are presented in Renminbi (“RMB”), which is the functional currency of the Company.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

#### New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>3</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>4</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>1</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>3</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>3</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>3</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>3</sup>
Amendment to HKFRS 16	Property, Plant and Equipment - Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 April 2021.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>4</sup> Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (CONTINUED)

### Amendments to HKFRS 3 Reference to the Conceptual Framework

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the “Conceptual Framework for Financial Reporting 2018” issued in June 2018 (the “Conceptual Framework”) instead of “Framework for the Preparation and Presentation of Financial Statements” (replaced by the “Conceptual Framework for Financial Reporting 2010” issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial positions and performance of the Group.

## 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

### 3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“Listing Rules”) and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basis of preparation of consolidated financial statements (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies

##### Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Basis of consolidation (continued)**

###### **Changes in the Group's interests in existing subsidiaries**

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

###### **Business combinations or asset acquisitions**

###### *Asset acquisitions*

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

###### *Business combinations*

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred 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. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Framework for the Preparation and Presentation of Financial Statements"(replaced by the "Conceptual Framework for Financial Reporting" issued in October 2010).

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Basis of consolidation (continued)**

##### **Business combinations or asset acquisitions (continued)**

##### *Business combinations (continued)*

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 “Income Taxes” and HKAS 19 “Employee Benefits” respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 “Non-current Assets Held for Sale and Discontinued Operations” are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer’s previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer’s previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary’s net assets in the event of liquidation are initially measured at the non-controlling interests’ proportionate share of the recognised amounts of the acquiree’s identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Basis of consolidation (continued)**

##### **Business combinations or asset acquisitions (continued)**

##### *Business combinations (continued)*

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

##### **Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates or enhances an asset that the customer controls as the Group performs;  
or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group’s obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

##### **Property management services**

For property management services, 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 services income from properties managed under lump sum basis, where the Group acts as principal and is primary 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.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Revenue from contracts with customers (continued)**

###### **Property management services (continued)**

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by pre-determined percentage or fixed amount of the property service fees the property owners are obligated to pay. The Group recognises the fee received or receivables from property management offices of residential communities as its revenue and all related property management costs as its cost of services.

Revenue from property management services (both under lump sum basis and commission basis) is recognised over time in the accounting period which services are rendered.

###### **Community value-added services**

For community value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is normally due immediately when the community value-added services are rendered to the customer.

Revenue from community value-added services is recognised over time except sales and property agency services, which are recognised at a point of time when performance obligations are satisfied.

###### **Value-added services to non-property owners**

Value-added services to non-property owners mainly includes preliminary planning and design consultancy and construction services to property developers or other property management service providers and cleaning, security, greening and repair and maintenance services to property developers at the pre-delivery stage. Other than construction services, 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. Revenue is recognised for construction services based on the stage of completion of the contract using input method.

Revenue from value-added services to non-property owners is recognised over time in the accounting period which services are rendered.

###### **City services**

For city services, 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.

City services mainly include sanitation and cleaning services, revenue from city services is recognised over time in the accounting period which services are rendered.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Revenue from contracts with customers (continued)**

##### **Contracts with multiple performance obligations (including allocation of transaction price)**

For contracts that contain more than one performance obligations (multiple community value-added services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

##### **Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation**

The progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for services provided on a monthly basis), the Group recognises revenue in the amount to which the Group has the right to invoice.

##### **Input method**

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Revenue from contracts with customers (continued)**

###### Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

###### Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its property management services contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

- (a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;
- (b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
- (c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Leases

###### Definition of 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.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

###### The Group as a lessee

###### *Allocation of consideration to components of a contract*

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

###### *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to leases of staff quarters and offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

###### *Right-of-use assets*

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Leases (continued)**

The Group as a lessee (continued)

##### *Right-of-use assets (continued)*

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

##### *Refundable rental deposits*

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

##### *Lease liabilities*

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represents fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Leases (continued)**

The Group as a lessee (continued)

##### *Lease liabilities (continued)*

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

##### **The Group as a lessor**

##### *Classification and measurement of leases*

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as "revenue".



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Leases (continued)**

The Group as a lessor (continued)

##### *Refundable rental deposits*

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

##### **Sale and leaseback transactions**

The Group applies the requirements of HKFRS 15 “Revenue from Contracts with Customers” to assess whether sale and leaseback transaction constitutes a sale by the Group.

##### *The Group as a seller-lessee*

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as other payables within the scope of HKFRS 9.

##### **Foreign currencies**

In preparing the financial statements of each individual group entities, transactions in currencies other than the entity’s functional currency (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

##### **Borrowing costs**

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

##### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under “other income”.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Employee benefits

###### Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

###### Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

##### Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Taxation (continued)**

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxation liabilities and deferred taxation assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Taxation (continued)**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority.

Current and deferred taxation are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

##### **Property, plant and equipment**

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as "buildings".

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

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

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

##### Intangible assets

###### Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Intangible assets (continued)

##### Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Intangible assets (continued)**

###### **Intangible assets acquired in a business combination**

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

##### **Impairment on property, plant and equipment, contract costs and intangible assets other than goodwill**

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, contract costs and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

The recoverable amount of property, plant and equipment, contract costs and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Impairment on property, plant and equipment, contract costs and intangible assets other than goodwill (continued)**

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

##### **Inventories**

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

##### **Financial instruments**

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers, which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payment (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets

##### *Classification and subsequent measurement of financial assets*

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Financial instruments (continued)**

##### Financial assets (continued)

##### *Classification and subsequent measurement of financial assets (continued)*

##### *Amortised cost and interest income*

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

##### *Financial assets at FVTPL*

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other income and other gains and losses" line item.

##### *Impairment of financial assets*

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, deposits and other receivables, restricted cash, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### Financial instruments (continued)

##### Financial assets (continued)

##### *Impairment of financial assets (continued)*

The Group recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings, except for amounts due from fellow subsidiaries which are assessed individually using internal credit rating.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Financial instruments (continued)**

##### **Financial assets (continued)**

##### *Impairment of financial assets (continued)*

(i) Significant increase in credit risk (continued)

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Financial instruments (continued)**

##### Financial assets (continued)

##### *Impairment of financial assets (continued)*

##### (iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- (a) significant financial difficulty of the issuer or the borrower;
- (b) a breach of contract, such as a default or past due event;
- (c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- (d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

##### (iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Financial instruments (continued)**

##### Financial assets (continued)

##### *Impairment of financial assets (continued)*

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on account receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Lifetime ECL for certain trade and bills receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade and bills receivables, and deposits and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Financial instruments (continued)**

##### Financial assets (continued)

##### *Derecognition of financial assets*

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

##### **Financial liabilities and equity instruments**

##### *Classification as debt or equity*

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.2 Significant accounting policies (continued)

##### **Financial instruments (continued)**

Financial liabilities and equity instruments (continued)

##### *Equity instruments*

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

##### *Financial liabilities*

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

##### *Financial liabilities at amortised cost*

Financial liabilities of the Group (including bank loan, trade payables and other payables) are subsequently measured at amortised cost using the effective interest method.

##### *Derecognition of financial liabilities*

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

#### 4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

##### (i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of pre-tax discount rates, a material impairment loss or further impairment loss may arise.

As at 31 December 2021, the carrying amount of goodwill is RMB1,343,707,000 (2020: RMB470,952,000). Details of the recoverable amount calculation are disclosed in Note 16.

##### (ii) Provision of ECL for trade and bills receivables and other receivables

The Group uses internal credit ratings or provision matrix to calculate ECL for the trade and bills receivables and other receivables.

The provision rates are based on internal credit ratings or aging of debtors as groupings of various debtors taking into consideration the Group's historical default rates and forward-looking information that is reasonable and supportable available without undue costs or effort.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables and other receivables are disclosed in Notes 17, 18 and 33.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

#### Information about major customer

For the year ended 31 December 2021, revenue from CIFI Holdings (Group) Co., Ltd., its subsidiaries, joint ventures and associates (the "CIFI Group") contributed 17.1% (2020: 17.6%) of the Group's revenue. Other than the CIFI Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2021 (2020: None).

#### Information about geographical areas

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC for the year ended 31 December 2021 (2020: All).

As at 31 December 2021, all of the non-current assets were located in the PRC (2020: All).

