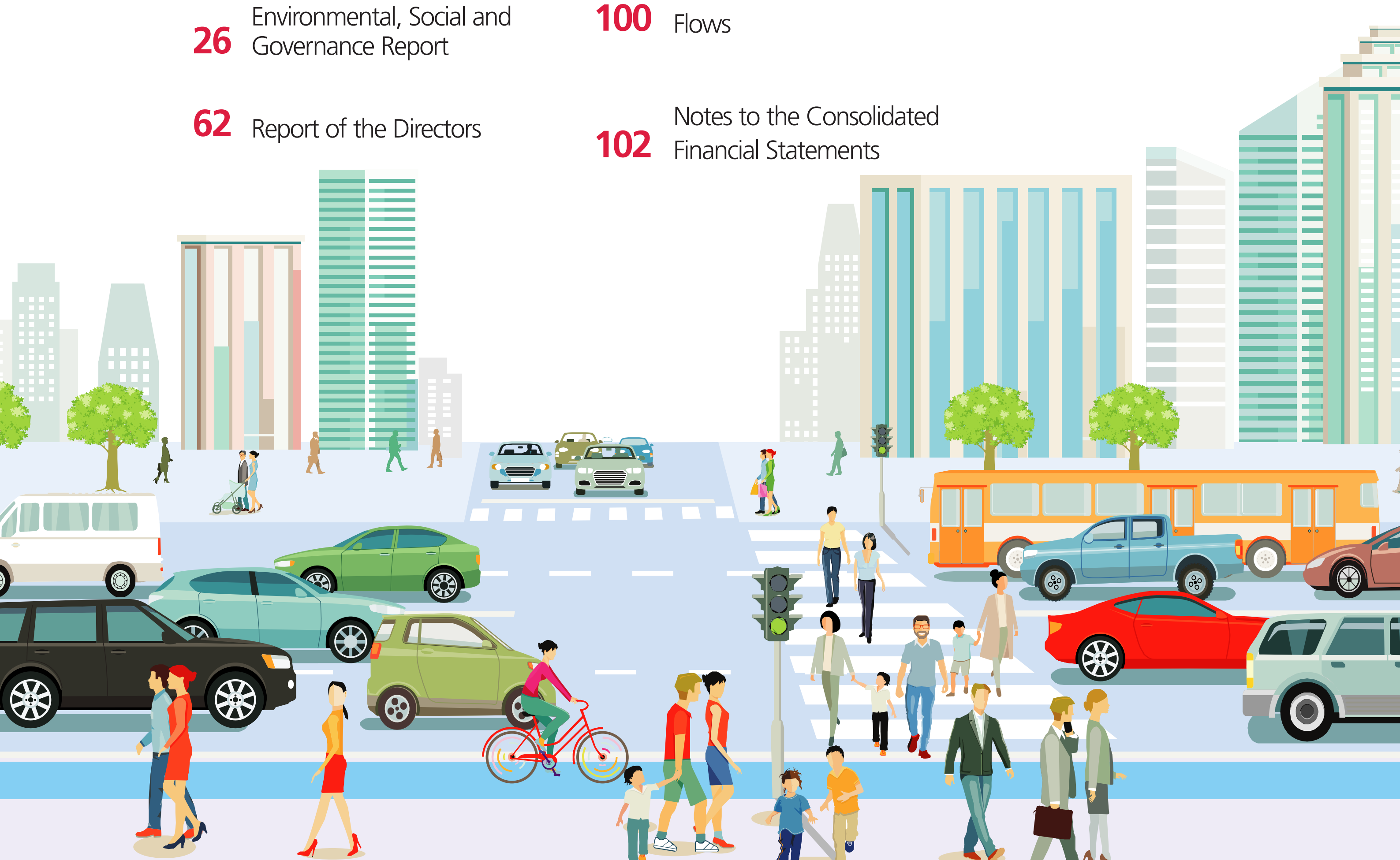
華發物業服務集團有限公司
Huafa Property Services Group Company Limited

(Incorporated in Bermuda with limited liability)
(Stock code : 982)

ANNUAL REPORT 2021

CONTENT



MILESTONES

2021 MAR

As disclosed in the announcement of the Company dated 15 March 2021, the official registered English name of the Company has been changed from "HJ Capital (International) Holdings Company Limited" to "Huafa Property Services Group Company Limited" and the Chinese name of "華發物業服務集團有限公司" has been adopted as the secondary name of the Company in replacement of its former name in Chinese of "華金國際資本控股有限公司" which was used for identification purpose. The Company's stock short name, logo and website have been updated accordingly.

2021 MAY

The Company disposed the online training business, and fully focused on the development strategy of "One Core Two Wings" with property management services as the core and hotel advisory and exhibition services as the synergy.

2021 SEP

The Company held the first results presentation through webcast, which was the first time for the executives of the listed company to make a unified appearance to communicate closely with investors about the Company's performance.

AWARDS AND HONORS

2021 JAN

The Most Socially Responsible Listed Company in the 5th Golden Hong Kong Stocks Awards （第五屆金港股最具社會責任上市公司）

2021 APR

The 21st amongst the 2021 China Top 100 Property Service Enterprises in terms of Overall Strength (2021中國物業服務百強企業綜合實力第21名)

2021 MAY

2021 Top 10 China Property Service Enterprises with Long-term Investment Value (2021中國物業服務企業最具長期投資價值十強)

2021 SEP

2021 Top 10 China Property Service Enterprises with Growth Potential (2021中國物業服務企業成長性十強)

2021 SEP

2021 Top 50 Customer Satisfaction Model Enterprises amongst China Property Service Enterprises（2021中國物業服務企業客戶滿意度模範企業五十強）

2022 JAN

The Most Valuable Property Management Company in the 6th Golden Hong Kong Stocks Awards (第六屆金港股最具價值物業公司)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Li Guangning *(Chairman)*
Mr. Zhou Wenbin *(Chief Executive Officer)*
(appointed with effect from 30 July 2021)
Mr. Xie Wei
(resigned as Chief Executive Officer with effect from 30 July 2021)
Mr. Liang Liang
(appointed with effect from 9 November 2021)
Mr. Gu Yuanping
(appointed with effect from 16 March 2022)
Ms. Guo Jin
(resigned with effect from 30 July 2021)
Mr. Tze Kan Fat
(resigned with effect form 16 March 2022)

Non-executive directors

Ms. Zhou Youfen
Mr. Shong Hugo
(resigned with effect form 29 October 2021)

Independent non-executive directors

Dr. Chen Jieping
Mr. Pu Yonghao
Mr. Guo Shihai

AUDIT COMMITTEE

Dr. Chen Jieping *(Chairman)*
Mr. Pu Yonghao
Mr. Guo Shihai

REMUNERATION COMMITTEE

Mr. Pu Yonghao *(Chairman)*
Dr. Chen Jieping
Mr. Guo Shihai
Mr. Xie Wei
Mr. Zhou Wenbin
(appointed with effect from 30 July 2021)
Ms. Guo Jin
(resigned with effect from 30 July 2021)

NOMINATION COMMITTEE

Mr. Guo Shihai *(Chairman)*
Dr. Chen Jieping
Mr. Pu Yonghao

LEGAL ADVISER

Bird & Bird

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants and
Registered Public Interest Entity Auditor

JOINT COMPANY SECRETARIES

Mr. Liang Liang
(appointed with effect from 22 January 2021)
Ms. Chan Sau Ling

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central, Hong Kong

REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

PRINCIPAL BANKERS

Hang Seng Bank Limited
Dah Sing Bank Limited

BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

AUTHORISED REPRESENTATIVES

Mr. Zhou Wenbin
(appointed with effect from 30 July 2021)
Ms. Chan Sau Ling
Mr. Xie Wei
(resigned with effect from 30 July 2021)

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

982

WEBSITE ADDRESS

www.huafapropertyservices.com

FIVE YEAR SUMMARY

	Year ended 31 December				
	2021	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
RESULTS FROM CONTINUING OPERATIONS					
Revenue	**1,547,624**	1,086,434	952,337	737,196	546,924
Profit before income tax	**262,159**	144,089	117,989	102,346	47,093
Income tax expense	**(73,732)**	(48,734)	(38,044)	(25,783)	(11,393)
Profit from continuing operations	**188,427**	95,355	79,945	76,564	35,700

	As at 31 December				
	2021	2020	2019 (Restated)	2018 (Restated)	2017 (Restated)
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
ASSETS AND LIABILITIES					
Total assets	**1,052,236**	1,030,811	1,174,145	1,076,827	2,036,850
Total liabilities	**(1,206,662)**	(1,391,971)	(755,991)	(604,833)	(1,555,215)
Total (deficit)/equity	**(154,426)**	(361,160)	418,154	471,993	481,634

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to report that for the year ended 31 December 2021, Huafa Property Services Group Company Limited ("Huafa Property Services" or the "Company") and its subsidiaries (collectively, the "Group") achieved a revenue of approximately HK$1,547.6 million, an increase of about 42% compared with approximately HK$1,086.4 million for the full year of 2020. Profit for the year attributable to owners of the Company was approximately HK$188.0 million, an increase of about 411% compared with approximately HK$36.8 million for the full year of 2020.

As the first year of the 14th Five-Year Plan, 2021 has ushered in a new stage of China's economic development. It is an important historical period for China's economic and social development, and it is also a key year that has a profound impact on the property management service industry. The 14th Five-Year Plan has repeatedly mentioned the property management service industry, which reflects the important role the industry plays and the major mission the industry undertakes in participating in social grass-roots services and governance. The introduction of a number of standards and guiding policies for the property management service industry not only promotes the high-quality and diversified development of the industry, but also puts forward more stringent requirements and standards for property management services. There are both opportunities and challenges in the property management service industry.

This year, we are united to fulfill our mission. The COVID-19 epidemic is still severe, and the epidemic prevention and control has always been the primary task in maintaining community safety. Facing the hard test brought by the recurrent epidemics, the Group has always fulfilled its responsibility as a state-owned enterprise, responded positively to the epidemic prevention requirements of the government, quickly started the epidemic prevention plan, and included the establishment of a "green channel" for life into the action guidelines to protect the health of the owners. Through day and night, Huafa Property Services has guarded the safety of thousands of families and carried out its mission. Huafa Property Services has built a solid line of defense to prevent and control the epidemic, which has been unanimously recognized by the owners, the government and the society.

This year, we regrouped and are ready to go. In the first quarter, the Group officially became a property management service enterprise listed in Hong Kong after it was renamed "Huafa Property Services Group Company Limited（華發物業服務集團有限公司）". In the second quarter, after the completion of the divestiture of the online training business, the Company further consolidated the "One Core, Two Wings" strategy with property management as the core and hotel advisory and exhibition services as the synergy, and started anew and moved forward bravely. In the past year, we have won many honors in the industry, including the "21st amongst the 2021 China Top 100 Property Service Enterprises（2021中國物業服務百強企業第21名）", "2021 Top 10 China Property Service Enterprises with Long-term Investment Value（2021中國物業服務企業最具長期投資價值十強）", "2021 Top 10 China Property Service Enterprises with Growth Potential (2021中國物業服務企業成長性十強）", "Most Socially Responsible Listed Company in the 5th Golden Hong Kong Stocks Awards（第五屆金港股最具社會責任上市公司）" and "2021 Top 50 Customer Satisfaction Model Enterprises amongst China Property Service Enterprises（2021中國物業服務企業客戶滿意度模範企業五十強）", which means we have been recognized by the capital market.

This year, we have not forgotten our original intention and carried it through. We adhered to quality-based innovation, establish high-standard services, and continuously improve the satisfaction of owners, while promoting the development of the industry and fulfilling social responsibilities. The "Management Specification for Property Undertaking Inspection (《物業承接查驗管理規範》)" and "Specification for Building Decoration Property Management Service (《樓宇裝修物業管理服務規範》)", two group standards, were officially released in the "National Group Standard Information Platform Management System(全國團體標準信息平台管理系統)", marking the first solid step in the establishment of the group standards of Huafa Property Services, contributing to the standardization and sustainable development of the property management service industry.

This year, we carried out our business like a hot knife cutting through butter. We made more breakthroughs in market-oriented expansion and continued to expand the scale of management. Our footprints have penetrated into many cities such as Nyingchi Prefecture of Tibet and Kunming of Yunnan Province. For the year ended 31 December 2021, we covered 40 cities across the country, with a total of 267 projects under management, a total contract area of 38.6 million square meters and an aggregated revenue-bearing area of 20.3 million square meters. Having formed a comprehensive layout with the Guangdong-Hong Kong-Macao Greater Bay Area as the core and covering the whole country, we actively expanded multi-format projects, increased the proportion of non-residential projects, and continued to increase market participation. We vigorously promoted the expansion of public sector projects, and carried out the property management service business in projects of many provinces and cities, such as Qingmao Port, Zhuhai Museum, Zhuhai Planning Exhibition Hall, Zhanjiang Public Security Frontier Detachment, Tibet Linzhi Railway Station, etc. Our overall business scale has been further expanded.

This year, we are determined to forge ahead and work hard. While stabilizing our traditional business, we opened up upstream and downstream channels by using our own advantages. We set up a number of professional subsidiaries during the reporting period, actively expanded the "City Butler" business, and upgraded "City Excellence+ Service" comprehensively, forming a diversified business development pattern. Zhuhai Huafa Property Management Services Co., Ltd.*(珠海華發物業管理服務有限公司)("Zhuhai Huafa Property"), an indirect wholly-owned subsidiary of the Company, acquired a security service company and made breakthrough in acquiring security qualification, laying a solid foundation for undertaking various large-scale events. Actively responding to the call of the government, Zhuhai Huafa Building Elevator Engineering Co., Ltd.*(珠海華發樓宇電梯工程有限公司)("Zhuhai Huafa Building Elevator Engineering"), with professional qualifications, carried out residential elevator installation business in an all-round way, and started the livelihood project of installing elevators in old buildings, which greatly improved the quality of life of the owners and the safety of the community. Zhuhai Huafa Municipal Comprehensive Service Co., Ltd.*(珠海華發市政綜合服務有限公司)("Zhuhai Huafa Municipal") also explored deeply the market demands for city service business this year, launched the on-site service for enterprises in the park, and undertaken the business of garbage classification and garbage removal in the streets and towns and of municipal management, making a breakthrough in the efficiency of garbage classification. It also continued to upgrade and improve technology + smart services according to the actual needs of citizens, making contribution to the collaborative governance of the community and the building of a beautiful and new city.

* *For identification purpose only*

This year, we meet owners' needs and provide accurate services. From January 2021, multiple central departments and governments at all levels have launched a number of policies to emphasize the improvement of property management service standards and encourage property companies to conduct in-depth exploration into the needs of owners from their daily life in all aspects. In order to be closer to the daily needs of the owners and to form a service advantage of multi-category and quick response, we successfully launched the "Huawu Youxuan（華物優選）" platform, providing convenient and reliable tools for the online needs on community retailing, decoration business, and housekeeping business, and gradually realizing information-based services and greatly improving the convenience of life for the owners. At the same time, guided by customer needs, we enriched supplier resources and supply categories, innovated diversified businesses, and continuously improved our service capabilities. The rapid development of new community retailing and decoration business also reflects the high recognition of service quality by owners. In the future, we will continue to optimize the specifications and guidelines of each business line, and while achieving new growth, we will create high-quality ecological businesses and transform into a community life service provider.

This year, we are driven by innovation and empowered by technology. Focusing on the four aspects of "people, affairs, finance, and things", the construction of "three platforms and one center" were fully carried out. Through the internal management platform, customer service platform, Internet of Things platform and the integrated command center, we fully empowered the management and business and realized the standardization of internal management, high-quality property services, intelligent community management, and intelligent decision-making analysis. Among them, our self-developed integrated command system was rated as a "Successful Informatization Case（成功信息化案例）" at the first China Smart Real Estate Property Innovation Summit（中國智慧地產物業創新峰會）in 2021. The system uses cutting-edge technologies such as big data and the Internet of Things to centrally collect data from more than 20 business management systems, covering all areas of the property industry including property charges, reporting for repairs, and quality inspection, providing strong support for managers to make one-stop decision-making. At present, we are actively establishing the "Technology +" information system, making more efforts to improve management and control capabilities, service quality, operational efficiency, and diversified business expansion capabilities. In the future, we will continue to create more high-tech products and take solid steps towards high-quality development.

This year, we put our staff first and optimized our management. Adhering to the introduction of talents, we take "advocating knowledge-based management" as our vision, respect and attach importance to talents, promote the improvement of the strength of the management team and the backbone team, and establish a system to cultivate and train talents at different levels. We continuously improved the human resources system and the efficiency of human resources management. We have established a market-oriented incentive mechanism and strived to stimulate and enhance the potential of all employees in expanding business, making innovation-driven development, creating a positive and hard-working excellent team, and working together to achieve new success.

This year, we have concentrated our efforts to overcome difficulties. Under the influence of the recurrent COVID-19 epidemics, in carrying out the exhibition service and hotel advisory business, we still actively integrated and coordinated internal and external resources, successfully completed a number of service projects, fully demonstrated our professionalism and responsibility, thus receiving high recognition from the government and partners. In the future, we will look to the world, firmly grasp the favorable opportunity of developing modern service industry in the Hengqin Guangdong-Macao Deep Cooperation Zone, continue to make efforts in integrating the business chains of hotel advisory and exhibition services, and seeking innovation-driven development, so as to make more contribution in greatly enhancing the international reputation of Zhuhai, promoting the moderately diversified development of Macao's economy, and accelerating the innovation-driven development of the Hengqin Guangdong-Macao Deep Cooperation Zone and the Guangdong-Hong Kong-Macao Greater Bay Area.

Let me quote a line from the great ancient poet Li Bai as a wish for the new year: "A time will come to ride the wind and cleave the waves. I'll set my cloudlike sail to cross the sea which raves." 2022 is a year in the 14th Five-Year Plan that will inherit the past and usher in the future. With the successive introduction of relevant favorable policies for the property management service industry and the vigorous development of the Hengqin Guangdong-Macao Deep Cooperation Zone, we will firmly grasp the key golden period of rapid development of the industry, and strive to expand diversified business, provide high-quality service, empower ourselves by technology and make refined management. Based on the strategy of "One Core and Two Wings", we will move towards the goal of becoming a community life operator and comprehensive facility service provider with a global vision, insisting on quality-oriented innovation, advocating knowledge-based management, and practicing social responsibility.

Here, I would like to convey my sincere gratitude to our shareholders and clients for their trust and support, and take this opportunity to thank our Board, management team and staff for their outstanding contribution and unremitting dedication in the past year.

Li Guangning
Chairman of the Board

Hong Kong, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Based on the development strategy of "One Core, Two Wings" with property management services as the core and hotel advisory and exhibition services as the synergy, the Group officially announced in March 2021 that it was renamed as "Huafa Property Services Group Company Limited (華發物業服務集團有限公司)" and it completed the divestiture of its online training business in May 2021. As a community life operator and comprehensive facility service provider with steady growth and as a state-owned enterprise, the Group has been highly recognized by the industry for its professional service capabilities and excellent service quality, and won many honors, including the "21st amongst the 2021 China Top 100 Property Service Enterprises", "2021 Top 10 China Property Service Enterprises with Long-term Investment Value", "2021 Top 10 China Property Service Enterprises with Growth Potential", "Most Socially Responsible Listed Company in the 5th Golden Hong Kong Stocks Awards" and the "2021 Top 50 Customer Satisfaction Model Enterprises amongst China Property Service Enterprises".

(I) Property management services

After 36 years of development, Zhuhai Huafa Property, an indirect wholly-owned subsidiary of the Group, has established a full-chain property management service system to provide community services, environmental services, public facilities and equipment operation and maintenance service, city services, asset operation services, elevator installation and maintenance, engineering construction, and intelligent building construction services for property owners, residents and property developers, forming a development pattern based on the Pearl River Delta and covering the whole country. The Group aims to further consolidate the Group's strategic positioning of building a high-end service platform through the development of property management services and related value-added services, to ensure sustainable development, and strive to comprehensively improve the Group's overall operational performance in the future.

The revenue of Zhuhai Huafa Property is derived from three main business sub-segments, namely (i) property management services; (ii) value-added services for property owners; and (iii) other value-added services.

For the year ended 31 December 2021, the property management services segment contributed approximately HK$1,528,418,000 of revenue to the Group (2020: approximately HK$1,024,940,000). Its profit for the year amounted to approximately HK$221,779,000 (2020: approximately HK$137,400,000).

Property management services

As at 31 December 2021, Zhuhai Huafa Property managed a portfolio of properties covering 40 key cities in the PRC (the corresponding period of 2020: 27) including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chongqing and Nanjing, with a total contracted GFA of approximately 38.6 million square meters (the corresponding period of 2020: 27.6 million square meters). As at 31 December 2021, Zhuhai Huafa Property provided property management services and value-added services to 267 properties (the corresponding period of 2020: 172 properties), with an aggregated revenue-bearing GFA of approximately 20.3 million square meters (the corresponding period of 2020: 16.7 million square meters). For the year ended 31 December 2021, the revenue from such business was approximately HK$992,891,000, representing a year-on-year increase of approximately 39% over the same period in 2020.

We have expanded the Company's business scale and management patterns by implementing an active and steady external expansion strategy, and as a result, our property management projects have covered more areas and became increasingly diversified. During the reporting period, while maintaining the steady growth of property management projects in first-tier and second-tier cities, the Company had a number of new national property management projects including projects in Nyingchi Prefecture of Tibet, Kunming of Yunnan Province, Meizhou of Guangdong Province and Xuzhou of Jiangsu Province. As a state-owned enterprise providing high-level property management services, we have made further breakthroughs in the development of government public sector business, and achieved substantial results in non-residential business. We have successfully undertaken multiple projects, including Nyingchi Railway Station, Zhanjiang Border Defense Detachment, Qingmao Port, Zhuhai Museum, Zhuhai Planning Exhibition Hall, further enriching our property management business.

Value-added services for property owners

We are committed to becoming a national community life operator, providing a full range of community life services to meet the full-cycle service needs of property owners, mainly including home services, space operations, new community retailing, parking lot management services, etc., so as to provide property owners with a "With Me, You Can Rest Assured" full chain of professional services.

During the reporting period, the revenue from value-added services for property owners was approximately HK$136,349,000, representing a year-on-year increase of approximately 341% over the same period in 2020.

The leap-forward breakthrough in value-added services for property owners is mainly due to (i) the optimization of the operation mode of online platforms, namely the establishment of the "Huawu Youxuan" (華物優選) platform, which has laid a good foundation for the online operations of community retailing, decoration business and housekeeping business; (ii) offline market segments, which enrich supplier resources and supply categories to fully meet the diverse needs of customers while enhancing customer stickiness, so as to help create an online and offline integrated operation system; (iii) the efforts to develop decoration business and community retailing business, create competitive community-based products, make innovations in business landing models, and efficiently promote the rapid development of value-added services for property owners.

Other value-added services

Zhuhai Huafa Property and its professional subsidiaries provide various types of other value-added services, which mainly include (i) providing support services for municipal projects through Zhuhai Huafa Municipal, such as maintenance, sanitation services, road and bridge maintenance, and streetlight maintenance; (ii) providing professional engineering maintenance services, elevator inspection and maintenance services through Zhuhai Huafa Building Elevator Engineering; (iii) successfully entering the professional security services industry in the first half of 2021, and providing various security services for large-scale events and advanced security services through Guangdong Huafa Security Services Co., Ltd* (廣東華發保安服務有限公司), so as to expand various types of extended businesses including the construction and operation of security technology prevention systems; (iv) gradually undertaking canteen projects of enterprises, institutions, companies and apartments through a newly founded catering company in 2021, so as to become a modern comprehensive group catering service provider of catering products and services; and (v) providing cleaning, landscaping and maintenance services to property developers in the pre-delivery stage; providing consulting services to property developers on the management of pre-sale businesses and providing consulting services to properties managed by other property management companies.

* *For identification purpose only*

During the reporting period, revenue from other value-added services was approximately HK$399,178,000, representing a year-on-year increase of approximately 41% over the same period in 2020.

(II) Hotel advisory and exhibition services

Since 1 September 2020, the Group terminated the hotel operation business and focused on the development of hotel advisory and consultancy services and further allocated the Company's resources to the main business centered on property management. In 2021, Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）, an indirectly wholly-owned subsidiary of the Company, has successfully reached out to the premium hotel projects in some areas covering Nyingchi Prefecture of Tibet, Xiong'an New Area, Shaoxing of Zhejiang and Dong Ao Island.

Zhuhai Hengqin New Area Huajin International Convention Services Company Limited*（珠海市橫琴新區華金國際會展服務有限公司）("Huajin International Convention"), an indirect wholly-owned subsidiary of the Company, still made active response under the negative impact of the recurrent COVID-19 epidemic on the exhibition business. It made continuous efforts in integrating business chains and seeking innovation-driven development, and successfully held the Hengqin-Macao Financial Innovation and Development Forum（琴澳金融創新發展論壇）, and carried out online activities in the 2021 Zhuhai International Design Week and Beijing International Design Week in Zhuhai (2021珠海國際設計周暨北京國際設計周珠海站) and other service projects, fully demonstrating Huajin International Convention's excellent and professional ability and its courage to work hard under the epidemic.

During the year under review, the hotel advisory and exhibition services segment contributed approximately HK$19,206,000 of revenue to the Group.

II. FINANCIAL REVIEW

Revenue

The Group is principally engaged in property management services, hotel advisory and exhibition services. Revenue from property management services accounted for 99% of the total revenue, which is mainly derived from three business categories: (i) property management services; (ii) value-added services for property owners; and (iii) other value-added services.

For the year ended 31 December 2021, the Group's total revenue amounted to approximately HK$1,547,624,000 (2020: HK$1,086,434,000), representing an increase of approximately 42% as compared with the corresponding period of 2020. In particular, revenue from property management services amounted to approximately HK$1,528,418,000 (2020: HK$1,024,940,000), representing an increase of approximately 49% as compared with the corresponding period of 2020, which was mainly due to (i) the increase in revenue resulting from the continuous expansion of the Group's management scale; and (ii) the increase in revenue resulting from the addition of new community retailing business in line with the continuous and stable development of the Group's value-added services during the year.

* *For identification purpose only*

II. FINANCIAL REVIEW (CONTINUED)

Cost of sales

The Group's total cost of sales amounted to approximately HK$1,128,162,000 (2020: HK$783,331,000), representing an increase of approximately 44% as compared with the corresponding period of 2020. The increase in cost of sales was mainly due to (i) the increase in the chargeable size of the Group and the increase of number of projects under management, which resulted in the increase in relevant staff costs and outsourcing costs; and (ii) the increase in revenue resulting from the addition of new community retailing business, which resulted in the increase in the cost of retail goods.

Gross profit

For the year ended 31 December 2021, the Group's gross profit amounted to approximately HK$419,462,000, representing an increase of approximately 38% from HK$303,103,000 for the corresponding period of 2020, of which property management services contributed 97% of gross profit.

Other income and other gains, net

For the year ended 31 December 2021, other income and other gains, net amounted to approximately HK$10,504,000, representing a decrease of approximately 16.7% from HK$12,605,000 for the year ended 31 December 2020, which was mainly due to the exchange loss, net recognized for the change in exchange rates.

Administrative expenses

For the year ended 31 December 2021, the Group's total administrative expenses amounted to approximately HK$142,411,000, representing an increase of approximately 8.6% from approximately HK$131,160,000 for the year ended 31 December 2020. The increase in administrative expenses was mainly due to the increase in employee benefit expenses resulting from the expansion of the Group's operation scale during the period. Adhering to the consistent principle of being prudent, the management of the Company (the "Management") will proactively expand operations while reducing costs and increasing efficiency.

Finance expenses, net

For the year ended 31 December 2021, the Group's total finance expenses, net amounted to approximately HK$12,288,000, representing a decrease of approximately 64% from HK$34,053,000 for the year ended 31 December 2020, which was mainly due to the decrease in the comprehensive level of interest rate as compared with the last year resulting from the optimization and adjustment of financing portfolio during the year.

Profit for the year

For the year ended 31 December 2021, the Group's profit for the year amounted to approximately HK$188,427,000, representing an increase of approximately 682% from HK$24,109,000 for the corresponding period of 2020. Profit for the year attributable to owners of the Company was approximately HK$187,975,000, representing an increase of approximately 411% from HK$36,789,000 for the corresponding period of 2020.

III. LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2021, the Group's cash and cash equivalents amounted to approximately HK$552.9 million (2020: approximately HK$664.9 million) with bank borrowings of approximately HK$619.8 million (2020: HK$519.0 million). The Group held current assets of approximately HK$950.0 million (2020: approximately HK$911.3 million) and total current liabilities of approximately HK$1,200.2 million (2020: approximately HK$1,391.6 million). The Group's current ratio, being total current assets over total current liabilities, was 0.8 (2020: 0.7). Total deficit of the Group was approximately HK$154.4 million as at 31 December 2021 (2020: total deficit of HK$361.2 million). The Group's gearing ratio, being total liabilities over total assets, was 114.7% (2020: 135.0%).

IV. CAPITAL STRUCTURE

The Group mainly funds its business and working capital requirements by using a mix of internal resources and bank borrowings. Bank borrowings bear effective interest rate from 1.56% to 3.18% per annum (2020: from 2.61% to 3.85% per annum). There was no material change in the capital structure of the Company during the year.

V. EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

As at 31 December 2021, the Group's interest-bearing financial assets primarily comprised bank deposits and the Group's interest-bearing financial liabilities primarily comprised of bank borrowings. As there was no significant financial risk of a change in interest rates, the Group had no interest rate hedging policy.

VI. EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group conducted its business transactions principally in HK$ and Renminbi ("RMB"). As at 31 December 2021, most of the Group's bank deposits and cash balances were mainly denominated in HK$, United States Dollars ("USD") and RMB. The HK$ is pegged to the USD, and this made the Group's foreign exchange risk exposure minimal. As such, the Group did not utilise any foreign exchange derivatives for hedging purposes as at 31 December 2021. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant currencies.

VII. EXPOSURE TO CREDIT RISK

The Group's credit risks mainly arose from trade receivables and other receivables, bank balances and deposits. The Group strove to manage the risk exposure of trade receivables by closely monitoring the payment records of its customers and requesting customer deposits wherever necessary. The credit risk on the bank deposits was limited because of their high credit rating.