### 6. REVENUE

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

	2021	2020
	RMB'000	RMB'000
Revenue from contract with customer	4,701,850	3,118,873
Others	966	690
Total	<u>4,702,816</u>	<u>3,119,563</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6. REVENUE (CONTINUED)

#### Revenue from contract with customer

##### (a) Disaggregated revenue information

For the year ended 31 December 2021

	Property management services	Community value-added services	Value-added services to non-property owners	City services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Types of goods and services</b>					
<u>Property management services</u>					
Lump sum basis	2,651,157	—	—	—	2,651,157
Commission basis	3,268	—	—	—	3,268
	<u>2,654,425</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>2,654,425</u>
<u>Community value-added services</u>					
Home-living services	—	570,044	—	—	570,044
Parking unit management and leasing services	—	124,176	—	—	124,176
Property agency services	—	321,913	—	—	321,913
Common area value-added services	—	83,351	—	—	83,351
	<u>—</u>	<u>1,099,484</u>	<u>—</u>	<u>—</u>	<u>1,099,484</u>
<u>Value-added services to non-property owners</u>					
Sales assistance services	—	—	353,668	—	353,668
Additional tailored services	—	—	310,021	—	310,021
Preliminary planning and design consultancy services	—	—	96,961	—	96,961
Housing repair services	—	—	67,437	—	67,437
Pre-delivery inspection services	—	—	39,275	—	39,275
	<u>—</u>	<u>—</u>	<u>867,362</u>	<u>—</u>	<u>867,362</u>
<u>City services</u>					
	<u>—</u>	<u>—</u>	<u>—</u>	<u>80,579</u>	<u>80,579</u>
	<u>2,654,425</u>	<u>1,099,484</u>	<u>867,362</u>	<u>80,579</u>	<u>4,701,850</u>
<b>Timing of revenue recognition</b>					
A point in time	—	431,445	21,513	—	452,958
Over time	2,654,425	668,039	845,849	80,579	4,248,892
	<u>2,654,425</u>	<u>1,099,484</u>	<u>867,362</u>	<u>80,579</u>	<u>4,701,850</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6. REVENUE (CONTINUED)

#### Revenue from contract with customer (continued)

##### (a) Disaggregated revenue information (continued)

For the year ended 31 December 2020

	Property management services	Community value-added services	Value-added services to non-property owners	Total
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Types of goods and services</b>				
<u>Property management services</u>				
Lump sum basis	1,754,248	—	—	1,754,248
Commission basis	3,050	—	—	3,050
	<u>1,757,298</u>	<u>—</u>	<u>—</u>	<u>1,757,298</u>
<u>Community value-added services</u>				
Home-living services	—	454,534	—	454,534
Parking unit management and leasing services	—	104,266	—	104,266
Property agency services	—	191,632	—	191,632
Common area value-added services	—	39,463	—	39,463
	<u>—</u>	<u>789,895</u>	<u>—</u>	<u>789,895</u>
<u>Value-added services to non-property owners</u>				
Sales assistance services	—	—	330,480	330,480
Additional tailored services	—	—	103,171	103,171
Preliminary planning and design consultancy services	—	—	79,593	79,593
Housing repair services	—	—	33,474	33,474
Pre-delivery inspection services	—	—	24,962	24,962
	<u>—</u>	<u>—</u>	<u>571,680</u>	<u>571,680</u>
	<u>1,757,298</u>	<u>789,895</u>	<u>571,680</u>	<u>3,118,873</u>
<b>Timing of revenue recognition</b>				
A point in time	—	245,638	—	245,638
Over time	1,757,298	544,257	571,680	2,873,235
	<u>1,757,298</u>	<u>789,895</u>	<u>571,680</u>	<u>3,118,873</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 6. REVENUE (CONTINUED)

#### Revenue from contract with customer (continued)

##### (b) Transaction price allocated to the remaining performance obligation for contracts with customers.

Contracts for property management service and city services are usually long term and the Group bills a fixed amount for service provided every month. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Community value-added services and value-added services to non-property owners are for periods usually less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

##### (c) Details of contract liabilities

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

	2021	2020
	RMB'000	RMB'000
Contract liabilities	597,347	387,825

##### (i) Significant changes in contract liabilities

Contract liabilities of the Group arise from the advance payments made by customers while the property management services or value-added services are yet to be provided. Such liabilities increase as a result of the growth of the Group's business and acquisition of subsidiaries.

##### (ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period carried-forward contract liabilities.

	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	363,125	313,095

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2021	2020
	RMB'000	RMB'000
Other income		
– Bank interest income	39,653	27,516
– Government grants (note)	35,438	32,935
	<u>75,091</u>	<u>60,451</u>
Other gains and losses		
– Net foreign exchange loss	(17,606)	(81,941)
– Gain (loss) on disposal of property, plant and equipment	43	(196)
– Gain from fair value changes of investment properties	6,763	1,105
– Gain from fair value changes of financial assets at FVTPL	54,484	6,453
– Others	3,421	3,850
	<u>47,105</u>	<u>(70,729)</u>
	<u>122,196</u>	<u>(10,278)</u>

Note: Government grants represented unconditional cash payments granted by government authorities.

### 8. FINANCE COSTS

	2021	2020
	RMB'000	RMB'000
Interest on bank loan	9	—
Interest on other payable	2,264	—
Interest on lease liabilities	1,213	1,498
	<u>3,486</u>	<u>1,498</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2021	2020
	RMB'000	RMB'000
Depreciation of property, plant and equipment	32,974	32,043
Amortisation of intangible assets	40,464	35,314
Auditor's remuneration	2,950	2,358
Expected credit loss on trade and bills receivables	56,141	30,433
Expected credit loss on deposits and other receivables	6,079	1,715
Expected credit loss on financial assets	62,220	32,148
Expense relating to short-term leases rented premises	15,327	10,226
Expense relating to leases of low-value assets plant and machinery	626	12
Staff costs (including directors' emoluments - Note 13):		
Salaries, wages and other benefits	1,188,747	805,384
Bonus	145,710	91,296
Retirement scheme contribution (note)	203,547	72,214
	<u>1,538,004</u>	<u>968,894</u>

Note: For the year ended 31 December 2021, COVID-19 related government assistance amounted to RMB2,495,000 (2020: RMB62,127,000) have been offset against staff costs.

### 10. INCOME TAX EXPENSE

	2021	2020
	RMB'000	RMB'000
PRC Enterprise Income Tax:		
Current tax	220,393	175,254
Over-provision in respect of prior year	(635)	(2,735)
	219,758	172,519
Deferred tax (Note 22):		
Credited to profit or loss for the year	(20,880)	(17,016)
	<u>198,878</u>	<u>155,503</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 10. INCOME TAX EXPENSE (CONTINUED)

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the PRC subsidiaries are i) 25%, ii) 15% if registered or engaged in the encouraged industries and registered in the western region of the PRC, iii) 15% if regarded as advanced technology enterprise by local tax bureau or iv) 15% if registered and operating in the Hainan Free Trade Port.

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.

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2021	2020
	RMB'000	RMB'000
Profit before taxation	891,413	598,119
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	222,853	149,530
Effect of different tax rates	(26,290)	(12,646)
Tax effect of expenses not deductible for tax purposes	2,483	20,820
Tax effect of tax losses not recognised	981	627
Utilisation of tax losses previously not recognised	(514)	(93)
Over-provision of tax for the prior year	(635)	(2,735)
Income tax expense	<u>198,878</u>	<u>155,503</u>

### 11. DIVIDENDS

	2021	2020
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2020 Final - HK\$0.0838 (2019 Final - HK\$0.0479) per ordinary share	<u>117,228</u>	<u>73,083</u>

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2021 of HK\$0.1299 (2020: final dividend in respect of the year ended 31 December 2020 of HK\$0.0838) per ordinary share, in an aggregate amount of HK\$227,654,000 (2020: HK\$139,980,000), has been proposed by the board of the Company and is subject to approval by the shareholders in the forthcoming annual general meeting.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 12. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity owners of the Company is based on the following data:

	2021	2020
	RMB'000	RMB'000
<b>Earnings</b>		
Profit attributable to the equity owners of the Company	617,014	390,372
	2021	2020
	'000	'000
<b>Number of shares</b>		
Weighted average number of ordinary shares	1,684,301	1,609,258

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both years.

### 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

#### (a) Directors' emoluments

	Salaries, allowance and benefits				Total
	Fees	in kind	Discretionary bonuses	Retirement scheme contributions	
Year ended 31 December 2021					
<i>Executive director</i>					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	4,343	660	122	5,125
Mr. Zhou Di	—	1,268	660	92	2,020
<i>Non-executive director</i>					
Mr. Lin Feng	—	—	—	—	—
<i>Independent non-executive director</i>					
Mr. Ma Yongyi	202	—	—	—	202
Mr. Cheung Wai Chung	205	—	—	—	205
Mr. Yu Tiecheng (note i)	27	—	—	—	27
Mr. Wang Peng (note ii)	—	—	—	—	—
	434	5,611	1,320	214	7,579

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

#### (a) Directors' emoluments (continued)

	Fees RMB'000	Salaries, allowance and benefits in kind RMB'000	Discretionary bonuses RMB'000	Retirement scheme contributions RMB'000	Total RMB'000
<b>Year ended 31 December 2020</b>					
<i>Executive director</i>					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	4,062	660	52	4,774
Mr. Zhou Di (note iii)	—	1,400	660	52	2,112
<i>Non-executive director</i>					
Mr. Lin Feng	—	—	—	—	—
Mr. Ge Ming (note iv)	—	—	—	—	—
<i>Independent non-executive director</i>					
Mr. Ma Yongyi	200	—	—	—	200
Mr. Wang Peng	—	—	—	—	—
Mr. Cheung Wai Chung	200	—	—	—	200
	<u>400</u>	<u>5,462</u>	<u>1,320</u>	<u>104</u>	<u>7,286</u>

notes:

- (i) Mr. Yu Tiecheng was appointed as an independent non-executive director on 16 November 2021.
- (ii) Mr. Wang Peng was removed as an independent non-executive director on 14 December 2021.
- (iii) Mr. Zhou Di was appointed as an executive director on 30 March 2020.
- (iv) Mr. Ge Ming resigned from the non-executive director on 30 March 2020.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive directors' emoluments shown above were paid for their services as directors of the Company.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

#### (a) Directors' emoluments (continued)

There was no arrangement under which a director or the Chief Executive Officer waived or agreed to waive any remuneration during the year.

Discretionary bonus is determined by reference to the performance of individuals and the Group.