VIII. EXPOSURE TO PRICE RISK

The Group's financial asset at fair value through profit or loss is exposed to price risk. The Management closely monitored this risk by performing on-going evaluations of its asset value and market conditions.

IX. LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and obtaining funding through access to adequate and available credit lines. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

X. EXPOSURE TO OPERATIONAL RISK

In view of the current severe COVID-19 epidemic, the Group's main business may face uncertainties brought about by the continued spread of the epidemic. The Group will continue to pay attention to the situation related to the epidemic, make active response to meet the government's requirements on epidemic prevention, play the role of a state-owned enterprise, implement relevant policies, make effective prevention and control measures, and spare no effort to ensure the safety of the community and the stable development of the Group.

XI. EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

On 16 March 2022, Mr. Tze Kan Fat resigned as an executive Director and vice president（副總裁）of the Company. Mr. Gu Yuanping was appointed as an executive Director and vice president（副總裁）of the Company on the same day. For further details, please refer to the announcement of the Company dated 16 March 2022.

On 29 March 2022, the Board, with the recommendation of the Audit Committee, has proposed the appointment Ernst & Young as the new auditor of the Company following the retirement of PricewaterhouseCoopers with effect from the conclusion of the forthcoming annual general meeting of the Company and to hold office until the conclusion of the next annual general meeting of the Company, subject to the approval of the Shareholders by way of an ordinary resolution at the forthcoming annual general meeting. For further details, please refer to the announcement of the Company dated 29 March 2022.

Save as disclosed above and up to the date of this report, the Group has no subsequent event after 31 December 2021 which required disclosure.

XII. SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

Save as disclosed in the abovementioned section headed "Business Review" in this report, the Group neither acquired or disposed of any significant investments or properties, nor carried out any material acquisitions or disposals of the Company's subsidiaries and associates during the year.

XIII. EMPLOYEES

As at 31 December 2021, the Group had a total of 8,351 employees (2020: 6,583). Staff costs of the Group amounted to approximately HK$812.0 million for the year ended 31 December 2021 (2020: approximately HK$631.6 million), which comprised salaries, commissions, bonuses, other allowances, and contributions to retirement benefit schemes. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all its Hong Kong employees. For Mainland employees, social insurance, housing provident fund and pension are provided. The Group structures its employee remuneration packages with reference to general market practice, employees' duties and responsibilities, and the Group's financial performance. The Group provides training courses and developed training programmes to equip its staff with the necessary skills, techniques and knowledge to enhance their productivity and administrative efficiency.

XIV. PLEDGE OF ASSETS

As at 31 December 2021, the Group had no pledged assets (2020: Nil).

XV. CONTINGENT LIABILITIES

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

XVI. CAPITAL EXPENDITURE

For the year ended 31 December 2021, capital expenditure for property, plant and equipment of the Group amounted to approximately HK$12.7 million (2020: approximately HK$5.7 million).

XVII. CAPITAL COMMITMENTS

As at 31 December 2021, the Group did not have any capital commitments.

XVIII. BUSINESS PLAN

(I) Property management services

Actively expand diversified businesses and continue to increase management scale and market share

Looking forward to 2022, the Group will seize the key golden period of rapid development of the property management service industry and achieve sustained and steady expansion through diversified expansion channels. The Group will combine the internal and external expansions and actively adopt external expansion methods such as bidding and setting joint ventures to carry out systematic expansion. While continuing to make good use of the cooperative relationship with Zhuhai Huafa Group Company Limited*（珠海華發集團有限公司）("Zhuhai Huafa"), a state-owned enterprise, to gain a stable source of business and increase the advantages of public sector business, the Group will strengthen its cooperation with independent third-party real estate developers to carry out mergers and acquisitions of property management companies and in the upstream and downstream of the industry chain to broaden the business boundaries. Leveraging on the cooperation with local state-owned enterprises, in which the counterparties contribute "reputation and strengths of state-owned enterprises" and "market and customer resources" while the Company contributes four kinds of resources, i.e., "management", "quality", "human resources" and "information", the Group will integrate resources from various parties to explore into new business sector with cooperation between leading enterprises and achieve a win-win situation. The Group will further consolidate its business in Zhuhai, actively expand business in other key cities in China, and focus on developing the business model of "centering on housing projects while expanding commercial and public sector, industrial parks and municipal projects", so as to accelerate the systematic development of commercial business, break the boundaries of city service business and expand non-residential business. The Group will establish specialized subsidiaries to construct an ecological operation chain featured in life services, which includes catering business, real estate brokerage business and others, or the Group will cooperate with leading enterprises in the industry to achieve synergy and optimize the Company' ecological service chain.

* *For identification purpose only*

At the same time, guided by customer needs, we will further develop a high-quality value-added service business model to meet the needs of property owners for a better life, while improving and expanding the community economy. We will gradually enhance the online rate of value-added services, build a high-quality community e-commerce platform, integrate high-quality supplier resources, strengthen research on new business models, and explore a mechanism for sharing and introducing clients from other business resources of the Company. We will continue to explore potential opportunities in the decoration business and new community retailing business, establish competitive ecological business, and at the same time extend the service content, enhance the convenience and experience of property owners' lives, and establish a complete value-added service ecosystem.

Promote refined management and accelerate digital development

Technology is the foundation of achieving prosperity, and innovation is the soul of making progress. We will continue to promote the implementation of refined management and of the technology + strategic planning, promote comprehensive digital transformation, focus on developing intelligent, digital and ecological business, and accelerate the empowerment of business development. Centering on "refining internal management, optimizing customer service, expanding diversified operations, and making efficient ecological links", we will strengthen the strategic planning and systematic layout for scientific and technological development, and focus on new services, new technologies, and new empowerment to build an intelligent big service ecosystem. We will continue to enhance our digital operation capabilities, and continuously improve the integration of online and offline platforms and operational control to lay a solid foundation for the Company to further reduce costs, increase efficiency, and diversify innovation, thus achieving high-quality sustainable growth.

Adhere to providing good service and insist on making innovations in quality service

We will continue to promote the transformation of achievements made in establishing standards of Zhuhai Huafa Property and make more innovations in providing quality services. Adhering to providing good services, putting customers first, and focusing on the improvement of excellent performance management, we will gradually improve the operating procedures of service standards, and continue to promote the differentiation of professional services, so as to form long-term and efficient market competitiveness, and provide customers with high quality professional service.

Strengthen the synergy between the Company and Zhuhai Huafa to promote sound development of the Group

Owing to the long-term cooperation between Zhuhai Huafa Property and Zhuhai Huafa, the Group has gained strong support from Zhuhai Huafa in expanding the property management business. In 2021, as a state-owned enterprise in the PRC, Zhuhai Huafa ranked the 203rd among the Top 500 Chinese Enterprises, and was listed as one of the "Double Top 100 Enterprise" in the reform of stated-owned enterprises（國企改革"雙百企業"）by the State Council. In 2021, the total assets of Zhuhai Huafa exceeded RMB570.0 billion, with its revenue and total income tax amounting to more than RMB140.0 billion and RMB22.0 billion, respectively, representing a year-on-year increase of 19%, 28% and 47%, respectively. The Group has established a strong industrial group of 8 listed companies, 2 NEEQ-listed companies, and 4 "AAA rated entities". We will continue to maintain the cooperation with Zhuhai Huafa, integrate the internal and external resources of the system, continuously explore potential business possibilities, and give full play to the service advantages of the property management company as a state-owned enterprise to bring reliable service quality to customers, and form a positive synergistic effect.

Advocating people-oriented business philosophy and paying much attention to talent training

In terms of talent management, the property management industry needs more high-end and professional practitioners. We will establish a scientific and reasonable talent cultivation system, improve performance management, improve the compensation and incentive system, optimize the organizational structure and system flow, actively cultivate excellent market talents, enrich the reserve of various key talents so that our employees will always have a sense of mission and take pride in their work.

(II) Hotel advisory and exhibition services

In terms of hotel advisory business, based on the favorable policy for the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangdong-Macao In-depth Cooperation Zone in Hengqin, we will take full advantage of our geographical location and seize development opportunities to actively integrate high-quality resources inside and outside the Company by carrying out exhibition services, expand high-end customers and attract international customers. While providing customers with "tailor-made" professional services to expand our business volume, we will improve the efficiency of corporate management and control, and further develop hotel advisory business to reach a new level.

In terms of exhibition services, we will actively participate in the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangdong-Macao In-depth Cooperation Zone in Hengqin. We will develop the "exhibition service" industry well, improve the efficiency of and accelerate the high-quality development of the Group and its major shareholder Zhuhai Huafa, and increase our contribution in greatly enhancing the international reputation of Zhuhai, promoting the moderately and diversified development of Macao's economy, accelerating the innovation-driven development of the Guangdong-Macao In-depth Cooperation Zone in Hengqin and the Guangdong-Hong Kong-Macao Greater Bay Area. We will enhance the popularity of "Huajin International Convention" and improve the performance of exhibition services.

INVESTOR RELATIONSHIP

Since its switch to property management services as its principal business in 2020, the Company has been proactively carried on effective communication with the capital market, with a view to forge stable and sound relationship with shareholders, investors, fund managers, analysts, private fund and other parties by proactively communicating with them in terms of industrial development through comprehensive and multi-dimension channels. In the past year, the Company received various professional recognition from the capital market and made a substantial break-through from absence to presence in many aspects：

- ➢ In September 2021, the Company held the first results presentation through webcast, on which all senior management personals were first introduced collectively since the change of the Company's name, achieving zero-distance effective communication with investors.

- ➢ In September 2021, the Company was first included in the research report of Central Wealth Securities, indicating the recognition for the Company from security institutions.

- ➢ The Company was awarded The Most Socially Responsible Listed Company in the 5th Golden Hong Kong Stocks Awards（第五屆金港股最具社會責任上市公司）for the first time, 2021 Top 10 China Property Service Enterprises with Long-term Investment Value (2021中國物業服務企業最具長期投資價值十強）, 2021 Top 10 China Property Service Enterprises with Growth Potential (2021中國物業服務企業成長性十強）, 2021 Top 50 Customer Satisfaction Model Enterprises amongst China Property Service Enterprises（2021中國物業服務企業客户滿意度模範企業五十強）and various professional awards in the capital market, indicating the high recognition from the capital market.

- ➢ The Company completed the initiation of and operated its website and WeChat official platform, building a bridge for the Company to communicate with society.

- ➢ Reverse Road Show – the Company invited investors to the Company and its projects under management to conduct on-site research, which heard favorite response.

- ➢ The Company was deep reported and promoted by various finance media, which further improving the Company's image and recognition among the capital market.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Li Guangning

Mr. Li Guangning, aged 50, has been appointed as an executive Director and chairman of the Board (the "Chairman") with effect from 21 July 2014. Mr. Li currently serves as the director and the general manager of Zhuhai Huafa, the single largest shareholder of the Company. In addition, Mr. Li also holds various positions in the subsidiaries of Zhuhai Huafa, including director and chairman of the board of Zhuhai Huafa Properties Co., Ltd.（珠海華發實業股份有限公司）("Huafa Properties"), a company listed on the Shanghai Stock Exchange (stock code: 600325), with effect from 9 April 2014, director of Shenzhen Weiye Decoration Group Co., Ltd.（深圳市維業裝飾集團股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300621), with effect from 15 September 2020, non-independent director of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532), with effect from 24 March 2021, director of Advanced Fiber Resources (Zhuhai), Ltd.（珠海光庫科技股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300620), with effect from 31 March 2021, director of HC SemiTek Corporation（華燦光電股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300323), with effect from 6 May 2021 and director and chairman of the board of Zhuhai Huafa Investment Holdings Group Co. Ltd.（珠海華發投資控股集團有限公司）(formerly known as Zhuhai Financial Investment Holdings Group Co., Ltd.（珠海金融投資控股集團有限公司））("Huafa Investment Holdings"). Mr. Li was appointed as a non-executive director and has resigned as a non-executive director of Beijing Digital Telecom Co., Ltd., a company listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 6188), with effect from 30 June 2021 and 10 September 2021 respectively. Mr. Li joined Zhuhai Huafa in 1993 and held various managerial positions in various subsidiaries of Zhuhai Huafa.

Mr. Zhou Wenbin

Mr. Zhou Wenbin, aged 53, has been appointed as an executive Director, the chief executive officer, a member of the remuneration committee, and an authorised representative of the Company with effect from 30 July 2021. Mr. Zhou joined the Group in 2013 and is the chairman of the board of the subsidiaries of the Company, Zhuhai Huafa Property and Zhuhai Huafa Building Elevator Engineering since 4 November 2013 and 26 December 2013, respectively. Mr. Zhou is responsible for the overall strategic developments of the operating subsidiaries of the Company which engage in the property management business.

Mr. Zhou is also the chief services officer of Huafa Properties, a non-wholly-owned direct subsidiary of Zhuhai Huafa, which is an indirect controlling shareholder of the Company, since 16 March 2020. Mr. Zhou was a deputy general manager of Zhuhai Huafa Property Development Co., Ltd.（珠海華發房地產開發有限公司）, an indirect subsidiary of Zhuhai Huafa, from 27 February 2019 to 18 May 2021.

Prior to joining the subsidiaries of the Group, Mr. Zhou served as the supervisor of the group general manager office of Zhuhai Huafa from July 2013 to November 2013 and a manager and an assistant to the general manager of Zhuhai Shizimen Central Business District Development Holdings Co., Ltd.*（珠海十字門商務區建設控股有限公司）from August 2010 to July 2013. Mr. Zhou graduated from Hubei University（湖北大學）in 1996 with a degree specialising in English education.

* *For identification purpose only*

Mr. Xie Wei

Mr. Xie Wei, aged 47, has been appointed as an executive Director and a member of the remuneration committee of the Board (the "Remuneration Committee") with effect from 21 July 2014. Mr. Xie currently serves as a director and executive deputy general manager of Zhuhai Huafa. He also holds various positions in the subsidiaries of Zhuhai Huafa, including the chairman of the board of Huafa Investment Holdings. Mr. Xie is also a director of Huafa Properties. Mr. Xie resigned as a vice chairman of the board of directors of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532), with effect from 23 March 2021.

Mr. Liang Liang

Mr. Liang Liang, aged 41, has been appointed as an executive Director and the general executive vice president of the Company with effect from 9 November 2021. Mr. Liang joined the Company in June 2019 and has been the executive vice president and a joint company secretary of the Company since 19 May 2020 and 22 January 2021, respectively. Mr. Liang is a director of Huafa Property Management Services (Hong Kong) Limited（華發物業管理服務（香港）有限公司）, a subsidiary of the Company and a director of various subsidiaries of the Company. As an executive Director and the general executive vice president of the Company, Mr. Liang is responsible for, among other things, the day-to-day general management of the headquarters of the Company, focusing on capital operation, investment, merger and acquisitions, company secretary, legal compliance, administration and personnel and technology innovation.

Mr. Liang has a profound understanding of the business development and capital operation of the Company and has over 16 years of experience in the financial services industry. Mr. Liang joined Zhuhai Huafa, the ultimate controlling shareholder of the Company, in October 2018. He is currently a deputy director of Capital Management Center and the general manager of the Oversea Capital Operations Department of Zhuhai Huafa. Prior to joining Zhuhai Huafa, Mr. Liang worked (i) as vice president of Sanpower Group Co., Ltd.（三胞集團）in 2018; (ii) as deputy general manager in the investment banking department of Kaisa Group Holding Ltd.（佳兆業集團控股有限公司*）, a company listed on the Main Board of the Stock Exchange (stock code: 1638) from 2016 to 2017; (iii) as senior investment manager of China Everbright Limited（中國光大控股有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 165) from 2012 to 2014; (iv) as investment manager of China Merchants Securities Co., Ltd.（招商證券股份有限公司）, a company listed on the Main Board of the Stock Exchange (stock code: 6099) from 2008 to 2011; and (v) at the Global Structured Credit Products Department of Citigroup in New York in 2007, where he was primarily responsible for capital markets work. Mr. Liang obtained a bachelor's degree in applied physics from Hunan University in June 2003 and a master of science degree in the business administration (finance) program from the University of Cincinnati in the United States in August 2006.

* *For identification purpose only*

Mr. Gu Yuanping

Mr. Gu Yuanping, aged 36, has been appointed as an executive Director and a vice president of the Company with effect from 16 March 2022. Mr. Gu joined Zhuhai Huafa since October 2015 and is currently an assistant general manager of Hong Kong Huafa Investment Holdings Limited（香港華發投資控股有限公司）, an indirect controlling shareholder of the company. Mr. Gu is also the deputy director of the legal affairs department and the director of the project management department of Huafa Industrial (HK) Limited（華發實業（香港）有限公司）since August 2018 and November 2021, respectively. Since July 2019, Mr. Gu has also been the general manager of the legal compliance department of the Company, and has been a joint company secretary of Huajin International Bay Area High-end Services Holdings Company Limited*（華金國際大灣區高端服務控股有限公司）, a wholly-owned subsidiary of the Company, since October 2021.

Mr. Gu graduated from Sun Yat-Sen University（中山大學）with a bachelor's degree in law in June 2008 and subsequently obtained a master's degree in law from The Chinese University of Hong Kong（香港中文大學）in December 2009. Mr. Gu also obtained a master of science in corporate governance and compliance from Hong Kong Baptist University（香港浸會大學）in November 2020. In addition, Mr. Gu has obtained a legal professional qualification certificate of the People's Republic of China（中華人民共和國法律職業資格證書）issued by the Ministry of Justice of the People's Republic in China in March 2012. Mr. Gu has also been an associate of The Hong Kong Chartered Governance Institute since November 2020 and was elected as a fellow of The Hong Kong Chartered Governance Institute since March 2021.

NON-EXECUTIVE DIRECTOR

Ms. Zhou Youfen

Ms. Zhou Youfen, aged 51, has been appointed as a non-executive Director with effect from 28 September 2020. Ms. Zhou is a director and the chief financial officer of Zhuhai Huafa, a controlling shareholder of the Company, since July 2015 and August 2020, respectively, and the chairman of the board of supervisors of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532) since May 2014. Ms. Zhou is a chairman of the board of supervisors of Huafa Properties since May 2021. From 2006 to 2020, Ms. Zhou was delegated by the Zhuhai State-owned Assets Supervision and Administration Commission from time to time to hold positions as a director, supervisor, chief financial officer and/or chairman of the board of supervisors in various subordinate corporations, such as Zhuhai Port Co., Ltd.（珠海港股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000507), Zhuhai Huichang Traffic Investment Co., Ltd.（珠海匯暢交通投資有限公司）and Zhuhai Water Group Co., Ltd.（珠海水務集團有限公司）. Ms. Zhou obtained her qualification certificate as a senior accountant issued by Human Resources and Social Security Department of Guangdong Province（廣東省人力資源和社會保障廳）in May 2013 and obtained her qualification certificate with specialty in industrial economy from the Human Resources Department of the People's Republic of China（中華人民共和國人事部）in November 1997. Ms. Zhou obtained a bachelor's degree in Foreign Trade from Beihang University in 1991 and a master's degree in Business Administration from Sun Yat-sen University in 2010.

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INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Chen Jieping

Dr. Chen Jieping, aged 69, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee with effect from 21 July 2014. Dr. Chen has over 16 years of experience in accounting. Dr. Chen has served as an independent non-executive director of Saurer Intelligent Technology Co. Ltd. (stock code: 600545) since September 2017, a company listed on the Shanghai Stock Exchange. Dr. Chen has served as an independent director of Milkyway Chemical Supply Chain Service Co., Ltd. (stock code: 603713) since September 2021, a company listed on the Shanghai Stock Exchange. Dr. Chen served as an independent non-executive director of Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) (delisted in October 2020), a company listed on the Stock Exchange, from March 2014 to October 2020. Dr. Chen served as an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd. (formerly known as Shanghai La Chapelle Fashion Co., Ltd.) (stock code: 06116), a company listed on the Stock Exchange, from January 2016 to October 2019. Dr. Chen also served as an independent non-executive director of Shenzhen Worldunion Properties Consultancy Incorporated (stock code: 002285), a company listed on the Shenzhen Stock Exchange, from September 2013 to September 2019. Dr. Chen also served as an independent non-executive director of Industrial Securities Co., Ltd. (stock code: 601377), a company listed on the Shanghai Stock Exchange, from 2010 to March 2017. He was a professor of the China Europe International Business School from 2008 to 2018 and is currently an emeritus professor. He was also the head of the department of accountancy of the City University of Hong Kong from 2005 to 2008. Dr. Chen received a bachelor's degree in science and a master's degree in hospitality management, respectively, from the University of Houston in August 1990. He obtained a master's degree in business administration from the University of Houston in May 1992 and a doctoral degree in business administration from the University of Houston in August 1995.

Mr. Pu Yonghao

Mr. Pu Yonghao, aged 64, has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee with effect from 1 June 2020. Mr. Pu has over 20 years of experience in holding senior positions in investment banks. From 2015 to 2018, Mr. Pu was the founder and chief investment officer of Fountainhead Partners Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of the SFO. From 2004 to 2015, Mr. Pu held various positions at UBS AG, including the chief investment officer, the head of the Wealth Management Research APAC and his last position held at the company was managing director in Wealth Management and Retail & Corporate Division. Prior to joining UBS AG, Mr. Pu worked at Asian Development Bank as senior consultant from 2002 to 2003, Nomura International (Hong Kong) Limited as senior economist from 2000 to 2002 and Bank of China International (UK) Limited as senior economist from 1997 to 2000. Mr. Pu is the vice chairman of Chinese Financial Association of Hong Kong and the honorary institute fellow of The Chinese University of Hong Kong, The Asia-Pacific Institute of Business.

Mr. Pu obtained a bachelor degree in accounting from Xiamen University in 1982 and a master degree in economics from the same university in 1985. He also obtained a master of science degree in demography from The London School of Economics and Political Science in 1989.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Guo Shihai

Mr. Guo Shihai, aged 43, has been appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee with effect from 21 July 2020. Mr. Guo was the chief executive of CMBC Investment (HK) Limited, a direct wholly-owned subsidiary of CMBC Capital Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1141) during January 2020 to April 2021, where he also acted as a permanent member of the investment and financing approval committee of CMBC Capital Holdings Limited. From 2015 to 2020, Mr. Guo was the managing director, head of principal investment management of BOCOM International Holdings Company Limited, where he was responsible for private equity investments, structured financing and bond investment business etc.. From 2012 to 2015, Mr. Guo was the executive director and vice president, head of product execution of cross-border and structured finance business of ICBC International Holdings Limited. From 2007 to 2012, Mr. Guo was the senior relationship manager of corporate finance, corporate banking and financial institutions of Bank of China (Hong Kong) Limited. From 2001 to 2007, Mr. Guo was an assistant manager and subsequently a manager of Bank of China Limited responsible for international settlement business. Mr. Guo was awarded Master of Science in Global Finance jointly by New York University's Stern School of Business and School of Business and Management of The Hong Kong University of Science and Technology.

SENIOR MANAGEMENT

Mr. Zeng Shi
Executive vice president

Mr. Zeng Shi, aged 44, has been appointed as an executive vice president of the Company on 30 July 2021. Mr. Zeng is responsible for the daily operation and management of the subsidiary of the Company, Zhuhai Huafa Property.

Mr. Zeng has been a general manager of Zhuhai Huafa Property since 3 August 2016 and he has 20 years of experience in the property management business. He has been the President of the Zhuhai Property Management Association（珠海市物業管理行業協會會長）and a Member of the Standardization Committee of China Property Management Institute（中國物業管理協會標準化委員會委員）since 2016. He has also been the vice chairman of the Guangdong Property Management Association（廣東省物業管理行業協會副會長）and an property management expert in the Zhuhai Housing and Urban-Rural Development Bureau（珠海市住房和城鄉建設局）since 2018.

Mr. Zeng graduated from Jinan University（暨南大學）with a specialist degree in property management in 2001 and Macau University of Science and Technology with a master's degree in business administration in June 2020. He was registered as a Registered Property Manager（註冊物業管理師）in February 2014 and was admitted as a Chartered Member of the Chartered Institute of Housing (CIH) in April 2019.

Mr. Zhang Yong
Vice president

Mr. Zhang Yong, aged 44, has been appointed as a vice president of the Company on 16 March 2022. Mr. Zhang has been the deputy director of the general manager office and the deputy director of the strategic development center of Zhuhai Huafa since November 2020. Since April 2021, Mr. Zhang has also been the general manager of the strategic investment management department of Zhuhai Huafa and has been the general deputy director of the operation management center of Zhuhai Huafa since December 2021.

Mr. Zhang possesses extensive experience in the strategic investment and operation management business. Prior to joining Zhuhai Huafa in May 2018, Mr. Zhang was the deputy general manager of the investment and development department of China Merchants Port Holdings Company Limited, a company listed on the Main Board of the Stock Exchange (stock code: 144) from May 2012 to May 2018. Mr. Zhang was also the general manager of the strategic development department of Jiangxi Provincial State-Owned Enterprise Assets Operation (Holdings) Co., Ltd.*（江西省省屬國有企業資產經營（控股）有限公司）from December 2008 to May 2012.

Mr. Zhang graduated with a master's degree in material science and engineering from Xian Jiaotong University（西安交通大學）in May 2004 and a doctorate degree in political economics from Nankai University（南開大學）in June 2012.

Ms. Wang Wenjun
Chief financial officer

Ms. Wang Wenjun, aged 40, has been appointed as the chief financial officer of the Company on 18 May 2021. Ms. Wang obtained a master of management degree in business administration from Wuhan University of Science and Technology in 2007 and a bachelor of management degree in accounting from the same university in 2004. Ms. Wang has engaged in the financial work for over 10 years, with extensive financial management experience.

Ms. Wang joined the Group since September 2019 as the general manager of the finance department of Huajin International Bay Area High-end Services Holdings Company Limited and the chief financial officer of Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）and Zhuhai Hengqin New Area Huajin International Convention Services Company Limited*（珠海市橫琴新區華金國際會展服務有限公司）.

Ms. Wang joined Zhuhai Huafa in September 2009 and is currently the chief financial officer of Zhuhai Huafa Modern Services Investment Holdings Limited*（珠海華發現代服務投資控股有限公司）. Ms. Wang was formerly the chief financial officer of Zhuhai Huafa Building Materials Company（珠海華發商貿控股有限公司）and Zhuhai Huafa Automobile Sales Co., Ltd.*（珠海華發汽車銷售有限公司）. Prior to joining Zhuhai Huafa, Ms. Wang worked as the accounting supervisor of consolidated financial statements for Actions Semiconductor Co., Ltd.（炬力集成電路設計有限公司）from 2008 to 2009 and as project audit manager for Reanda Certified Public Accountants（利安達信隆會計師事務所）from 2007 to 2008.

Ms. Wang was admitted as a registered certified public accountant by the Chinese Institute of Certified Public Accountants（中國註冊會計師協會）in 2011, a certified tax agent by Ministry of Human Resources and Social Security of the People's Republic of China（中華人民共和國人力資源和社會保障廳）and State Administration of Taxation of the People's Republic of China（國家稅務總局）in 2010 and a certified internal auditor by China Institute of Internal Audit（中國內部審計師協會）and the Institute of International Auditors in 2009. Ms. Wang was accredited as senior accountant by Human Resources and Social Security Department of Guangdong Province（廣東省人力資源和社會保障廳）in 2020. Ms. Wang was awarded the Certificate of Zhuhai Industrial Young Talent in 2020.

* *For identification purpose only*

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Introduction

This is the Group's sixth environmental, social and governance report (the "Report"), which provides an overview of the Group's management of significant issues affecting its operations, including environmental, social and governance (ESG) as well as climate change-related issues.

Reporting Year

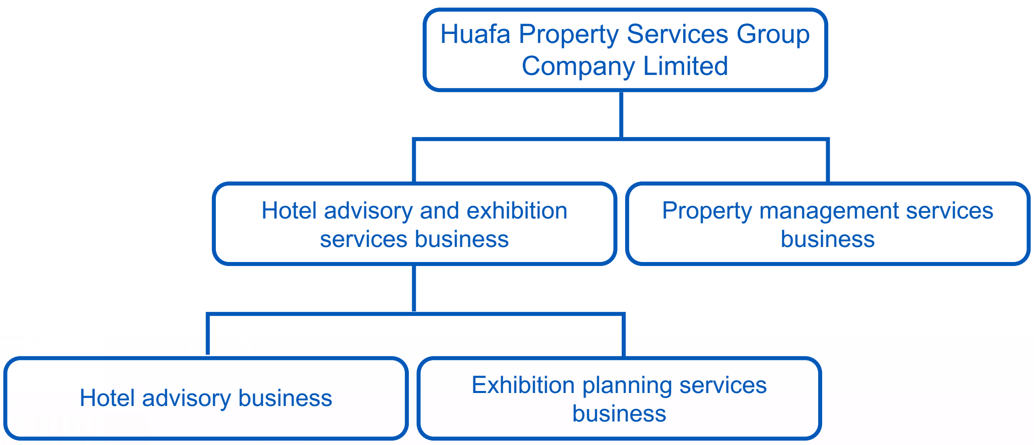
The reporting period of the Report is from 1 January 2021 to 31 December 2021 (the "Reporting Period").

Scope and Boundary of the Report

Based on changes in the Group, we have adjusted our reporting scope by removal of the financial services in Hong Kong from the business segments. Unless otherwise indicated, our reporting scope centres on the Group's major business and operation segments, which include:

- Property management services business (including related value-added services) in the PRC, which accounted for approximately 99% of the Group's total revenue for the year ended 31 December 2021.

- Hotel advisory and exhibition services business in the PRC, which accounted for approximately 1% of the Group's total revenue for the year ended 31 December 2021.



With its data collection system growing mature and its ESG work deepening, the Group works continuously to optimise its operations in line with disclosure requirements.

Reporting Basis and Principle

The Report is prepared in accordance with the Environmental, Social and Governance Reporting Guide in Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") (the "Main Board Listing Rules") issued by the Hong Kong Stock Exchange, and complies with the "comply or explain" provisions set out in the Listing Rules.

The Report is based on the following reporting principles:

- ***Materiality***

  The Group determines ESG-related issues through stakeholder participation and materiality assessment. For details, please refer to "Stakeholder Participation" and "Materiality Assessment".