#### (b) The five highest paid individuals

The five highest paid individuals of the Group are analysed as follows:

	2021	2020
	Number of individuals	Number of individuals
Directors	2	2
Non-directors, the highest paid individual	3	3
	<u>5</u>	<u>5</u>

Details of the emoluments of the above non-directors, the highest paid individual for the year ended 31 December 2021 and 2020 are as follows:

	2021	2020
	RMB'000	RMB'000
Salaries and other emoluments	3,618	3,302
Discretionary bonuses	1,320	1,971
Retirement scheme contribution	325	148
	<u>5,263</u>	<u>5,421</u>

The number of the highest paid non-directors fell within the following emolument band:

	2021	2020
	Number of individuals	Number of individuals
HK\$2,000,001 to HK\$2,500,000	<u>3</u>	<u>3</u>

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment and software	Transportation equipment	Furniture and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>						
At 1 January 2020	39,067	11,004	26,578	1,534	6,492	84,675
Additions	21,170	11,632	17,813	719	2,035	53,369
Acquisition of subsidiaries (Note 24)	—	386	1,552	1,436	—	3,374
Disposals	—	—	(3,723)	(845)	(833)	(5,401)
<b>At 31 December 2020 and 1 January 2021</b>	<b>60,237</b>	<b>23,022</b>	<b>42,220</b>	<b>2,844</b>	<b>7,694</b>	<b>136,017</b>
Reclassify to intangible assets	—	—	(21,941)	—	—	(21,941)
Additions	6,423	15,748	6,053	12,371	2,356	42,951
Acquisition of subsidiaries (Note 24)	2,787	—	1,494	27,653	690	32,624
Disposals	—	—	(237)	(330)	(134)	(701)
<b>At 31 December 2021</b>	<b>69,447</b>	<b>38,770</b>	<b>27,589</b>	<b>42,538</b>	<b>10,606</b>	<b>188,950</b>
<b>ACCUMULATED DEPRECIATION</b>						
At 1 January 2020	9,877	3,076	8,006	609	675	22,243
Depreciation	13,800	7,321	8,179	551	2,192	32,043
Disposals	—	—	(3,218)	(769)	(483)	(4,470)
<b>At 31 December 2020 and 1 January 2021</b>	<b>23,677</b>	<b>10,397</b>	<b>12,967</b>	<b>391</b>	<b>2,384</b>	<b>49,816</b>
Reclassify to intangible assets	—	—	(5,609)	—	—	(5,609)
Depreciation	15,723	6,674	4,899	3,621	2,057	32,974
Disposals	—	—	(163)	(260)	(72)	(495)
<b>At 31 December 2021</b>	<b>39,400</b>	<b>17,071</b>	<b>12,094</b>	<b>3,752</b>	<b>4,369</b>	<b>76,686</b>
<b>NET BOOK VALUE</b>						
At 31 December 2020	36,560	12,625	29,253	2,453	5,310	86,201
At 31 December 2021	30,047	21,699	15,495	38,786	6,237	112,264

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Buildings	Shorter of the asset's useful life and the lease term on a straight-line basis
Leasehold improvements	Over the remaining life of lease term
Computer equipment and software	3 years
Transportation equipment	5-15years
Furniture and equipment	3 years

Building is held for own use and situated in the PRC.

At 31 December 2021, the Group has pledged owned properties with carrying amounts of RMB2,749,000 (31 December 2020: Nil) to secure general banking facilities granted to the Group.

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leased equipment	Leased properties	Total
	RMB'000	RMB'000	RMB'000
As at 31 December 2021			
Carrying amount	—	20,583	20,583
As at 31 December 2020			
Carrying amount	—	29,282	29,282
For the year ended 31 December 2021			
Depreciation charge	—	15,122	15,122
For the year ended 31 December 2020			
Depreciation charge	12	13,236	13,248

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2021	2020
	RMB'000	RMB'000
Total cash outflow for leases	32,496	24,760
Additions to right-of-use assets	<u>6,423</u>	<u>21,170</u>

The Group leases various offices and office equipment for its operations. Lease contracts are entered into for fixed term of one to five years with no extension and termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

### 15. INVESTMENT PROPERTIES

The Group leases out various storage units and carparks with fixed rentals payable monthly. The leases typically run for an initial period of one to five years.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2021	2020
	RMB'000	RMB'000
Fair value		
At 1 January	55,119	50,814
Addition	—	4,132
Disposals	(2,912)	(932)
Change in fair value	<u>6,763</u>	<u>1,105</u>
At 31 December	<u>58,970</u>	<u>55,119</u>
Unrealised gain on property revaluation included in profit or loss	<u>6,945</u>	<u>1,243</u>

The fair value of the Group's investment properties as at 31 December 2021 and 2020, have been arrived at on the basis of valuation carried out on the respective dates by an independent valuer who holds a recognised and relevant professional qualification and has recent experience in the location and category of the investment property being valued.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 15. INVESTMENT PROPERTIES (CONTINUED)

Details of the valuation of investment properties are as follows:

	Valuation Techniques	Significant unobservable input and range	
		2021	2020
Commercial property 2021: RMB2,560,000 2020: RMB4,230,000	Income capitalisation approach (2020: Direct comparison approach)	Discount rate: 5.0% Rental growth rate: 2.5% Prevailing daily market rent: RMB 6 per square metre per day	Average market unit price: RMB48,300 per square metre
Storage units 2021: RMB850,000 2020: RMB691,000	Income capitalisation approach	Discount rate: 5.0% Rental growth rate: 1.0% Prevailing daily market rent: RMB0.5-0.53 per square metre per day	Discount rate: 5.5% Rental growth rate: 2.3% Prevailing daily market rent: RMB0.35-0.90 per square metre per day
Carparks 2021: RMB55,560,000 2020: RMB50,198,000	Direct comparison approach (2020: Income capitalisation approach)	Average market unit price: RMB4,267 per square metre	Discount rate: 5.5% Rental growth rate: 2.3% Prevailing daily market rent: RMB0.35-0.90 per square metre per day

A significant increase in the rental growth rate, prevailing daily market rent or average market unit price used would result in a significant increase in fair value, and vice versa. A significant increase in the discount rate used would result in a significant decrease in fair value, and vice versa.

The fair values of all investment properties are measured on Level 3 fair value measurement. There were no transfers into or out of Level 3 during the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. GOODWILL AND INTANGIBLE ASSETS

	2021	2020
	RMB'000	RMB'000
Intangible assets	371,687	91,049
Goodwill	1,343,707	470,952
	<u>1,715,394</u>	<u>562,001</u>

	Intangible assets - property management contracts and customer relationship			
	Goodwill	Software	Total	
	RMB'000	RMB'000	RMB'000	RMB'000
<b>COST</b>				
At 1 January 2020	105,000	431,128	—	536,128
Acquisition of subsidiaries (Note 24)	25,763	39,824	—	65,587
At 31 December 2020 and 1 January 2021	130,763	470,952	—	601,715
Reclassify from property, plant and equipment	—	—	21,941	21,941
Acquisition of subsidiaries (Note 24)	269,603	872,755	—	1,142,358
Additions	—	—	35,167	35,167
At 31 December 2021	<u>400,366</u>	<u>1,343,707</u>	<u>57,108</u>	<u>1,801,181</u>
<b>ACCUMULATED AMORTISATION</b>				
At 1 January 2020	4,400	—	—	4,400
Amortisation	35,314	—	—	35,314
At 31 December 2020 and 1 January 2021	39,714	—	—	39,714
Reclassify from property, plant and equipment	—	—	5,609	5,609
Amortisation	32,178	—	8,286	40,464
At 31 December 2021	<u>71,892</u>	<u>—</u>	<u>13,895</u>	<u>85,787</u>
<b>NET BOOK VALUE</b>				
At 31 December 2021	<u>328,474</u>	<u>1,343,707</u>	<u>43,213</u>	<u>1,715,394</u>
At 31 December 2020	<u>91,049</u>	<u>470,952</u>	<u>—</u>	<u>562,001</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

The intangible assets arising from property management contracts and customers' relationship and goodwill were arisen from acquisition of subsidiaries from third parties.

The intangible assets arising from property management contracts and customers' relationship have finite useful lives and are amortised on a straight line basis from one to twenty years.

Software are amortised on a straight line basis for five years.

Impairment test on goodwill is performed at least annually.

#### **IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS - PROPERTY MANAGEMENT CONTRACTS AND CUSTOMER RELATIONSHIP**

For the purposes of impairment testing, goodwill and intangible assets - property management contracts and customer relationship have been allocated to individual groups of CGUs. The carrying amounts of goodwill and intangible assets allocated to these units are as follows:

	Goodwill		Intangible assets - property management contracts and customer relationship	
	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000
Qingdao Yayuan Property Management Co., Ltd ("Qingdao Yayuan")	413,898	413,898	55,234	73,700
Shanghai Xingyue	229,819	—	95,236	—
Shanghai Macalline Property Management Services Co., Ltd. ("Macalline Property")	589,050	—	159,272	—
Other groups of CGUs	110,940	57,054	18,732	17,349
	<b>1,343,707</b>	<b>470,952</b>	<b>328,474</b>	<b>91,049</b>

In addition to goodwill and intangible assets above, property, plant and equipment that generate cash flows together with the related goodwill and intangible assets are also included in the respective groups of CGUs for the purpose of impairment assessment.