- ***Quantification***

  The Group discloses measurable key performance indicators ("KPIs") from its historical data, to disclose the information on the standards, methods, assumptions or calculation tools used for disclosing quantitative data as well as the source of conversion factors used under viable conditions.

- ***Balance***

  The Group worked, to the greatest extent, to prevent such selections, omissions or presentation formats that may inappropriately affect the decision-making or judgment by report readers in its disclosures.

- ***Consistency***

  The Group is committed to adopting consistent disclosure and statistical methodologies for meaningful comparisons. When necessary, the Group will disclose any changes to the statistical methods or KPIs or any other relevant factors affecting meaningful comparison.

The information contained in the Report comes from the Group's official documents and statistics, and collated and synthesised from the monitoring, management and operations information provided by its subsidiaries according to the Group's relevant systems. The final chapter of the Report contains a complete content index for readers' quick reference. The Report is prepared in both Chinese and English. In the event of any discrepancy or inconsistency between the Chinese and English versions, the Chinese version shall prevail.

Information and Feedback

The Group values your opinion on the Report. Should you have any opinions or advice, please email us at ir982@huafagroup.com.

BOARD STATEMENT

Dear Stakeholders,

The Group is pleased to present its ESG Report for the financial year 2021. We adhere to the core value concept of sustainable development, regard the sustainable development of business as the foundation of long-term development targets and incorporate climate-related issues and ESG elements into the long-term planning of business strategies. As the most important leading role of the Group, the Board is fully responsible for the guidance, direct management and supervision on the Group's ESG issues.

We have set clear and definite visions on sustainable development in short and long terms and continuously stride forward towards the vision on achieving carbon neutrality by 2060. We also established relevant targets and corresponding strategies on emission reduction and energy saving and integrated sustainable development factors into strategic planning, business models and other decision-making processes. The Board monitors and reviews the effectiveness of the management approaches on a regular basis, including reviewing the Group's ESG, and adjusts corresponding action plans. The efficient implementation of ESG policies depends on the cooperation of different departments. The Group's ESG work was carried out by core members of relevant functions together, so as to endeavor in achieving consistent and desirable work performance and work together to achieve the targets on emission reduction and energy saving. We also attach great importance to communications with our stakeholders. We regularly review the communication channels and platforms with our stakeholders to ensure smooth information flow and collect issues with significant impact on the business concerned by key stakeholders.

The Group strives to ensure appropriate and effective risk management and internal control systems in place to supervise the identification and evaluation of ESG and climate-related risks and opportunities and to respond to the challenges and impacts of the COVID-19 pandemic. The Group will continue to work tirelessly in the prevention and control the epidemic to ensure the health and safety of employees and the community. In addition to adhering to the concept of green operation, we also pay attention to the growth and development of employees. We promote talents and build teams with mutual trust and encouragement. While creating a stable working environment for employees, we also aim to meet customer demands with the best quality service and seek the best solutions.

Looking ahead, the Board will continue to review and monitor the Group's ESG governance performance, continue to provide stakeholders with reliable, consistent, comparable and important ESG reports and jointly strive for a better environment.

Li Guangning
Chairman of the Board

ESG MANAGEMENT APPROACHES

The Board of the Group attaches great importance to the Group's ESG strategies, evaluates the ESG-related risks from the Group's operations, and procures the senior management to enforce a corresponding system for risk management and internal control. During the Reporting Period, the Group strictly complied with the laws and regulations in relation to the environment and society, including the environmental, employment and labour standards, staff health and occupational safety, anti-corruption (including bribery, extortion and money laundering).

ENVIRONMENTAL, SOCIAL AND GOVERNANCE STRUCTURE

The Group is committed to integrating sustainable development into its business operation and incorporating ESG factors into the decision-making and operation of the Company. The Group has established a ESG working group, which consists of core members from various functional departments and is authorized by the Board according to its terms of reference to review and evaluate the effectiveness of the sustainable development framework, manage ESG issues and performance important to the Group, and monitor the progress of environmental and social key performance indicators and emission reduction targets. The Group's ESG work was carried out by core members of relevant functions together, and the annual ESG report was prepared by them through communications and cooperation with external consultants. As the highest role on ESG issues, the Board is responsible for formulating overall strategies on sustainable development, deciding and managing major issues and supervising ESG issues.

In the future, we will further improve the ESG governance structure, identify material issues of the Group through effective communications with stakeholders and implement related work on ESG governance.

STAKEHOLDER PARTICIPATION

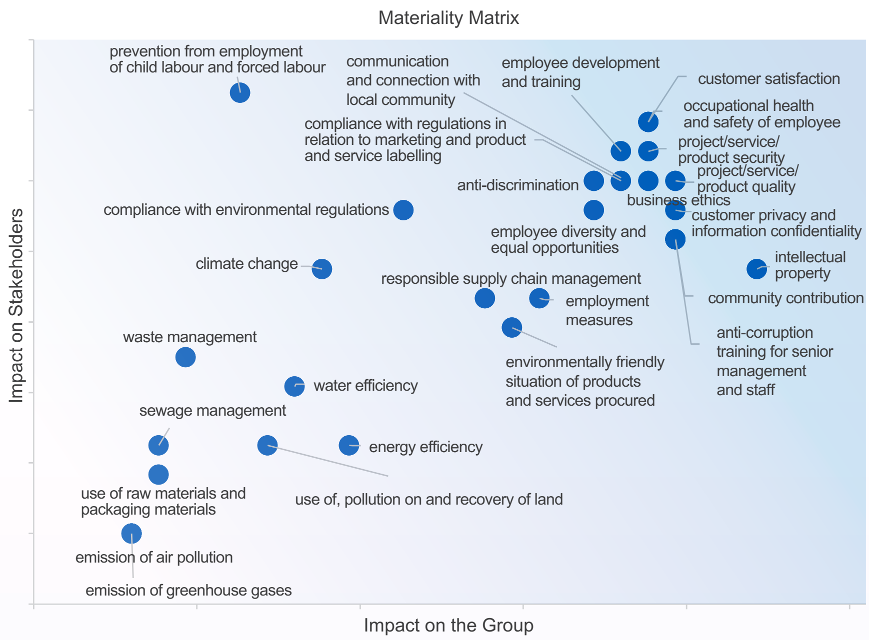
The Group values the engagement of its stakeholders, including staff, customers, suppliers and other stakeholders. All of them materially influence the success of our business or activities. Set out below are the Group's relevant stakeholders. We actively communicate with every stakeholder through various channels, to monitor and manage our impact on all aspects of the environment and society.

Stakeholders	Stakeholders' Concerns	Communication Channels
Government/Regulatory Authorities	• Compliance with laws and the Listing Rules • Proper tax payment • Facilitation of regional economic development and employment	• Company activities • Annual, quarterly, interim reports and ESG reports as well as other publicly available information
Shareholders and Investors	• Low risk • Return on investment • Information disclosure and transparency • Protection of shareholders' interests and fair treatment	• Annual general meetings and other shareholders' meetings • Company activities • Annual, quarterly, interim reports and ESG reports as well as other publicly available information • Websites of the Company and The Stock Exchange of Hong Kong Limited
Customers	• Legal and quality service • Stable relations • Information transparency • Integrity • Business ethics	• Websites, brochures, annual reports, quarterly reports, ESG reports and other publicly available information • Credential • Email and customer service hotline • Social channels • Feedback forms
Peers and Industry Associations	• Experience sharing • Cooperation • Fair competition	• Industry conferences, exhibitions (such as the International Financial Annual Report Design Awards Ceremony) • Company activities • Website of the Company
Members of the Public and Communities	• Community involvement • Social responsibilities	• Volunteering • Charity and social investment

MATERIALITY ASSESSMENT

The Group identifies issues for disclosure in the Report through internal and external materiality assessment. By considering stakeholders' dependence and influence on the Group and its resources, the management has identified key stakeholders and surveyed them, who offered their opinions and recommendations on the issues on the Group's operation. Having consolidated the results of its assessment and surveys, we have compiled a matrix of importance as shown below. The issues in the upper right quadrant are of relatively high importance to both stakeholders and the Group's business. The Group will continue to improve its reporting process based on the results of the assessment. The Group has concluded that the following issues are important for the year:

Service Quality	Customer Privacy and Information Confidentiality	Anti-corruption Training for Senior Management and Staff	Community Contribution	Occupational Health and Safety of Employee
Customer Satisfaction	Service Security	Business Ethics	Employee Development and Training	Compliance with Regulations in Relation to Marketing and Product and Service Labelling
	Communication and Relationship with Local Community	Anti-discrimination	Employee Diversity and Equal Opportunities	



ENVIRONMENTAL

In formulating its ESG approaches and policies, the Group prioritised the work on environmental protection, undertakes to considering environmental factors at the management and operation levels, identifies the environmental impact of its business, and actively seeks opportunities for energy conservation and carbon reduction, so as to achieve a balance between business development and ecological protection. The Group complies with relevant environmental laws and regulations in Hong Kong and Mainland China, including but not limited to the Air Pollution Control Ordinance (Chapter 311 of the Laws of Hong Kong), the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong), the Water Pollution Control Ordinance (Chapter 358 of the Laws of Hong Kong), the Noise Control Ordinance (Chapter 400 of the Laws of Hong Kong) and Environmental Protection Law of the People's Republic of China. During the Reporting Period, the Group was not aware of any material illegal or non-compliance issue that had a significant impact on the Group.

In addition, the Group advocates energy saving and carbon emission reduction and strives to achieve sustainable operations. We endeavour to update and review our environmental targets in accordance with local laws and regulations, with a view to gradually reducing emissions and achieving carbon neutrality in all our locations, as well as achieving other targets, including the reduction of air pollutants, waste and the proper use of water, energy and other resources. We will also invest more resources in recycling to promote the development of a circular economy.

As property management services contributed to approximately 99% of the Group's revenue during the Reporting Period, the environmental KPI figures disclosed in this report mainly cover our property management and operation facilities in the PRC based on the materiality reporting principle.

Emissions

Air Pollutant Emissions

The Group's air pollutant emissions are mainly the consumption of various fuels in the operation of vehicles under the property management services and the consumption of natural gas and liquefied petroleum gas for cooking in its operation premises. During the Reporting Period, the categories and emission data[1] of the pollutants of the Group are set out in the table below:

Air emissions[2]	Unit	2021
Oxynitride (NOx)	kg	**75,140.06**
Oxysulfide (SOx)	kg	**144.76**
Particulate matter (PM)	kg	**6,109.45**

1 Totals may not be the exact sum of numbers shown here due to rounding in data disclosure.

2 The data covers emissions from the Group's vehicles for commercial operations in Mainland China. The calculation method of assessment figures on the corresponding air emissions and the emission factors used for the calculation are estimated based on the How to Prepare an ESG Report and its attachment Appendix II: Reporting Guidance on Environmental KPIs published by the Stock Exchange of Hong Kong, the Preparation of Air Pollutants Emission Inventory for Road Vehicles (Trial) and the air pollutant emission factors published by the U.S. Environmental Protection Agency.

Greenhouse Gas Emissions

We strive to take active steps to tackle climate change, with the best efforts to reduce emissions in the most effective way. The Group is taking action to mitigate the greenhouse gas emission from its business operations. We have implemented energy-saving measures described in the section headed "Use of Resources". The Group's direct greenhouse gas emissions (Scope 1) are mainly generated from the consumption of various fuels in the operation of vehicles and the consumption of natural gas and liquefied petroleum gas for cooking in kitchen while the indirect greenhouse gas emissions (Scope 2) are mainly the use of electricity in office and other working places. We have implemented a series of electricity-saving measures (detailed in the section headed "Use of Resources"). In addition, we minimised unnecessary overseas business trips. If necessary, all our staff would take the economy class whenever they go on business trips to minimise carbon emissions.

The table below sets forth the total emissions and emission intensity of greenhouse gas of the Group for the Reporting Period[3]:

Greenhouse Gas Emissions[4]	Unit	2021	2020[5]
Direct greenhouse gas emissions (Scope 1)[6]	tons of carbon dioxide equivalent	**622.88**	575.22
Indirect greenhouse gas emissions (Scope 2)[7]	tons of carbon dioxide equivalent	**737.36**	8,050.89
Total Greenhouse Gas Emissions	tons of carbon dioxide equivalent	**1,360.24**	8,626.11
Intensity of Greenhouse Gas Emissions	tons of carbon dioxide equivalent/ revenue of HK$ million[8]	**0.88**	7.94

During the Reporting Period, we improved the data collection system, covered and added the fuel consumption data of vehicles, which was not recorded last year. As a result, our direct greenhouse gas emissions (Scope 1) increased during the Reporting Period. In addition, due to significant changes to the business portfolio of the Group during the year, the scope of the report only focuses on the data of the property management business. Our indirect greenhouse gas emissions (Scope 2) decreased significantly as a result of remarkable reductions in power consumption. Based on various factors, our total greenhouse gas emissions have reduced by over 80% during the Reporting Period.

Going forward, the Group will continuously monitor its greenhouse gas emissions, and improve its collection and inspection efforts on such emissions.

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3 Totals may not be the exact sum of numbers shown here due to rounding in data disclosure.

4 The data covers direct and indirect greenhouse gas emissions from the Group's offices and other workplaces in China. The calculation method of figures on the corresponding emissions and the emission factors used for the calculation are estimated based on the How to Prepare an ESG Report and its attachment Appendix II: Reporting Guidance on Environmental KPIs published by the Stock Exchange of Hong Kong and China Regional Power Grid Baseline Emission Factors For Emission Reduction Project (《減排項目中國區域電網基准線排放因子》).

5 Such data is restated.

6 Scope 1: direct emissions from business operations owned or controlled by the Group, including emissions from stationary and mobile sources of fuel, and fugitive gas emissions.

7 Scope 2: emissions from "indirect energy" caused by the purchased electricity consumed by the Group.

8 During the Reporting Period, the Group's total revenue amounted to approximately HK$1,547.6 million.

WASTE MANAGEMENT

The Group's waste management strategy focuses on waste reduction, recycling and reuse, aiming to reduce the impact on the environment while saving operating costs. For property management services, our daily work requires considerable consumption of paper, either for printing contract orders, compiling, printing and proofreading or for clients' review, which affects the environment. The waste generated from the office operation of each business unit is mainly toner and office paper. The waste generated by the hotel advisory and exhibition services includes batteries, general domestic waste and paper-made products. In order to protect the environment, we have formulated policies to minimise the waste of paper and other resources.

Waste Management	
Office Paper	• We calculate and monitor our wastes by referring to the monthly reports of Secure Information Disposal Services Limited (SSID). For example, we monitor the effect of our environmental protection by calculating the amount of A4 paper ordered each year and that of used paper recycled each year. • Colleagues put the double-printed paper into red bags for recycling, and the recycling company regularly collects wastepaper for recycling, so as to reduce the greenhouse gases emissions and office wastes. • We encourage double-sided printing and the use of electronic documents to minimise paper printing. • We consider reminding our clients or staff in emails to minimise email printing, to reduce paper consumption and carbon emission.
Large Office Furniture	• To provide a comfortable office environment to our colleagues and clients, the administration department conducts regular checks and audits on all our office furniture. We would first explore the possibility of refurbishment or repair for any defects spotted. For example, we engage skilled workers to check and refurnish the leather-like chairs reserved for clients or cabinets. The furniture will be discarded only if such refurbishment or repair proves impossible. • We donate some usable but depreciated furniture to charitable organisations.
Computers	• We have to keep up with the times and adopt the most advanced computer equipment. The design team's old computers are still more than adequate for daily use. To avoid waste, we donate these computers to non-profit organizations.
Toner	• We store the used toner cartridges of printers and arrange for suppliers to recycle the cartridges regularly, to reduce wastes.
Battery	• The batteries of our hotel advisory and exhibition services are stored in the current locations.
Stationery	• We also monitor the stationery consumption by our colleagues. We have an old-for-new practice for replacing such consumables as correction pens and highlighters, to reduce incomplete consumption of such items before their disposal.

Set out below is the data of waste of the Group during the Reporting Period[9]:

Waste Category	Unit	2021	2020[10]
Total Hazardous Waste[11]	ton	**0.07**	0.12
Intensity of Hazardous Waste	ton/revenue of HK$ million[12]	**0.000045**	0.00011
Total Non-Hazardous Waste[13]	ton	**155.5**	46.97
Intensity of Non-Hazardous Waste	ton/revenue of HK$ million[12]	**0.100**	0.043

The Group will continue to implement the above waste management measures and continuously improve the methods of waste data collection and monitoring.

USE OF RESOURCES

The Group advocates environmental protection in its daily business operations, with multiple environmental protection measures in place in its office premises. We mitigate the negative impact of our office operations on the environment by making optimal use of resources, including paper, toner cartridges, electricity and water, as well as categorized resource recycling.

Energy Consumption

Resource Management	
Electricity	**Office** • We control the temperatures of indoor air conditioners • We use energy-saving light bulbs and electrical appliances with the environmental friendly label • We post reminders for our staff to switch off devices before their departure. Furthermore, an automatic power-off switch is installed in the pantry to save energy and reduce the risk of danger • Some elevators are shut down during non-office hours to reduce power consumption

9 Totals may not be the exact sum of numbers shown here due to rounding in data disclosure.

10 Such data is restated.

11 The data covers toner cartridges used in the offices in the PRC.

12 During the Reporting Period, the Group's total revenue amounted to approximately HK$1,547.6 million.

13 The data covers kitchen waste and other general waste of the offices and other workplaces in China.

Set out below is the summary of the total energy consumption of the Group during the Reporting Period by category[14]:

		Unit	2021	2020[15]
Energy Consumption[16]	**Direct Energy Consumption**	MWh	**2,459.38**	–
	Diesel	litre	**225,027.71**	–
	Liquefied Petroleum Gas	ton	**24.60**	–
	Natural Gas	cubic metre	**12,000.00**	–
	Indirect Energy Consumption	MWh	**916.89**	–
	Purchased Electricity	MWh	**916.89**	–
	Total Energy Consumption	MWh	**3,376.27**	13,142.53
	Intensity of Energy Consumption	MWh/revenue of HK$ million[17]	**2.18**	12.10

WATER RESOURCES

Resource Management

Water

Office

- Since the property management office takes care of water consumption, there is no problem on seeking appropriate water source. We remind our colleagues to avoid wastage by posting the "Save Water" sign.
- We replace bottled potable water with water filters. The building's management office has rendered the faucets of our toilets to release water for shorter durations and at less amount, in a bid to save water.

14 Totals may not be the exact sum of numbers shown here due to rounding in data disclosure.

15 Such data is restated.

16 The data covers direct and indirect energy consumption from the Group's offices and other workplaces in China. The calculation method of figures on the corresponding consumption and the exchange factors used for the calculation are estimated based on the How to Prepare an ESG Report and its attachment Appendix II: Reporting Guidance on Environmental Key Performance Indicators published by the Stock Exchange of Hong Kong and the Energy Statistics Manual issued by International Energy Agency.

17 During the Reporting Period, the Group's total revenue amounted to approximately HK$1,547.6 million.

Set out below is the summary of total water consumption of the Group by category:

Water Resources[18]	Unit	2021	2020[19]
Water Consumption	cubic metre	**15,646**	131,069
Intensity of Water Consumption	cubic metre/revenue of HK$ million[20]	**10.11**	120.64

In light of the significant change in the business combination of the Group during this year, therefore, the reporting scope also merely focuses on the data of property management business, resulting in the significant decrease in water consumption data as compared with that of the last year. During the Reporting Period, there is no problem on seeking appropriate water source for the Group.

PAPER CONSUMPTION

Resource Management	
Recycling Bins in place	• We put recyclable items such as paper, plastics, aluminium, CDs and batteries into the recycling bins provided by the building, and separate such items into paper, plastics, glass and metals

During the Reporting Period, paper consumption came from offices of the operations in the PRC. During the Reporting Period, below sets out the paper consumption of the Group:

	Unit	2021
Paper Consumption	kg	**779.49**

PACKAGING MATERIALS

In light of the nature of the Group's businesses, our operations generally do not involve material consumption of packaging materials.

Looking ahead, the Group will continue to monitor the use of its resources and improve data collection and monitoring.

18 The data mainly covers the water consumption of the Group's offices and other workplaces in China.

19 Such data is restated.

20 During the Reporting Period, the Group's total revenue amounted to approximately HK$1,547.6 million.

ENVIRONMENT AND NATURAL RESOURCES

Despite the fact that the Group has insignificant impacts on the environment and seldom uses natural resources directly, we strive to improve the waste management mechanism. In order to reduce the damage on forests, our offices in Hong Kong use the Forest Stewardship Council (FSC)-certified paper and encourage double-sided printing of various types of documents. FSC tracks the entire process of wooden products from the forest to consumers, by developing standards for well managed forests and the standards of chain of custody for wood processing, so as to control the legal and sustainable source of the wood. The environment of our hotel and Huafa Place also has sufficient green areas to mitigate the impact of greenhouse gas emissions.

Climate Change

Climate change is currently one of the greatest global challenges to the society. We should take actions immediately for our climate and communities. Extreme weather conditions such as strong winds, heavy rains, tides and floods, have been the focus of news in recent years. Logistics and supply chains are particularly venerable to weather conditions. Heavy rains, rising tides and floods may cause serious damages to buildings, warehouses, products in storage and other assets, resulting in losses. Despite that such events are beyond control, the Group believes that all stakeholders should work together to mitigate the impacts of climate change.

As part of a Group-wide initiative, a climate scenario planning study was piloted to revise the Group's emergency response plan on extreme weather conditions in order to identify relevant physical risks and areas for improvements, such as enhancing existing facility management practices to better prepare for more extreme wind and flooding events. In the coming years, we will plan to further explore climate impact studies for our business operations.

Responding to the Paris Agreement, Mainland China strives to achieve carbon neutrality by 2060. The Group also identified particular potential risks on regulation, technology, market and reputation in the place of business under the global transition to low-carbon economy. We will include such risks identified into our business strategies, integrate the evaluation and the results into the corporate risk management framework and continuously update, identify, evaluate and manage various risks in a timely manner.

The Group plans to respond to the initiatives of local governments essentially and follow the requirements of local governments on emission reduction. We ensure that our greenhouse gas emissions are in compliance with the increasingly strict regulations of local governments in or before 2030 and anticipate achieving carbon neutrality in our operation by 2060. We are committed to constantly improving the energy use efficiency, promoting the on-site efficiency improvement by leveraging on professional knowledge and progress, maintaining high-efficient management support and protecting the reputation of the Group.

Our team continued to vigorously maintain routine business operation under the global rage of coronavirus. Over the years, we have been expanding our business by taking advantage of different opportunities and speeding up in transformation to make the Group more intelligent and environmental, the employees and product users safer (for example, we adopt online meetings and electronic platforms to reduce carbon emission from transportation under the pandemic) and our facilities more sustainable, living up to our commitments on resources management and environmental protection.

Actions on Climate Change

We have incorporated actions on responding to climate change into the Group's business strategies and implemented them in the governance and management of the Company. Core elements of the Group are summarized in the index table below:

Core elements	Response of the Group
Governance	• Incorporating ESG issues (including climate-related issues) into corporate decision-making
Strategy	• Analyzing and understanding various climate risks • Identifying risks and opportunities under the low-carbon transformation
Risk management	• Discussing ESG risks with the Risk Management Committee • Preparing for the transformation towards low-carbon economy • Preparing and formulating measures on responding to physical climate risks
Indicators and targets	• Investing in driving factors to transformation • Creating value in low-carbon transformation

While responding to such scenarios, the Group has identified various climate risks and opportunities related to our assets and services to understand the circumstances where such risks and opportunities have significant effects. Such transitional and physical risks are discussed in the following sections.

	Risks	Opportunities
Short term (0-1 year)	• Physical risks caused by extreme weather events • Skills and capabilities required on obtaining and implementing climate strategies	• New technologies can improve the operation and energy efficiency
Medium term (5 years)	• Transitional risk: Implementation of low-carbon policies for operation • Transitional risk: The supply and demand of certain commodities, products and services may change with increasing concerns about risks and opportunities on climate	• Market transformation towards low-carbon economic sources in the place where businesses are carried out to meet the targets of local governments on carbon emissions reduction • Opportunities arising from driving factors to transformation
Medium to long term (over 5 years)	• Transitional risk: Potential new regulations and policies • Transitional risk: The development and use of emerging technologies may increase operating costs and reduce the competitiveness of the Group • Transitional risk: Changes in the views of customers or communities on the Group's contributions to low-carbon economic transformation or its losses may affect the reputation of the Group	• Transition towards low-carbon economy and markets to achieve the de-carbon target of governments • Opportunities arising from driving factors to transformation • Becoming a pioneer in the industry and building relevant reputation

Physical climate risks may impair the integrity of the Group's assets or directly affect our services and customers. The Group has formulated measures to enhance its business creditability, including response plans on extreme weather conditions or emergencies.

Risks on policy changes, technical development, digitalism and the supply and demand as well as public opinions on its reputation and other transitional risks may increase the operating costs and legal risks. The Group has identified relevant risks and will continuously monitor the changes in markets and policies.

Investment in driving factors to energy transformation

It is necessary to invest in various driving factors to transformation to promote the corporate transformation towards low-carbon economy. The Group actively considers investing more resources in purchasing vehicles with higher emission standards or further purchase electric vehicles to replace old vehicles with fossil fuels in the future.

Our path towards 2060

The Group has been prepared to respond to the threats of climate change on our business and communities. We are resolved to achieve our targets and provide customers with safe and reliable services at reasonable prices. We are fully aware of our environmental responsibilities and well prepared to face such challenges. We will vigorously achieve progress and gradually strengthen relevant targets as much as possible and build a low-carbon world in the future.

SOCIAL ASPECTS

Employment and Labour Practices

Employment

To stay competitive within the industry, the Group regards professional teams as its most valuable asset. There is a great demand for talents in our business. The Group has complied with the relevant laws and regulations in Hong Kong and Mainland China, including but not limited to the Employment Ordinance (Chapter 57), the Sex Discrimination Ordinance (Chapter 480), the Disability Discrimination Ordinance (Chapter 487), the Family Status Discrimination Ordinance (Chapter 527) and the Race Discrimination Ordinance (Chapter 602) of Hong Kong; the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Law of the People's Republic of China on Mediation and Arbitration of Labour Disputes (《中華人民共和國勞動爭議調解仲裁法》), the Employment Promotion Law of the People's Republic of China (《中華人民共和國勞動就業促進法》) and the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) of Mainland China. The Group adheres to its principles and strictly abide by regulations when it comes to recruitment, promotion and dismissal, employee compensation, work and rest hours, equal opportunities, cultural diversity and anti-discrimination. It also puts the principles into practice which include openness and fairness, staff matching, priority to internal staff and prevention of employment of relatives. Employees' working hours are set in strict compliance with relevant local laws and regulations of the place where the Company operates its business. The Group never employed minors or forced labours or paid a basic salary below the minimum level. During the Reporting Period, in terms of employment, there was no illegal or non-compliance issue that had a significant impact on the Group.

The Group's administration and human resources departments have formulated comprehensive human resource policies, and expressly stated the same in its Staff Manual/Staff Information, to allow the staff to understand the rules of human resources affairs. In addition to compliance with basic labour laws, the Group also provides benefits better than those required by laws when necessary to recruit, retain and develop a top-notch team.

Remuneration

We provide our staff with competitive remunerations, including salary, commission, bonus and other allowances, as well as the retirement benefit scheme. The Group determines staff remuneration packages according to common market practice, staff duties, work nature and the Group's financial results. The Group formulates salaries and salary review policies based on internal relativity which is established in line with a qualifications benchmark system among different rankings. Under the system, the Group determines the starting salary for individual entry rank with reference to the remuneration level of similar positions in the market, taking into account other factors related to the nature of the work. Huafa Property implements the technology-based remuneration system in its business segments. It determines the level of technical positions based on the requirements on professional technology and qualification of certain positions after evaluation and establishes the remuneration on different levels of technical positions with reference to the corresponding levels of positions.

Working hours

The Group proposes arrangements on working hours based on actual work demand and ensures that each employee can obtain reasonable rest time. Employees of all units and departments of the Group are required to work on time and conduct handover based on the working shift.

Leaves, Compensation and Welfare

The Group's staff welfare is better than those required in regulations. Our employees are entitled to not only paid annual leaves and compensation leave, but also the types of leaves that exceed the requirements of regulations, such as marriage leave, maternity leave, pre-childbirth leave, breast feeding leave and birth control leave. We have set up a defined contribution plan for our Hong Kong staff in accordance with the Mandatory Provident Fund Schemes Ordinance, and have provided them with medical insurance. Employees in Mainland China are entitled to social insurance, housing provident fund, medical benefits, staff meals, staff quarters and subsidies for years of service.

Dismissal

Employees may apply for dismissal to their service units in written in accordance with relevant local laws and regulations and terminate the employment relationship between them after informing the Group. The Group arranges dismissal interviews with the employees applied for resignation to confirm their turnover intention. On the other hand, if employees are involved in serious violation of rules of the Group or national laws and regulations, the Group will arrange automatic dismissal or directly terminate the employment relationship with them based on the seriousness of violations.

Promotion of employees

The Group regularly conducts performance evaluation on its employees in the form of interview. The evaluation is based on the operation targets and responsibilities of all departments and objectively and fairly reviews the performance of employees. The Group arranges performance-based bonus and position adjustment, including promotion, for employees with outstanding performance based on the evaluation results.