The recoverable amounts of the above groups of CGUs were determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by the management of the Group covering a 5-year (2020: 5-year) period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

#### **IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS - PROPERTY MANAGEMENT CONTRACTS AND CUSTOMER RELATIONSHIP (continued)**

	Qingdao Yayuan	Shanghai Xingyue	Macalline Property	Other groups of CGUs
Pre-tax discount rate				
31 December 2021	15.9%	17.3%	16.7%	14.5%-17.8%
31 December 2020	15.9%	N/A	N/A	14.9%-16.8%
Growth rate within 5-year period				
31 December 2021	3.7%	5.2%	5.0%	1.9%-7.9%
31 December 2020	4.3%	N/A	N/A	1.9%-5.9%
Long-term growth rate				
31 December 2021	3.0%	3.0%	3.0%	3.0%
31 December 2020	3.0%	N/A	N/A	3.0%

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the group of CGUs. The growth rate within the 5-year (2020: 5-year) period have been based on past experience. The cash flows beyond the 5-year (2020: 5-year) period are extrapolated using estimated growth rates stated above. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the CGUs to exceed their respective recoverable amount.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. TRADE AND BILLS RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Trade receivables		
– Related parties	136,322	80,507
– Third parties	761,313	428,697
	897,635	509,204
Bills receivables	1,598	5,618
Total	899,233	514,822
Less: allowance for credit losses	(110,917)	(56,194)
	<u>788,316</u>	<u>458,628</u>

As at 1 January 2020, trade and bills receivables from contracts with customers amounted to RMB342,006,000.

All bills received by the Group are with a maturity period of less than one year.

Trade receivables mainly arise from property management services income under lump sum basis, value-added services to non-property owners and city services.

Property management services income under lump sum basis and service income from city services is due for payment by the residents upon the issuance of demand note. Service income from property management services are received in accordance with the term of the relevant property service agreements.

The maturity of the bills receivable of the Group as at 31 December 2021 and 2020 is within 6 months. As at 31 December 2021 and 2020, no bills receivable is due from related parties.

Details of impairment assessment of trade and bills receivables are set out in Note 33.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 17. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 31 December 2021 and 2020, the ageing analysis of the trade and bills receivables net of expected credit loss presented based on invoice date were as follows:

	2021	2020
	RMB'000	RMB'000
Within 1 year	628,043	373,521
1 to 2 years	118,452	66,424
2 to 3 years	33,549	15,730
3 to 4 years	6,726	2,874
4 to 5 years	1,546	79
	<u>788,316</u>	<u>458,628</u>

### 18. PREPAYMENTS AND OTHER RECEIVABLES

	2021	2020
	RMB'000	RMB'000
Included in current assets		
Deposits and other receivables		
– Related parties (Note)	230,983	60,066
– Third parties	<u>259,782</u>	<u>174,088</u>
Total	490,765	234,154
Less: allowance for credit losses of deposits and other receivables	<u>(21,219)</u>	<u>(15,140)</u>
	469,546	219,014
Prepayments	65,956	56,525
Interest receivables	<u>999</u>	<u>1,597</u>
	536,501	277,136
Less: Prepayments for property, plant and equipment	<u>(367)</u>	<u>(12,448)</u>
Prepayments and other receivables presented as current assets	<u>536,134</u>	<u>264,688</u>

Note: Deposits and other receivables from related parties mainly included refundable deposits to secure the sales collection of car parks from the buyers. The deposits will be refunded when the car parks are sold out.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 19. RESTRICTED CASH AND BANK BALANCES, DEPOSITS AND CASH

	2021	2020
	RMB'000	RMB'000
Restricted cash	11,119	6,873
Cash on hand	47	13
Fixed deposits with original maturity less than 3 months	155,000	960,512
Bank balances	3,829,999	2,210,064
	<b>3,985,046</b>	<b>3,170,589</b>

Bank balances and deposits carry interest at market rates which range from 0.3% to 2.95% (2020: 0.3% to 1.89%).

Notes:

- (a) At 31 December 2021, bank balances, deposits and cash in the amount of RMB30,867,000 (2020: RMB1,052,670,000), RMB3,948,069,000 (2020: RMB2,112,047,000) and RMB6,110,000 (2020: RMB5,872,000) are denominated in HK\$, RMB and USD respectively. The cash and cash equivalent denominated in RMB are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.
- (b) Restricted cash includes housing maintenance funds of RMB5,584,000 (2020: RMB3,790,000) which were owned by the property owners but were deposited in the bank accounts in the name of the Group. Such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 20. TRADE PAYABLES

	2021	2020
	RMB'000	RMB'000
Trade payables		
– Related parties	20,955	5,900
– Third parties	565,409	356,948
	<u>586,364</u>	<u>362,848</u>

Based on the receipt of services and goods, which normally coincided with the invoice dates, the aging analysis of the Group's trade payables as at 31 December 2021 and 2020 as follows:

	2021	2020
	RMB'000	RMB'000
Within 1 year	538,777	342,139
1 to 2 years	35,453	20,025
2 to 3 years	11,621	684
3 to 4 years	513	—
	<u>586,364</u>	<u>362,848</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 21. ACCRUALS AND OTHER PAYABLES

	2021	2020
	RMB'000	RMB'000
Accruals and other payables		
– Related parties (note a)	222,339	65,196
– Third parties	528,966	391,260
	<u>751,305</u>	<u>456,456</u>
Amount due to a director (note a)	84	84
Provision for legal dispute (note b)	2,878	4,893
Dividends payable to non-controlling shareholders of subsidiaries	2,580	—
Amount due to former shareholders of a subsidiary	—	6,840
Consideration payables for acquisition of a subsidiary (note c)	24,472	7,274
Salaries payables	231,428	148,647
Other tax payables	114,387	74,053
	<u>1,127,134</u>	<u>698,247</u>
Less: Amount shown under non-current liabilities	<u>(20,787)</u>	<u>(4,928)</u>
Accruals and other payables presented as current liabilities	<u><u>1,106,347</u></u>	<u><u>693,319</u></u>

Notes:

- (a) The balance is unsecured, interest-free and repayable on demand.
- (b) The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.

As at 31 December 2021 and 2020, the provision for legal dispute reconciles to the opening for that provision as follows:

	Total
	RMB'000
At 1 January 2020	1,429
Additional provision	4,236
Utilisation of provision	(772)
At 31 December 2020 and 1 January 2021	<u>4,893</u>
Reversal of provision	(1,660)
Utilisation of provision	(355)
At 31 December 2021	<u><u>2,878</u></u>

- (c) The amount represents the consideration payables for acquisition of subsidiaries. Included amount of RMB19,383,000 (2020: RMB4,274,000) are due 12 months after the reporting period and therefore presented as non-current liabilities.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 22. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements for the years ended 31 December 2021 and 2020 are as follows:

#### Deferred tax assets

	Impairment loss on trade and bills receivables	Impairment loss on other receivables	Provision for legal dispute	Accumulated tax losses	Lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	7,171	3,537	358	765	—	11,831
Acquisition of subsidiaries (Note 24)	437	90	—	—	—	527
Credited (charged) to profit or loss for the year	7,608	429	865	(654)	76	8,324
At 31 December 2020 and 1 January 2021	15,216	4,056	1,223	111	76	20,682
Acquisition of subsidiaries (Note 24)	3,152	239	—	—	—	3,391
Credited (charged) to profit or loss for the year	13,429	1,384	(503)	(111)	(76)	14,123
At 31 December 2021	<u>31,797</u>	<u>5,679</u>	<u>720</u>	<u>—</u>	<u>—</u>	<u>38,196</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 22. DEFERRED TAX (CONTINUED)

#### Deferred tax liabilities

	Withholding tax of undistributed profits	Fair value adjustment of management contract & customer relationship	Fair value adjustment of revalued property, plant and equipment	Fair value adjustment for investment properties	Lease	Total
	RMB'000 (note a)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	(11,926)	(25,150)	(958)	(10,439)	(43)	(48,516)
Acquisition of subsidiaries (Note 24)	—	(6,441)	(399)	—	—	(6,840)
Credited (charged) to profit or loss for the year	—	8,828	231	(348)	(19)	8,692
At 31 December 2020 and 1 January 2021	(11,926)	(22,763)	(1,126)	(10,787)	(62)	(46,664)
Acquisition of subsidiaries (Note 24)	—	(66,380)	(721)	—	—	(67,101)
Credited (charged) to profit or loss for the year	—	7,916	212	(1,394)	23	6,757
At 31 December 2021	<u>(11,926)</u>	<u>(81,227)</u>	<u>(1,635)</u>	<u>(12,181)</u>	<u>(39)</u>	<u>(107,008)</u>

#### Notes:

- (a) No deferred tax liability has been provided on certain temporary difference of RMB906,673,000 (2020: RMB448,191,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.
- (b) At 31 December 2021, the Group had unused tax losses of approximately RMB3,925,000 (2020: RMB2,953,000) available to offset against future profits. Deferred taxation assets have been recognised in respect of such losses of approximately Nil (2020: RMB444,000) at 31 December 2021. No deferred taxation asset has been recognised in respect of the remaining losses of approximately RMB3,925,000 (2020: RMB2,509,000) at 31 December 2021 due to the unpredictability of future profit streams. The unrecognised tax losses will expire by year 2025.

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2021	2020
	RMB'000	RMB'000
Deferred tax assets	38,196	20,620
Deferred tax liabilities	<u>(107,008)</u>	<u>(46,602)</u>
	<u>(68,812)</u>	<u>(25,982)</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 23. SHARE CAPITAL

	2021		2020	
	Number	Amount	Number	Amount
	'000	RMB'000	'000	RMB'000
<b>Authorised:</b>				
As at 1 January and 31 December	<u>4,000,000</u>	<u>35,462</u>	<u>4,000,000</u>	<u>35,462</u>

	Notes	2021		2020	
		Number	Amount	Number	Amount
		'000	RMB'000	'000	RMB'000
<b>Issued and fully paid:</b>					
As at 1 January		1,670,400	14,830	1,536,400	13,607
Placement of shares	(a)(b)	<u>83,520</u>	<u>689</u>	<u>134,000</u>	<u>1,223</u>
At 31 December		<u>1,753,920</u>	<u>15,519</u>	<u>1,670,400</u>	<u>14,830</u>

Notes:

- (a) On 1 November 2021, a total of 83,520,000 placing shares have been successfully placed at the placing price of HK\$15.76 per share to no less than six independent placees, who and whose respective ultimate beneficial owners are third parties independent of and not connected with the Company, any director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or any of its respective associates as defined by the Listing Rules, and not acting in concert with the Company and its concert parties.
- (b) On 16 June 2020, a total of 134,000,000 placing shares have been successfully placed at the placing price of HK\$11.78 per share to no less than six independent placees, who and whose respective ultimate beneficial owners are third parties independent of and not connected with the Company, any director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or any of its respective associates as defined by the Listing Rules, and not acting in concert with the Company and its concert parties.

## 24. ACQUISITION OF SUBSIDIARIES

### For the year ended 31 December 2021

#### Acquisitions of business

The Group has the following significant acquisitions of subsidiaries during the year ended 31 December 2021:

- (i) On 25 March 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 90.1% equity interests in Shanghai Xingyue, a company whose principal activity is provision of property management and other community services. The acquisition was completed in June 2021.
- (ii) On 30 September 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 51% equity interests in Hunan Meizhong Environment Ecological Technology Company Limited ("Hunan Meizhong"), a company whose principal activity is provision of city services. The acquisition was completed in October 2021.
- (iii) On October 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 80% equity interests in Macalline Property, a company whose principal activity is provision of property management and other community services. The acquisition was completed in November 2021.

The Group has also completed other insignificant acquisitions of subsidiaries during the year ended 31 December 2021.

These acquisitions were made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and have been accounted for as acquisition of businesses using the acquisition method.

#### Consideration transferred

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration paid	297,330	39,483	696,000	4,422	1,037,235
Consideration payable	—	17,130	—	2,312	19,442
<b>Total</b>	<b>297,330</b>	<b>56,613</b>	<b>696,000</b>	<b>6,734</b>	<b>1,056,677</b>

The consideration of Shanghai Xingyue, Hunan Meizhong and Macalline Property is subject to adjustment of profit guarantee granted by the seller. The management believes that the fair value of the above profit guarantee is insignificant on the acquisition date and as at 31 December 2021.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### For the year ended 31 December 2021 (continued)

##### Consideration transferred (continued)

Acquisition-related costs amounting to RMB1,665,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	—	31,684	254	686	32,624
Intangible assets – property management contracts and customers relationship	98,400	10,203	161,000	—	269,603
Deferred tax assets	—	580	—	2,811	3,391
Trade receivables	—	40,868	999	14,233	56,100
Prepayments and other receivables	—	33,930	10,461	18,426	62,817
Inventories	—	1,770	—	—	1,770
Bank balances, deposits and cash	1,129	12,334	33,520	9,767	56,750
Trade payables	—	(10,539)	—	(22,008)	(32,547)
Accruals and other payables	—	(77,080)	(32,294)	(24,192)	(133,566)
Contract liabilities	—	(10,270)	(2)	(5,779)	(16,051)
Provision for taxation	—	—	—	(547)	(547)
Bank loan	—	(7,603)	—	—	(7,603)
Deferred tax liabilities	(24,600)	(2,200)	(40,250)	(51)	(67,101)
Net identifiable assets (liabilities)	<u>74,929</u>	<u>23,677</u>	<u>133,688</u>	<u>(6,654)</u>	<u>225,640</u>

The trade receivables and other receivables acquired with a fair value of RMB116,793,000 as at the date of acquisitions had gross contractual amounts of RMB131,873,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB15,080,000.

The fair value of intangible assets acquired in business combination is estimated by independent valuers through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### For the year ended 31 December 2021 (continued)

##### Goodwill arising on the acquisition

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred	297,330	56,613	696,000	6,734	1,056,677
Add: Non-controlling interests	7,418	11,601	26,738	(4,039)	41,718
Less: Fair value of net identifiable assets acquired	(74,929)	(23,677)	(133,688)	6,654	(225,640)
Goodwill arising on the acquisition	<u>229,819</u>	<u>44,537</u>	<u>589,050</u>	<u>9,349</u>	<u>872,755</u>

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Goodwill arose on the acquisition of subsidiaries because the expected future development of acquirees' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

##### Net cash outflows arising on the acquisition

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration paid	297,330	39,483	696,000	4,422	1,037,235
Less: Bank balances, deposits and cash	(1,129)	(12,334)	(33,520)	(9,767)	(56,750)
	<u>296,201</u>	<u>27,149</u>	<u>662,480</u>	<u>(5,345)</u>	<u>980,485</u>

##### Impact of acquisitions on the results of the Group

Since the acquisitions dates, these subsidiaries in aggregate have contributed RMB313,821,000 and RMB35,614,000 to the Group's revenue and profit for the period, if the acquisitions had occurred on 1 January 2021, the Group's revenue and profit would have been RMB5,018,920,000 and RMB709,513,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future performance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### For the year ended 31 December 2020

##### Acquisitions of business

On 27 February 2020, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 50% of equity interests in Qingdao Yinshengtai Property Management Services Company Limited ("Qingdao Yinshengtai"), a company whose principal activity is provision of property management and other community services. By execution of the sales and purchase agreement, all of the strategic financial and operating decisions required approval by simple majority of the board of directors, of which three directors and two directors are nominated by the Group and the other shareholders, respectively. Since the Group obtained effective control of voting power to govern the relevant activities of the entity, Qingdao Yinshengtai is regarded as a subsidiary of the Group.

On 1 April 2020, the Group entered into a sales and purchase agreement with independent third parties for the acquisition of 51% of equity interests in Jiangsu Xiangjiang Property Development Company Limited ("Jiangsu Xiangjiang"), a company whose principal activity is provision of property management and other community services.

These acquisitions were made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and have been accounted for as acquisition of business using the acquisition method.

##### Consideration transferred

	Qingdao Yinshengtai	Jiangsu Xiangjiang	Total
	RMB'000	RMB'000	RMB'000
Cash consideration paid	8,644	38,378	47,022
Consideration payable (Note 21)	—	7,274	7,274
Total	<u>8,644</u>	<u>45,652</u>	<u>54,296</u>

The consideration of Jiangsu Xiangjiang is subject to adjustment of profit guarantee granted by the seller. The management believes that the fair value of the above profit guarantee is insignificant on the acquisition date and as at 31 December 2020.

Acquisition-related costs amounting to RMB277,000 have been excluded from the consideration transferred and have been recognised as an expense in the year ended 31 December 2020, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### For the year ended 31 December 2020 (continued)

##### Assets acquired and liabilities recognised at the date of acquisition

	Qingdao	Jiangsu	Total
	Yinshengtai	Xiangjiang	
	Fair value	Fair value	
	RMB'000	RMB'000	RMB'000
Property, plant and equipment	1,724	1,650	3,374
Intangible assets – property management contracts and customers relationship	7,163	18,600	25,763
Deferred tax assets	177	350	527
Trade receivables	9,398	16,297	25,695
Prepayments and other receivables	14,412	2,976	17,388
Bank balances, deposits and cash	12,842	4,032	16,874
Trade payables	(3,028)	—	(3,028)
Accruals and other payables	(20,571)	(12,464)	(33,035)
Contract liabilities	(11,657)	(145)	(11,802)
Provision for taxation	(910)	(2,478)	(3,388)
Bank loan	—	(3,003)	(3,003)
Deferred tax liabilities	(1,930)	(4,910)	(6,840)
Net identifiable assets	<u>7,620</u>	<u>20,905</u>	<u>28,525</u>

The trade receivables and other receivables acquired with a fair value of RMB32,881,000 as at the date of acquisitions had gross contractual amounts of RMB34,947,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB2,066,000.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 24. ACQUISITION OF SUBSIDIARIES (CONTINUED)

#### For the year ended 31 December 2020 (continued)

##### Goodwill arising on acquisition

	Qingdao	Jiangsu	Total
	Yinshengtai	Xiangjiang	
	RMB'000	RMB'000	RMB'000
Consideration transferred	8,644	45,652	54,296
Add: Non-controlling interests	3,810	10,243	14,053
Less: Fair value of net identifiable assets acquired	(7,620)	(20,905)	(28,525)
Goodwill arising on acquisition	<u>4,834</u>	<u>34,990</u>	<u>39,824</u>

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Goodwill arose on the acquisition of subsidiaries because the expected future development of acquirees' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc.. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