Communication with Staff

To facilitate communication between the management and employees, the Group engages staff members in a variety of recreational activity to boost their morale. We are committed to enhancing the quality of life for our staff, their families and the community, and put the objective of work-life balance into practice while seeking to create a harmonious workplace and enhance staff loyalty. Such activities can also provide more opportunities for the management to reach out to average staff, and increase communication channels to increase mutual understanding. The Group usually adopts different types of communication channels, such as email, telephone, instant messaging software, conference and group lunch. Besides, in order to better understand the needs of staff as well as maintain a good relationship with each other and effectively solicit their opinions during the operation of Company, a range of different communication channels are arranged by business units of hotel advisory and exhibition services as follows:

(1) Staff opinion survey: staff suggestions and views are solicited in writing or face-to-face interview with respect to business and management, to effectively solve the focal problems to the staff's concern;

(2) Staff meetings: staff meetings are convened regularly, where leaders led the management personnel to communicate with employees on the strategic plans, policies and operation status of Huafa Place;

(3) Staff talks: to allow employees to give timely feedback to the management on various problems they have encountered during their work and to reach quick and effective discussion and solutions, the Company organize regular face-to-face talks between the management and employees;

(4) Employee bulletin board: the Company has set up the employee bulletin board at designated locations to post the information about staff activities, promotion and appointment training, notices, as well as announcements, rules and regulations or policies of Huafa Place;

(5) Free speech activities: to build a bridge of communication between employees and the management, the Company has set up an staff suggestion box, WeChat platform and QQ group for employees to propose their different opinions and suggestions on operation management, internal policies and working methods; and

(6) Employee complaint procedure: for the purpose of making all employees' complaints to be resolved in a timely and fair manner and create a good working and personal development environment for employees and establishing a sense of belonging for them, the Company encourages employees to report their own experience to their superiors, management personnel, the human resources department and even the general manager of the Company on a level-by-level basis. When superiors are unable to solve the problems, they can report in the form of feedback to the management above them, and undergo an appeal procedure in the abovementioned order until the final decision can be made by the general manager.

Set out below is the number of staff in each business segment and the turnover rate of the Group as of 31 December 2021[21]:

		Hotel Advisory and Exhibition Services		Property Management Services	
		2021	2020	**2021**	2020
Headcount	**By Gender**				
	Male	**13**	268	**4,780**	3,640
	Female	**19**	268	**3,561**	2,682
	By Age Group				
	Below 30	**7**	232	**2,294**	1,974
	30-50	**23**	259	**4,669**	3,767
	Above 50	**2**	45	**1,378**	581
	By Employment Type				
	Full time	**32**	525	**8,341**	6,322
	Part time/Internship	**0**	11	**0**	0
	By Region				
	Hong Kong	**0**	2	**2**	3
	Mainland China	**32**	533	**8,339**	6,319
	Other regions	**0**	1	**0**	0
	Total	**32**	536	**8,341**	6,322
Annual Turnover Rate[22]	**By Gender**				
	Male	**7.14%**	24.25%	**30.48%**	44.64%
	Female	**13.64%**	22.01%	**27.43%**	35.57%
	By Age Group				
	Below 30	**12.50%**	28.02%	**40.01%**	64.54%
	30-50	**11.54%**	18.53%	**25.21%**	29.57%
	Above 50	**0.00%**	24.44%	**19.70%**	32.87%
	By Region				
	Hong Kong	**0.00%**	0.00%	**66.67%[23]**	33.33%
	Mainland China	**11.11%**	23.08%	**29.19%**	40.80%
	Other regions[24]	**0.00%**	100.00%	**0.00%**	0.00%
	Overall	**11.11%**	23.13%	**29.21%**	40.79%

21 The data are presented by business due to the change in the scope of report for the year. As the data only cover major business segments, the number of employees may not be consistent with that in the annual report.

22 Turnover rate = number of departures in the year/(number of departures in the year + headcount at the end of the year).

23 With only a few employees in Hong Kong, there might be a significant increase in turnover rate during the year if more than one person leaves during the Reporting Period.

24 Other regions include Malaysia and Singapore.

HEALTH AND SAFETY

The Group complies with health and safety-related regulations in accordance with the Occupational Safety and Health Ordinance of Hong Kong and similar regulations of Mainland China, and formulates provisions on environment control and hygiene for workplace. During the Reporting Period, there was no material illegal or non-compliance issue that had a significant impact on the Group.

Property Management Services Business Segment

We have formulated a series of policies on occupational health and safety, such as the Control Procedures on Environment, Occupational Health and Safe Operation, the Control Procedures on Testing on Environment, Occupational Health and Safety and the Control Procedures on the Identification and Evaluation on Sources of Danger, to assist employees in identifying potential safety hazards in the working environment and provide relevant guidance. With protection measures for female employees, physical examinations for employees and other services, we strive to minimize risks on occupational safety and health.

Offices are the environment where our staff stay for a long time and where poor indoor air quality can cause physical illnesses and poor health (such as headache, itchy eyes, breathing difficulties, skin allergies, fatigue or vomiting), which can even lead to high absence rates and low production efficiency. On the contrary, good indoor air quality can make them feel more comfortable and stay healthy.

In light of the potential threat on the working environment imposed by the COVID-19 pandemic, the Group implemented a series of measures to improve indoor air quality, such as regular air quality testing, air cleaners, regular cleaning of ventilation systems, water-cooled air conditioning systems and enhancement of air circulation in offices. In order to reduce the chance of respiratory tract infections among the staff, we will issue an influenza notice when necessary and enhance preventive measures such as provision of hygiene masks and hand sanitisers for staff to use at any time.

In addition, the Group has carries out carpet cleaning and pest control and disinfection regularly to allow our staff to work in a clean environment which also helps improve their health. Besides, new office chairs are also purchased for those who need to replace seats, so that staff can work in a comfortable environment with fewer occurrences of accidents. As for workplace lighting, we arrange for regular lamp inspections to ensure that staff can work with comfortable lighting. Furthermore, shade curtains are also installed in our windows to prevent sunrays from reflecting on staff computers and causing harm to their eyes.

The Group also ensures adequate and unlocked first-aid facilities in its workplace, with all emergency exits unimpeded and unlocked. Besides, staff members shall receive training on fire safety knowledge to raise their fire precaution awareness. Our business units held safe production inspections, fire safety knowledge training and fire drills on a regular basis.

In our property management services business segment, we are committed to maintaining a safe work environment and eliminating workplace hazards. We have implemented an occupational safety management system to prevent, manage, track and report workplace injuries and occupational diseases. Our occupational safety and health management system is also accredited with ISO 45001:2018.

Hotel Advisory and Exhibition Services Business Segment

Hotel Advisory

We are attentive to occupational safety and actively comply with relevant laws and regulations to ensure the safety of our employees in the workplace. In terms of hotel advisory and exhibition services business segment, the Group strictly abides by the Measures for the Administration of National Occupational Health Standards (《國家職業衛生標準管理辦法》), the Measures for the Administration of Preventive Health Examinations (《預防性健康檢查管理辦法》), the Law of the People's Republic of China on the Prevention and Control of Occupational Diseases (《中華人民共和國職業病防治法》) and the Regulations on the Labour Protection of Female Employees (《女職工勞動保護規定》). By taking into account the above regulations and the conditions of hotel and workplace of Huafa Place, the Group has formulated the Regulations on the Administration of Occupational Health Examinations (《職業性健康檢查管理規定》) and the Regulations on the Forbidden Scope of Work for Female Employees (《女職工禁忌勞動範圍的規定》), which set out the definition of those who must undergo occupational health examinations and the explanations for circumstances where female employees should avoid in order to protect their physical and mental health as well as safety. We believe that our current policy can provide more considerate and appropriate health protection for our employees.

We also conscientiously implement the requirements of relevant laws and regulations, such as the Work Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) and the Administrative Measures for Emergency Plans for Work Safety Accidents (《生產安全事故應急預案管理辦法》), to prevent work safety accidents and ensure that rescue can take place quickly, effectively and orderly in the event of accidents, so as to control the situation, prevent the spread of accidents and ensure the personal and property safety of our employees.

We have formulated a series of relevant policies, including the Regulations on Work Safety Responsibilities (《安全生產職責規定》) and the Work Safety Meeting System (《安全生產會議制度》), which classifies safety production meetings as routine, quarterly and annual meetings that should incorporate the following contents:

- Communicate the documents, instructions and notices of the superior work safety management in the monthly meeting;
- Check the completion of assignments from the regular meeting of the previous month, and listen to the safety production management of each company in that month;
- Exchange work experience on safety production;
- Arrange follow-up safety production tasks;
- Check the rectification of potential safety hazards and put forward suggestions for further rectification of accidents and hazards; and
- Engage the participants to learn the laws, regulations and professional knowledge on safety production management.

In order to comprehensively improve the employees' occupational safety awareness, we have formulated the Safety Production Education and Training System (《安全生產教育培訓制度》), and arranged the corresponding training for our employees in relation to the professional knowledge, technology, major hazard source management, occupational hazards and corresponding preventive measures, accident prevention, emergency management, rescue organisation and accident investigation and treatment in accordance with national safety production approaches, policies, laws, regulations and rules. As for the employees prone to accidents within the business scope, the Company has specially established the Management System for Special Operation Personnel (《特種作業人員管理制度》), which provides clear definitions for the safety production responsibilities and daily management requirements of special safety personnel, so that such personnel can also carry out daily work under clear guidance.

We have also formulated the Safety Facilities and Equipment Management System (《安全設施設備管理制度》), the Electricity Safety Management System (《用電安全管理制度》) and the Labour Protection Supplies Allocation and Management System (《勞動防護用品配備和管理制度》), so as to minimise the likelihood of employees encountering dangers when using the Company's facilities and equipment under clear guidance. In addition, the Company has also formulated a series of policies in terms of accident prevention and response, such as the Management System of Fire, Explosion and Toxin Prevention (《防火防爆防毒管理制度》), the Safety Production Inspection and Hazard Rectification (《安全生產檢查及隱患整改》), the Accident Reporting, Investigation and Handling System (《事故報告和調查處理制度》) and the Fire Safety Management System (《消防安全管理制度》), to enable the Company to protect staff safety in a better way and lower the possibility of workplace accidents and the impact of accidents on daily business operations.

Exhibition Services

In accordance with the laws and regulations on occupational safety in Mainland China and to protect the health of employees, we have prepared the Employee Safety Responsibility Statement of Zhuhai Hengqin New Area Huajin International Convention Services Company Limited (《珠海市橫琴新區華金國際會展服務有限公司員工安全責任書》) which sets out a series of measures to be followed by the person in charge of occupational safety and department heads to improve the employees' occupational safety awareness and self-protection ability, and provides guidance on the following aspects of occupational safety protection:

(1) Employees shall receive and proactively participate in safety production and fire safety education and training to master the safety knowledge, improve safe production skills, enhance accident prevention and emergency handling ability required in their own work;

(2) Duly assume their safety responsibilities; check for potential safety hazards in their own work area in accordance with relevant regulations and job responsibilities, and report any such hazards in a timely manner and take effective measures;

(3) Correctly use and maintain the office materials, facilities and equipment of their own posts;

(4) Employees shall be familiar with the electricity safety, equipment safety and operating procedures relevant to their position. Employees must shut down all electrical equipment in their work space before leaving, to prevent short circuit of electrical wires;

(5) Employees are not allowed to operate against rules and risks, and have the responsibility of dissuading and stopping other people's violations;

(6) It is prohibited to use electric stoves, fire and other equipment or deposit inflammable, explosive and dangerous items in office; and

(7) It shall adopt effective measures in time in case of accidents to prevent further expansion and report in time, protect the site of accident and relevant records and other materials.

Below sets out the safety performance of each business segment of the Group as of 31 December 2021:

	Hotel advisory and Exhibition Services			Property Management Services		
	2021	2020	2019	**2021**	2020	2019
Number and rate of casualties due to work relations[25]	**0 ; 0.00**	0 ; 0.00	0 ; 0.00	**3 ; 0.35**	0 ; 0.00	Not available[26]
Days lost due to work injuries	**0**	25	139	**189**	63	No available [21]

DEVELOPMENT AND TRAINING

The Group encourages its staff to pursue progress and continuous learning. In addition to on-the-job trainings provided at different departments, we have also established relevant policy to sponsor our staff to further their study so as to improve their expertise. We also organise team activities, such as orienteering and problem-solving activities, to enhance the sense of belonging and responsibility among the staff. Through such activities, members of staff learn to accept and complement each other, and develop into a team with mutual trust and inspiration. Staff can also understand more about their merits and demerits in terms of personal growth.

In order to enable new employees to quickly adapt to the Company's environment and work positions and meet the needs of on-the-job employees, the hotel advisory exhibition services business provides diversified types of training for both new and old employees. The new ones are provided with induction training and other orientation. More seasoned employees continue to receive on-the-job guidance and be arranged for general training, professional training and business training as required by their functions.

The Group provides different types of training, including internal, external and job rotation as defined below:

- Internal training: classroom explanation, seminars, online learning, on-the-job guidance and other training conducted in the office or designated locations;

- External training: employees are selected to participate in training organised by external organizations or visit other enterprises, including external open classes, visiting and studying in external enterprises, etc.; and

- Job rotation: employees are assigned to work in other units of the Group.

25 Rate of Accidental fatality due to work per thousand staff = (fatality cases due to work accident/number of staff) x 1,000.

26 Relevant data for 2019 of the Group is not available.

During the Reporting Period, a total of 4,177 employees of the Group participated in different types of training, which amounted to about 83,587 training hours. Staff training data are detailed as follows:

		Hotel advisory and Exhibition Services		Property Management Services	
		2021	2020	**2021**	2020
Percentage of employees trained[27]	**By Gender**				
	Male	**14.29%**	99.25%	**36.40%**	88.60%
	Female	**13.64%**	95.52%	**34.01%**	86.91%
	By Rank				
	Management	**0.00%**	100.00%	**50.00%**	100.00%
	Manager	**60.00%**	93.33%	**46.85%**	100.00%
	General staff	**7.14%**	97.60%	**36.86%**	87.66%
	Others	**0.00%**	Not available [28]	**13.83%**	Not available [28]
	Overall	**13.89%**	97.39%	**35.41%**	87.88%
Average Training Hours[29] (hour/person)	**By Gender**				
	Male	**3.43**	64.41	**7.28**	24.79
	Female	**4.50**	52.34	**6.80**	24.36
	By Rank				
	Management	**0.00**	21.68	**10.00**	20.42
	Manager	**14.40**	18.97	**9.37**	18.07
	General staff	**2.68**	61.26	**7.37**	24.72
	Others	**0.00**	Not available [28]	**2.77**	Not available [28]
	Overall	**4.08**	58.38	**7.08**	24.61

LABOUR STANDARDS

The Group has zero tolerance over the employment of minors or forced labour or forced imprisonment or labour bound by illegal contracts, and has complied with relevant laws and regulations, including the regulations in the Employment of Children Regulations under the Employment Ordinance of Hong Kong, the Labour Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the Labour Law of the People's Republic of China (《中華人民共和國勞動法》) of Mainland China. Before recruitment, the applicant's original identity documents will be carefully checked and copy of which will be filed to ensure that his/her age and identity allow him/her to work legally. In addition, the Group's mainland business units have also prepared internal procedures to regulate recruitment methods and strictly abide by the provisions of national and local labour regulations. The Group will regularly review relevant employment policies and regulations to reduce the possibility of employment of child labour or forced labour as far as possible. If any child labour or forced labour is identified under the Group's operations, including the properties under our management, we will implement relevant measures and duly follow up. During the Reporting Period, there was no forced labour or such incident within the Group.

27 The training ratio = the total number of the trainees for the year/the sum of the number of employees for the year.

28 Relevant data for 2020 of the Group is not available.

29 Average training hours = Total training hours for the year/total number of employees for the year.

OPERATING PRACTICES

Supply Chain Management

All business suppliers of the Group are generally engaged in information technology and telecommunication, properties, laws, materials, services provision, consumer goods, food and other commercial services, as well as office supplies. The Group believes that such suppliers will not pose major environmental and social risks to its business. Therefore, this section primarily relates to the supply chain management in respect of individual business. Overall, our purchase decisions are made according to the pricing, suitability and general reputation of suppliers.