##### Net cash outflows arising on acquisitions

	Qingdao	Jiangsu	Total
	Yinshengtai	Xiangjiang	
	RMB'000	RMB'000	RMB'000
Cash consideration paid	8,644	38,378	47,022
Less: Bank balances, deposits and cash	(12,842)	(4,032)	(16,874)
	<u>(4,198)</u>	<u>34,346</u>	<u>30,148</u>

##### Impact of acquisitions on the results of the Group

Since the acquisitions dates, Qingdao Yinshengtai and Jiangsu Xiangjiang in aggregate have contributed RMB162,652,000 and RMB22,109,000 to the Group's revenue and profit for the year ended 31 December 2020, if the acquisitions had occurred on 1 January 2020, the Group's revenue and profit would have been RMB3,154,865,000 and RMB450,923,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future performance.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 25. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2021	2020
		RMB'000	RMB'000
<b>Non-current assets</b>			
Interests in subsidiaries		153,511	153,511
Amounts due from subsidiaries (note i)		1,993,055	949,425
<b>Total non-current assets</b>		<b>2,146,566</b>	<b>1,102,936</b>
<b>Current assets</b>			
Bank balances, deposits and cash		897,437	1,010,248
<b>Total current assets</b>		<b>897,437</b>	<b>1,010,248</b>
<b>Total assets</b>		<b>3,044,003</b>	<b>2,113,184</b>
<b>Current liabilities</b>			
Amount due to a subsidiary		—	10,680
<b>Total current liabilities</b>		<b>—</b>	<b>10,680</b>
<b>NET ASSETS</b>		<b>3,044,003</b>	<b>2,102,504</b>
<b>Capital and reserves</b>			
Share capital	23	15,519	14,830
Reserves (note ii)		3,028,484	2,087,674
<b>TOTAL EQUITY</b>		<b>3,044,003</b>	<b>2,102,504</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 25. COMPANY'S STATEMENT OF FINANCIAL POSITION (CONTINUED)

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

Notes:

- (i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The amounts are not expected to be repaid within 12 months after reporting period and therefore classified as non-current assets.
- (ii) Movements in reserves

	Treasury shares	Share premium	Retained earnings (Accumulated losses)	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
<b>Balance at 1 January 2020</b>	—	819,354	6,246	825,600
Loss and total comprehensive loss for the year	—	—	(91,868)	(91,868)
Dividend paid	—	(73,083)	—	(73,083)
Placement of shares	—	1,439,809	—	1,439,809
Transaction cost attributable to the issue of new shares	—	(12,784)	—	(12,784)
<b>Balance at 31 December 2020 and 1 January 2021</b>	—	2,173,296	(85,622)	2,087,674
Loss and total comprehensive loss for the year	—	—	(12,068)	(12,068)
Dividend paid	—	(117,228)	—	(117,228)
Placement of shares	—	1,085,462	—	1,085,462
Shares repurchase	(5,714)	—	—	(5,714)
Transaction cost attributable to the issue of new shares	—	(9,642)	—	(9,642)
<b>Balance at 31 December 2021</b>	<b>(5,714)</b>	<b>3,131,888</b>	<b>(97,690)</b>	<b>3,028,484</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES

Details of the major subsidiaries are as follows:

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Elite Force Investment Limited	Corporation registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Elite Force International Limited	Corporation registered under Hong Kong Companies Ordinance	HK\$100	100%	100%	Investment Holding in Hong Kong
City Lights Assets Limited	Corporation registered under Hong Kong Companies Ordinance	HK\$100	100%	100%	Investment Holding in Hong Kong
Prominent Intellectuals Limited	Corporation registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Yongsheng Property	Corporation registered under the PRC law	RMB112,000,000	100%	100%	Property Management in the PRC
Xiamen Yongsheng Property Service Company Limited	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Beijing Yongsheng Property Service Company Limited	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Shanghai Xiaole Enterprises Development Co., Ltd (Formerly known as Shanghai Heding Enterprises Development Co., Ltd)	Corporation registered under the PRC law	RMB102,000,000	100%	100%	Property Management in the PRC
Ningbo Yongda Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Bengbu Yongsheng Property Management Co., Ltd.	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Shandong Luban Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	70%	70%	Property Management in the PRC
Hubei Yufu Meijia Property Agency Company Limited	Corporation registered under the PRC law	RMB2,010,000	100%	100%	Property Management in the PRC
Hubei Xu Mei Yongsheng Property Company Limited	Corporation registered under the PRC law	RMB2,010,000	100%	100%	Property Management in the PRC
Shanghai Shengkuang Construction and Engineering Co.,Ltd.	Corporation registered under the PRC law	RMB9,000,000	100%	100%	Construction and Maintenance in the PRC
Suzhou Xinyong Property Management Co., Ltd.	Corporation registered under the PRC law	RMB5,000,000	51%	51%	Property Management in the PRC
Qingdao Yayuan Property Management Co., Ltd.	Corporation registered under the PRC law	RMB5,000,000	55%	55%	Property Management in the PRC
Shandong Huizhong Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Runhe Property Management Company Limited	Corporation registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Yinshengtai Property Management Company Limited (iii)	Corporation registered under the PRC law	RMB3,000,000	50%	50%	Property Management in the PRC
Tangshan Yongsheng yujing Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	65%	65%	Property Management in the PRC
Jiangsu Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB10,000,000	100%	100%	Property Management in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Chongqing Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	100%	100%	Property Management in the PRC
Chongqing Xuyuan Tiancheng Property Management Company Limited	Corporation registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Liaoning Guangna Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Shanghai Yongsheng Yizhi Property Management Company Limited (iii)	Corporation registered under the PRC law	RMB1,000,000	50%	50%	Property Management in the PRC
Yongsheng Jiuwu Shuzi Technology (Wuhan) Company Limited	Corporation registered under the PRC law	RMB3,000,000	100%	100%	Software and Technology Services
Linjiu zhihui Technology (Guangdong) Company Limited	Corporation registered under the PRC law	HK150,000,000.00	100%	100%	Software and Technology Services
Guangxi Yongsheng Qingxin Property Management Company Limited	Corporation registered under the PRC law	RMB2,000,000	70%	70%	Property Management in the PRC
Jiangsu Xiangjiang	Corporation registered under the PRC law	RMB10,180,000	51%	51%	Property Management in the PRC
Qingdao Yinshengtai (iii)	Corporation registered under the PRC law	RMB1,000,000	50%	50%	Property Management in the PRC
Ningbo Shenghui Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Dezhou Jiaotou Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB2,000,000	51%	51%	Property Management in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Shanghai Xinhui Enterprise Development Company Limited	Corporation registered under the PRC law	RMB1,000,000	100%	100%	Construction and Maintenance in the PRC
Yunnan Yongsheng Yaoxing Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Shanghai Zhenku Technology Company Limited	Corporation registered under the PRC law	RMB10,000,000	100%	100%	Software and Technology Services
Bijie Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	60%	60%	Property Management in the PRC
Weihai Yongsheng Xinghai Property Management Company Limited	Corporation registered under the PRC law	RMB1,120,000	55%	55%	Property Management in the PRC
Chengdu Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Tianjin Yongsheng Property Management Company Limited	Corporation registered under the PRC law	RMB5,000,000	51%	51%	Property Management in the PRC
Liupanshui Tongluowan Property Management Company Limited	Corporation registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Heilongjiang Baoyujiahui Property Management Company (iii)	Corporation registered under the PRC law	RMB1,000,000	50%	50%	Property Management in the PRC
Siyang Xuhui Yongsheng Life Service Company Limited	Corporation registered under the PRC law	USD1,000,000	90%	90%	Property Management in the PRC
Xuhui Yongsheng (Hainan) Investment Company Limited	Corporation registered under the PRC law	HK\$200,000,000	100%	100%	Investment in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Beijing Dayitianxia Technology Company Limited	Corporation registered under the PRC law	RMB1,000,000	100%	100%	Software and Technology Services
Huaian Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	100%	—	Property Management in the PRC
Shanghai Yonglin Enterprises Development Co., Ltd (ii)	Corporation registered under the PRC law	RMB500,000	100%	—	Property Management in the PRC
Shanghai Yongbao Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Huaxinxian (Beijing) Property Management Company Limited (i) and (iii)	Corporation registered under the PRC law	RMB5,000,000	50%	—	Property Management in the PRC
Guangan Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB2,000,000	55%	—	Property Management in the PRC
Liupanshui Yongsheng Zhihui Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Cangzhou Zeqing Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	60%	—	Property Management in the PRC
Wuxi Huisheng City Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	51%	—	Property Management in the PRC
Jieshou Chengtou Xuhui Yongsheng Life Service Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	51%	—	Property Management in the PRC
Shandong Guangcheng Property Management Company Limited (ii) and (iii)	Corporation registered under the PRC law	RMB3,010,000	35%	—	Property Management in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Shandong Yongzhu Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB3,010,000	60%	—	Property Management in the PRC
Changsha Yongsheng Yuecheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Shoucheng Yongsheng (Hainan) Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB10,000,000	51%	—	Property Management in the PRC
Shanghai Xingyue Property Management Company Limited (i)	Corporation registered under the PRC law	RMB1,000,000	80%	—	Property Management in the PRC
Shanghai Yongxin Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB10,000,000	100%	—	Property Management in the PRC
Shandong Yongzhong Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB3,000,000	55%	—	Property Management in the PRC
Yongsheng Gengrun (Jinan) Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Henan Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Yunnan Yongsheng Hongxiang Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Shanghai Yihao Yongsheng Property Management Company Limited (ii) and (iii)	Corporation registered under the PRC law	RMB5,000,000	49%	—	Property Management in the PRC
Handan Yongsheng Hulian Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB5,000,000	60%	—	Property Management in the PRC

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 26. INTERESTS IN SUBSIDIARIES (CONTINUED)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation/ operation and principal activities
			2021	2020	
Xuancheng Yongxin Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB3,000,000	100%	—	Property Management in the PRC
Shaanxi Yongsheng Tianjie Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Macalline Property(i)	Corporation registered under the PRC law	RMB340,000,000	80%	—	Property Management in the PRC
Hunan Meizhong(ii)	Corporation registered under the PRC law	RMB5,000,000	51%	—	Sanitation Services in the PRC
Ningbo Shengxu Property Management Company Limited(ii)	Corporation registered under the PRC law	RMB1,000,000	100%	—	Property Management in the PRC
Beijing Yongsheng Shidai Enterprises Development Co., Ltd (ii)	Corporation registered under the PRC law	RMB10,000,000	51%	—	Property Management in the PRC
Changsha Yongsheng Huiyue Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	51%	—	Property Management in the PRC
Bengbu Yongjia Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB1,000,000	65%	—	Property Management in the PRC
Guizhou Guihe Yongsheng Property Management Company Limited (ii)	Corporation registered under the PRC law	RMB3,000,000	51%	—	Property Management in the PRC

Notes:

- (i) The subsidiaries were acquired by the Group during the year ended 31 December 2021 (Note 24).
- (ii) The subsidiaries were established by the Group during the year ended 31 December 2021.
- (iii) The Group has the right to appoint a majority of directors to the board of directors. Hence the Group has the control over these entities to affect its returns. Therefore, these entities are accounted for as subsidiaries of the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 27. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2021	2020	2021	2020	2021	2020
				RMB'000	RMB'000	RMB'000	RMB'000
Qingdao Yayuan	PRC	45%	45%	28,159	22,847	56,807	53,843
Macalline Property	PRC	20%	—	4,604	—	92,292	—
Individually immaterial subsidiaries with non-controlling interests				42,758	29,397	98,826	70,158
				<u>75,521</u>	<u>52,244</u>	<u>247,925</u>	<u>124,001</u>

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Qingdao Yayuan	2021	2020
	RMB'000	RMB'000
Revenue	280,430	253,065
Profit and total comprehensive income	62,576	50,771
Profit attributable to non-controlling interests	28,159	22,847
<b>For the year ended 31 December</b>		
Dividends paid to non-controlling interests	25,195	17,309
Cash flows from operating activities	73,335	69,058
Cash flows from investing activities	308	43,702
Cash flows used in financing activities	(69,598)	(85,415)
Net cash inflows	<u>4,045</u>	<u>27,345</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 27. NON-CONTROLLING INTERESTS (CONTINUED)

	2021	2020
	RMB'000	RMB'000
Current assets	167,369	161,165
Non-current assets	68,831	91,406
Current liabilities	(89,788)	(104,543)
Non-current liabilities	(20,176)	(28,376)
Net assets	<u>126,236</u>	<u>119,652</u>
Accumulated non-controlling interests	<u>56,807</u>	<u>53,843</u>
<b>Macalline Property</b>	<b>2021</b>	<b>2020</b>
	RMB'000	RMB'000
Revenue	160,892	—
Profit and total comprehensive income	23,022	—
Profit attributable to non-controlling interests	4,604	—
<b>For the year ended 31 December</b>		
Dividends paid to non-controlling interests	—	—
Cash flows from operating activities	50,818	—
Cash flows used in investing activities	(328,883)	—
Cash flows from financing activities	340,000	—
Net cash inflows	<u>61,935</u>	<u>—</u>
	<b>2021</b>	<b>2020</b>
	RMB'000	RMB'000
Current assets	110,003	—
Non-current assets	484,660	—
Current liabilities	(69,578)	—
Non-current liabilities	(63,627)	—
Net assets	<u>461,458</u>	<u>—</u>
Accumulated non-controlling interests	<u>92,292</u>	<u>—</u>



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 28. MATERIAL RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

#### (a) Related parties transactions

	2021	2020
	RMB'000	RMB'000
<b>Property management services</b>		
Fellow subsidiaries (note i)	43,174	61,572
Associates and joint ventures of the ultimate holding company (note ii)	12,186	12,769
Subsidiaries of Red Star Macalline Group Corporation Ltd. ("Red Star Macalline") (note iii)	134,634	—
<b>Total</b>	<b>189,994</b>	<b>74,341</b>
<b>Community value-added services</b>		
Fellow subsidiaries (note i)	68,560	53,558
Associates and joint ventures of the ultimate holding company (note ii)	22,986	12,495
<b>Total</b>	<b>91,546</b>	<b>66,053</b>
<b>Value-added services to non-property owners</b>		
Fellow subsidiaries (note i)	423,956	284,189
Associates and joint ventures of the ultimate holding company (note ii)	231,954	124,718
Subsidiaries of Red Star Macalline Group Corporation Ltd. (note iii)	23,934	—
<b>Total</b>	<b>679,844</b>	<b>408,907</b>
<b>Purchase of services</b>		
Subsidiaries of Red Star Macalline Group Corporation Ltd. (note iii)	19,320	—

Notes:

- (i) Represented the subsidiaries of CIFI Holdings (Group) Co. Ltd.
- (ii) The amount include associates and joint ventures of CIFI Holdings (Group) Co. Ltd., which became the ultimate holding company of the Company since 30 June 2020.
- (iii) Represented the subsidiaries of Red Star Macalline which is a non-controlling shareholder having a significant influence over Macalline Property.

The remuneration paid and payable to the key management personnel of the Group who are also the directors of the Company for the year is set out in Note 13.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 28. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

#### (b) Related parties balances

	2021	2020
	RMB'000	RMB'000
<b>Trade and bills receivables</b>		
Fellow subsidiaries	—	16,412
Associates and joint ventures of the ultimate holding company	123,451	64,095
Subsidiaries of Red Star Macalline	12,871	—
Total	<u>136,322</u>	<u>80,507</u>
<b>Deposits and other receivables</b>		
Fellow subsidiaries	192,311	55,433
Associates and joint ventures of the ultimate holding company	38,672	4,633
Total	<u>230,983</u>	<u>60,066</u>
<b>Prepayments</b>		
Fellow subsidiaries	719	122
<b>Trade payables</b>		
Fellow subsidiaries	8,520	5,900
Associates and joint ventures of the ultimate holding company	682	—
Subsidiaries of Red Star Macalline	11,753	—
Total	<u>20,955</u>	<u>5,900</u>
<b>Other payables</b>		
Fellow subsidiaries	166,913	64,952
Associates and joint ventures of the ultimate holding company	55,426	244
Total	<u>222,339</u>	<u>65,196</u>
<b>Contract liabilities</b>		
Fellow subsidiaries	49,066	21,946
Associates and joint ventures of the ultimate holding company	5,369	3,057
Subsidiaries of Red Star Macalline	5,211	—
Total	<u>59,646</u>	<u>25,003</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 29. LEASE LIABILITIES

Lease liabilities payable:

	2021	2020
	RMB'000	RMB'000
Not later than one year	11,250	13,828
Later than one year and not later than two years	4,927	8,616
Later than two years and not later than five years	4,252	6,892
	<u>20,429</u>	<u>29,336</u>
Less: Amount due for settlement within 12 months shown under current liabilities	<u>(11,250)</u>	<u>(13,828)</u>
Amount due for settlement after 12 months shown under non-current liabilities	<u>9,179</u>	<u>15,508</u>

The weighted average incremental borrowing rates applied to lease liabilities range 3.85% to 6.00% (2020: from 3.85% to 6.00%).

### 30. COMMITMENTS

	2021	2020
	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment and intangible assets	<u>6,096</u>	<u>4,785</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to former shareholder RMB'000	Bills payables RMB'000	Dividend payables RMB'000	Bank loan RMB'000	Lease liabilities RMB'000	Other payables RMB'000
<b>As at 1 January 2020</b>	6,840	43,000	—	—	21,190	—
Change from financing cash flow						
– Repayments	—	(43,000)	(102,093)	(3,003)	(13,024)	—
– Interest paid	—	—	—	—	(1,498)	—
	—	(43,000)	(102,093)	(3,003)	(14,522)	—
Non-cash changes						
– New leases	—	—	—	—	21,170	—
– Accrued dividends	—	—	102,093	—	—	—
– Acquisition of subsidiaries (Note 24)	—	—	—	3,003	—	—
– Finance costs	—	—	—	—	1,498	—
	—	—	102,093	3,003	22,668	—
<b>As at 31 December 2020</b>	<b>6,840</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>29,336</b>	<b>—</b>
Change from financing cash flow						
– Repayments	(6,840)	—	(166,435)	(6,203)	(15,330)	(4,630)
– Interest paid	—	—	—	(9)	(1,213)	(312)
	(6,840)	—	(166,435)	(6,212)	(16,543)	(4,942)
Non-cash changes						
– New leases	—	—	—	—	6,423	—
– Accrued dividends	—	—	169,015	—	—	—
– Acquisition of subsidiaries (Note 24)	—	—	—	7,603	—	10,719
– Finance costs	—	—	—	9	1,213	312
	—	—	169,015	7,612	7,636	11,031
<b>As at 31 December 2021</b>	<b>—</b>	<b>—</b>	<b>2,580</b>	<b>1,400</b>	<b>20,429</b>	<b>6,089</b>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 32. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

The management regards total equity as capital. The amount of capital as at 31 December 2021 and 2020 amounted to RMB4,691,738,000 and RMB3,017,435,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

### 33. FINANCIAL RISK MANAGEMENT

#### a. Categories of financial instruments

	2021	2020
	RMB'000	RMB'000
<b>Financial assets</b>		
Financial assets at amortised cost	5,254,979	3,856,688
Other financial assets at FVTPL	—	30,000
<b>Financial liabilities</b>		
Amortised cost	1,366,205	833,502
Lease liabilities	20,429	29,336

#### b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, other financial assets at FVTPL, restricted cash, bank balances and deposits, trade payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (a) Market risk

##### Currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB. The Group's foreign currency denominated monetary assets are mainly bank balances at the end of each reporting period and the carrying amounts are as follows:

	2021	2020
	RMB'000	RMB'000
Assets		
Hong Kong dollars	30,867	1,052,670
USD	6,110	5,872
	<u>36,977</u>	<u>1,058,542</u>

The following table details the Group's sensitivity to a 5% (2020: 5%) increase and decrease in RMB against the relevant foreign currency. The sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit after taxation for the year where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after taxation and the amounts below would be negative.

	2021	2020
	RMB'000	RMB'000
Profit after taxation	<u>1,777</u>	<u>50,736</u>

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure.

##### Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted cash (Note 19), bank balances and deposits (Note 19), bank loan and lease liabilities (Note 29). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 19). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (a) Market risk (continued)

###### Interest rate risk (continued)

The Group has no significant interest - bearing assets and liabilities other than restricted cash, bank balances and deposits. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

###### Interest rate sensitivity

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (restricted cash, bank balances and deposits). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease for bank balances and deposits are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of bank balances and deposits respectively.

At the end of the reporting period, if interest rates had been increased/decreased by 50 basis points in respect of restricted cash, bank balances and deposits, the Group's profit after taxation would increase/decrease by approximately RMB16,184,000 (2020: RMB11,915,000) for the year ended 31 December 2021.

##### (b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, deposits and other receivables, restricted cash and bank balances and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with bills receivables is mitigated because settlement of bills receivables are backed by bills issued by reputable financial institutions.

The Group performed impairment assessment for financial assets and other items under ECL model. The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (b) Credit risk and impairment assessment (continued)

				2021	2020
				Gross carrying amount	Gross carrying amount
				RMB'000	RMB'000
Notes	Credit rating		12m or lifetime ECL		
<b>Financial assets at amortised cost</b>					
Trade and bills receivables	17	N/A	(ii) Life-time ECL (provision matrix)	677,208	383,357
		N/A	(ii) Life-time ECL (credit-impaired and provision matrix)	222,025	115,053
		Ba2 (2020:Ba2)	Life-time ECL	—	16,412
				<u>899,233</u>	<u>514,822</u>
Other receivables and deposits	18	N/A	(iii) Life-time ECL (credit-impaired)	99,724	25,130
		N/A	(iii) 12m ECL	198,730	153,591
		Ba2 (2020:Ba2)	(iii) 12m ECL	192,311	55,433
				<u>490,765</u>	<u>234,154</u>
Interest receivables	18	N/A	(iii) 12m ECL	999	1,597
Restricted cash and bank balances and deposits	19	N/A	(i) 12m ECL	3,996,118	3,177,449



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (b) Credit risk and impairment assessment (continued)

###### (i) Restricted cash and bank balances and deposits

The Group expects that there is no significant credit risk associated with deposits and bank balances since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

###### (ii) Trade and bills receivables

The Group has large number of customers and there was no concentration of credit risk. In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As part of the Group's credit risk management, the Group applies internal credit rating individually for trade and bills receivables due from fellow subsidiaries. For other party trade and bills receivables, the Group using provision matrix based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade and bills receivables as at 31 December 2021 and 2020.

Trade and bills receivables	Third parties and other related parties						Fellow subsidiaries	Total
	Up to 1 year	1 to 2 year	2 to 3 year	3 to 4 year	4 to 5 year	Over 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At 31 December 2020</b>								
Expected loss rate	6.8%	19.6%	34.5%	60.3%	75.4%	100.0%	1.8%	
Gross carrying amount	383,357	82,621	24,000	7,247	321	864	16,412	514,822
Loss allowance provision	25,953	16,197	8,270	4,373	242	864	295	56,194
<b>At 31 December 2021</b>								
Expected loss rate	7.3%	20.6%	34.4%	56.0%	71.6%	100.0%	—	
Gross carrying amount	677,208	149,092	51,171	15,275	5,444	1,043	—	899,233
Loss allowance provision	49,165	30,640	17,622	8,549	3,898	1,043	—	110,917

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (b) Credit risk and impairment assessment (continued)

##### (iii) Other receivables

Other receivables mainly included or comprised other receivables from related parties, payments on behalf of property owners, deposits, interest receivables and others. For payments on behalf of property owners, the Group applies internal credit rating based on debtors' aging. For other receivables from related parties, deposits, interest receivables and others the management makes periodic individual assessment on the recoverability of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Other receivables and deposits	Other parties	Fellow subsidiaries	Total
	RMB'000	RMB'000	RMB'000
<b>At 31 December, 2020</b>			
Expected loss rate	7.8%	1.8%	
Gross carrying amount	180,318	55,433	235,751
Loss allowance provision	<u>14,140</u>	<u>1,000</u>	<u>15,140</u>
<b>At 31 December, 2021</b>			
Expected loss rate	5.8%	1.9%	
Gross carrying amount	299,453	192,311	491,764
Loss allowance provision	<u>17,475</u>	<u>3,744</u>	<u>21,219</u>

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (b) Credit risk and impairment assessment (continued)

As at 31 December 2021 and 2020, the loss allowance provision for trade and bills receivables and other receivables and deposits reconciles to the opening loss allowance for that provision as follows:

	Trade and bills receivables	Other receivables	Total
	RMB'000	RMB'000	RMB'000
At 1 January 2020	25,761	13,425	39,186
Provision for loss allowance recognised in profit or loss	30,433	1,715	32,148
At 31 December 2020 and 1 January 2021	56,194	15,140	71,334
Provision for loss allowance recognised in profit or loss	56,141	6,079	62,220
Written-offs	(1,418)	—	(1,418)
<b>At 31 December 2021</b>	<b>110,917</b>	<b>21,219</b>	<b>132,136</b>

The increase (2020: increase) in the loss allowance of RMB62,220,000 (2020: RMB32,148,000) was due to net increase (2020: increase) in the gross carrying amount after the settlement of trade and bills receivables and other receivables and origination of new trade and bills receivables and other receivables.

##### (c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

### 33. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### b. Financial risk management objectives and policies (continued)

##### (c) Liquidity risk (continued)

The table includes both interest and principal cash flows.

	Range of interest rate	Carrying amount	Total	Within	More than	More than
			contractual undiscounted cash flows	one year or on demand	1 year but less than 2 years	2 years but less than 5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>As at 31 December 2020</b>						
Trade payables	—	362,848	362,848	362,848	—	—
Other payables	—	463,380	463,380	463,380	—	—
Consideration payable	16.40%	7,274	10,390	4,195	4,195	2,000
Lease liabilities	3.85% - 6.00%	29,336	31,337	14,892	9,153	7,292
		<u>862,838</u>	<u>867,955</u>	<u>845,315</u>	<u>13,348</u>	<u>9,292</u>
<b>As at 31 December 2021</b>						
Trade payables	—	586,364	586,364	586,364	—	—
Bank loan	4.00%	1,400	1,404	1,404	—	—
Other payables	Nil - 8.05%	753,969	754,247	752,827	1,420	—
Consideration payables	3.80% - 16.40%	24,472	27,366	6,503	7,185	13,678
Lease liabilities	3.85% - 6.00%	20,429	21,547	11,914	5,217	4,416
		<u>1,386,634</u>	<u>1,390,928</u>	<u>1,359,012</u>	<u>13,822</u>	<u>18,094</u>

### 34. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

The management considers that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

### 35. EVENT AFTER THE REPORTING DATE

In December 2021, Yongsheng Property entered into the framework agreement with 麗水錦茂企業管理工作室 and 麗水金瀾企業管理工作室 regarding the acquisition of the 100% equity interest in Zhengzhou Jinyi Property Services Co., Ltd. ("Zhengzhou Jinyi") at the consideration of RMB 145,000,000. Zhengzhou Jinyi is principally engaged in property management and other community services. This acquisition was completed in January 2022. As the date of the approval of the consolidated financial statements, the directors are still assessing the financial impact of this acquisition.

## FINANCIAL SUMMARY

### For the year ended 31 December

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	4,702,816	3,119,563	1,877,822	1,075,830	725,317
Profit for the year	692,535	442,616	248,954	100,240	76,442
Attributable to:					
Owners of the Company	617,014	390,372	223,845	100,521	76,442
Non-controlling interests	75,521	52,244	25,109	(281)	—

### As at 31 December

	2021	2020	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	7,266,492	4,667,167	2,478,100	1,492,860	702,356
Total liabilities	2,574,754	1,649,732	1,250,170	590,260	457,686
Net assets	4,691,738	3,017,435	1,227,930	902,600	244,670
Equity attributable to					
owners of the Company	4,443,813	2,893,434	1,147,897	898,931	244,670
Non-controlling interests in equity	247,925	124,001	80,033	3,669	—