Hotel Advisory and Exhibition Services Business

In order to strengthen the overall management of suppliers and promote long-term stable supply of quality services and goods to the Company, we have formulated the Tendering and Procurement System (《招標採購制度》) and Measures for Daily Management of Suppliers (《供應商日常管理辦法》), and regulated the division of supplier management responsibilities of relevant departments within the Company. New suppliers are subject to a rigorous investigation and review process before their entry into the Company's qualified supplier list, which includes: (i) a preliminary review of supplier qualifications, such as checking supplier qualification documents, verifying their authenticity and meeting relevant laws and regulations; (ii) supplier inspection: after passing the preliminary review, the suppliers will be assessed through multiple channels such as on-site inspection, telephone communication, online information query and supplier partners, with the final results presented in the form of a report. The inspection will score the suppliers according to the following aspects to ensure that they can provide quality materials or services to the Group: (i) the specification and allocation of professionals; (ii) service quality and supply capacity, (iii) good financial and tax condition; (iv) if the object of the inspection is food suppliers, the safety of food storage will be reviewed to ensure no expired food and hygiene; and (v) if the inspection object is materials suppliers, then their production process, quality control and workshop management will be assessed.

The Group will conduct an annual regular evaluation on all its supplier partners in the qualified supplier base, evaluate their quality, date, price, service of delivery through supplier questionnaires, on-site inspection and dynamic evaluation to understand the current situation, development planning, cooperation intention and daily transactions of the supplier company. If suppliers have significant problems in any of the above assessment areas, the Group will conduct irregular assessment to timely identify weaknesses and select good suppliers through management.

Unless there is no corresponding type of unit in the qualified supplier base for the procurement item or for special reasons, suppliers outside the base can be invited to participate in relevant selection procedures after being approved by the Company's leaders. In addition to business and competitive negotiation, at least three companies shall be selected from the qualified supplier base to bid for each purchase, and those who are evaluated as "excellent" in the supplier evaluation shall be selected preferentially and participate in the bidding only after the Company finishes its approval process. In addition, in order to realize the concept of green procurement, we will consider using renewable or biodegradable appliances when purchasing consumables, such as reducing plastic products and using paper straws, stirring rod and etc.

During the Reporting Period, the hotel advisory and exhibition services business segment employed 29 suppliers, all of which were from Mainland China. The Group engaged and managed the selected suppliers in accordance with the above supplier management practices.

Property Management Services Business

The property management services business of the Group promotes fair and open competition and has established the Supplier Management Specification to regulate the selection process of suppliers and clarify the criteria for the introduction of suppliers in the procurement activities of the Company and to enhance the overall management of the supply chain. The decision to purchase materials and select suppliers is based on past compliance records, technology, quality, capital, credit, safety performance and past service records. In addition, if the supplier provides materials or products that is made from environment friendly materials or is recyclable, we will give priority to such supplier. In selecting suppliers, the Group will go through many processes, such as site visits, performance surveys, verification of qualification documents and scoring. We will also conduct annual periodic assessments of suppliers we are already cooperated with, and the Procurement Department dispatch the supplier assessment results to the relevant departments for signature and confirmation and submit them to the supplier assessment panel for approval to ensure that the procurement activities were operated under normal procedures.

During the Reporting Period, the property management services business segment employed 351 suppliers, all of which were from Mainland China. The Group engaged and managed the selected suppliers in accordance with the above supplier management practices.

Service Quality

The Group endeavours to provide its target clients with premium services and offer them the best solutions at competitive prices, meeting the demands from clients and stakeholders with excellent services beyond their expectation. In order to provide quality services to our clients, the Group has taken a series of measures in all aspects, including quality control of services, complaints handling and protection of client data. The Group complies with relevant laws and regulations, including the Protection of Consumer Rights and Interests of the PRC, the Personal Data (Privacy) Ordinance (Chapter 486 of the Laws of Hong Kong) and the Consumer Council Ordinance (Chapter 216 of the Laws of Hong Kong) of Hong Kong. During the Reporting Period, there was no illegal or non-compliance issue that was related to the service quality, customer health and safety, advertising, labelling and privacy of the Group and had a significant impact.

Hotel Advisory and Exhibition Services Business

Service quality is a key component to successful hotel advisory and exhibition services business. We are committed to improving customer satisfaction, ensuring and improving service quality, reducing service complaints, increasing staff awareness of quality and hotels, and creating excellent service, which comprise the core competitiveness of hotel advisory business. We have established a quality management system for the hotel advisory business. Our exhibition unit has formulated a measure for coordination and management of promotion media to improve the standard procedures for brand management and media management for clients, so as to provide high quality marketing services to clients.

Hotel Advisory and Exhibition Services Quality Management and Complaints Handling

The hotel advisory service mainly provides a series of consultancy services related to the hotel projects for the related parties of the Group. Before providing services to customers, we will sign relevant contracts with them, and let customers know that we do not assume legal responsibility for the opinions we provide. However, we have always adhered to the purpose of providing professional consultancy services to customers, and strived to maintain a good relationship with customers. Our customers are satisfied with the services provided so far and we did not receive any related complaints during the reporting period.

In terms of the exhibition services business, we have formulated a detailed standardized process manual to standardize the specific implementation standards of each link of exhibition activities from undertaking projects to on-site operation, and designated experienced project managers and a professional team for each project. In addition, we have also arranged professional acceptance personnel to carry out the acceptance procedures according to the relevant procedures, so as to ensure that the quality of the activities can be high. In the process of providing services, we have repeatedly communicated with customers on each link, and we have confirmed with customers for key links for multiple times, in order to meet customers' needs, maximize the effect of implementing exhibition services and reduce the possibility of customer complaints. We did not receive any related complaints during the reporting period. However, if we receive customer complaints, we will follow up with the following steps:

(1) The content of customer complaints will be recorded in the Customer Complaint Form, including the complainant, the object of the complaint and customers' request.

(2) After understanding the details of the customer's complaint, we should judge the adequacy of the reason for the customer's complaint and the rationality of the complaint request. If it is determined that the complaint is not substantiated, we will reply to the customer in a euphemistic manner in order to obtain the customer's understanding.

(3) If the relevant customer complaint is established, the specific person in charge of it shall be determined according to its content.

(4) The complaint handling department analyzes and finds out the specific reasons for the customer's complaint and the party responsible for it.

(5) Specific plans for resolving complaints will be put forward according to the actual situation and with reference to customer's request.

(6) A specific plan for resolving the complaint will be submitted to the leader for approval.

(7) After the specific plan for resolving the complaint is approved, it will be implemented and notified to customers in a timely manner, in order to collect customer feedback as soon as possible.

Customer Safety

Hotel advisory services mainly include the positioning research, brand introduction, management contract negotiation, technical support consulting of hotel projects. The business does not involve customer safety issues.

In terms of the exhibition service business, we have formulated security plans and emergency plans for each exhibition event in accordance with relevant national and local policies, requirements and standards to ensure the safety of customers participating in the exhibition. In terms of the security plans, we will formulate and implement corresponding security measures based on the type, scale, guests and other standards of each event, and after the corresponding security rating is issued by a professional company hired by us. The security plan generally includes the management of activity certificate types, qualification examination standards, admission standards, security inspection equipment and personnel allocation, on-site security personnel allocation, on-site security inspection standards, and emergency response plans. At the same time, under special circumstances, we will formulate emergency plans for special events. For example, during the epidemic period, we have prepared corresponding epidemic prevention plans for each event, and made typhoon emergency plans.

Advertising and labelling

No significant matters on advertising and labelling were involved in our business.

Protection of Client Data and Intellectual Property Rights

The business unit of both hotel advisory and exhibition services has formulated the Confidentiality Agreement, which requires the company representatives and employees to sign and confirm when they are employed. It clearly defines the content to be kept confidential, including all commercial secrets and information for which the Company undertakes confidentiality obligations to third parties. In case of any divulging, oral warning, written warning, demerit recording and dismissal will be given depending on the severity; in case of any loss to the Company caused by the divulging of confidential information to a third party or the use of the Company's confidential information, the Company may seek corresponding compensation from the staff; in case of any malicious divulging of the Company's confidential information to a third party, the Company has the right to hold the leaker and the third party liable for tort in accordance with the law, and claim compensation from the leaker and the third party for the losses suffered by the Company.

Property Management Services Business

Customer health and safety

As a supplier of professional property management services, we pay particular attention to the health and safety of customers in properties under our management in our business. To regulate our relevant management and operation procedures, we formulated a series of policies and documents on "quality, environment, occupational health and safety", providing specific operation procedures and guidance on environmental protection, equipment repairing and management and safety management with the focus on residential properties, thereby maximizing the effect on safeguarding the health and safety of customers.

Property Management Service Quality Management and Complaints Handling

Our property management services are known for stringent quality control to maximize the positive experience of our guests. We have established service quality assessment standards, ranging from appearance to renovation management as well as management and inspection on special items, and have clearly established a series of guidelines for staff and good service to match the development of high-end residential properties in China. In order to maintain a good working pattern, we have also established a series of reminder signs, inspection, self-inspection, interview and problem rectification guidelines to control the service quality from internal departments. On the other hand, we have formulated the "Control Procedures for Communication and Engagement" (《信息交流與溝通控制程序》) and "Control Procedures for Data Analysis and Improvement" (《數據分析和改進控制程序》), which regulate the complaint handling work to ensure that all kinds of client complaints can be resolved in a timely and reasonable manner. Upon receiving a complaint from a client in person or by telephone, the corresponding staff shall immediately make a detailed record in the "Resident Complaint Handling and Return Visit Form" (《住戶投訴處理及回訪表》), reply to the competent department and the relevant owner in a timely manner after a serious analysis of the cause of the complaint, take immediate measures to stop the damage caused to the resident. And the return visit will be conducted, and the process from receipt to completion will normally take no more than ten days.

We also evaluated the goods from procurement to identify unqualified products. And all personnel involved in the service delivery process are responsible for promptly correcting service irregularities that occur. Management offices have been set up at each location to identify customer complaints and address non-conforming services as reported by customers during consultation activities. It is the responsibility of the respective department heads to follow up and monitor the improvement of the non-conforming services. The Quality Management Department is also responsible for identifying non-conforming services identified during service regulation, management inspections and internal audits. During the Reporting Period, the Group's quality control system was also accredited with ISO9001:2015.

Advertising and labelling

No significant matters on advertising and labelling were involved in our business.

Protection of Employee and Client Data and Intellectual Property Rights

Our business involves the use of employee and client data and we attach great importance to keeping employee and client data confidential. We have formulated the Procedures on the Management of Employee Archives and Personnel Archives, the Procedures on the Management of Data on Information Technology and the Procedures on the Management of Risks on Information Technology to regulate the information safety management on employees and customers. Such documents have specified the authority on data use and other important management scopes. In addition, we also established the information technology management mechanism to prevent information leakage. We can make appropriate response to prevent deterioration in case of the occurrence of relevant matters.

On the other hand, we have signed a trademark license contract for our trademark "Huafa" with our legal representative to protect and safeguard the rights entitled to us. The contract sets out the different definitions and applications of the use of trademark, and also specifies the liability for breach of contract, thereby enhancing the binding effect of the terms and reducing the risk of breach of contract.

ANTI-CORRUPTION

The Group maintains a high standard of business integrity throughout the operation and tolerates no corruption or bribery in any form. We effectively implement a comprehensive internal control system and stringent policies against corruption and fraud. We have complied with the relevant laws and regulations in Hong Kong and Mainland China, including but not limited to the Prevention of Bribery Ordinance (Chapter 201 of the Laws of Hong Kong), the Anti-Money Laundering and Counter Terrorist Financing (Financial Institutions) Ordinance (Chapter 615 of the Laws of Hong Kong) of Hong Kong, the Contract Law of the People's Republic of China (《中華人民共和國合同法》), the Anti-Unfair Competition Law of the People's Republic of China (《中華人民共和國反不正競爭法》) and the Interim Provisions on Banning Commercial Briberies (《關於禁止商業賄賂行為的暫行規定》) of Mainland China. During the Reporting Period, there was no illegal or non-compliance issue that was related to corruption and had a significant impact on the Group.

On the other hand, the Group has established a corruption reporting mechanism and published an "Integrity Contact Card" (《廉情聯繫卡》) with reporting channels and matters to be reported on it. If staff find anything suspicious, they can report it to the relevant departments through the above reporting channels.

Hotel Advisory and Exhibition Services Business

Staff members are also required to sign an Integrity Pledge (《廉潔自律承諾書》) before carrying out procurement projects, which stipulates that the signatories are not allowed to make use of their work to gain improper benefits. On the other hand, the signatories are also prohibited from using public funds for entertainment activities on the occasion of study trips or study tours, and from reimbursing private hospitality and personal expenses. In addition, signatories are also required to report on the implementation of the integrity rules in a timely manner.

As for the Company and the supplier, both parties will sign the Transparent Procurement Agreement (《陽光採購協議》) to undertake that both parties shall comply with the requirements of relevant regulations voluntarily, including: the staff of the Company shall not ask for or accept suppliers' cash, kickbacks, gifts or other items; the personnel of the Company shall not accept any high-consumption entertainment from suppliers or use the materials, supporting equipment provided by suppliers by improper means, or take the materials and equipment as their own property or for sale. Nor shall the personnel take advantage of their position and work to seek improper benefits for themselves and their relatives, to regulate the staff's conduct in all aspects and eliminate any possibility of damage to the Company's interests or fraud. Moreover, the agreement contents also include report channels, report mechanism instructions and penalty on relevant staff (if the case is verified) and etc.

On the other hand, we also place great emphasis on daily anti-corruption awareness among our staff and regularly send out reminders on our internal communication platform, especially during festive seasons, asking staff to be cautious of any possible corruption-related matters. We are also happy to share typical corruption cases with our staff so that they can learn from them and avoid being involved in any corruption-related matters.

Property Management Services Business

The Group's property management services business department has established the "Working System for Reporting Stabilisation (Provisional)" (《信訪維穩工作制度（試行）》), "Rules for the Administration of Gifts and Cash" (《禮品禮金上交管理辦法》), "Discipline and Inspection System" (《紀檢工作制度》) and related risk control measures, and signed the "Integrity Commitment" (《廉潔從業承諾書》) to guide our staff to conscientiously implement the deployment of the integrity construction responsibility system and abide by the professional ethical standards. We ensure that we will not use our authority or work to commit fraud, falsify, seek improper benefits for our spouse, children's relatives and others, or engage in personal loan relationships with external business associates or seek personal benefits in all aspects of daily operation and management. In addition, we have appointed personnel responsible for anti-corruption, and established reporting stabilisation committee consisting of director, deputy director and other dedicated personnel, which is served by relevant leaders in charge of reporting stabilisation and subleaders in charge of reporting stabilisation of each business segment. They are responsible for the integrity system establishment and the integrity practice establishing if they are accused of corruption. All reports will be duly investigated and will be submitted to law enforcement agencies if necessary. We promise that our staff will never ask for or accept kickbacks, gifts, valuable securities, payment certificates, or valuables from relevant units and personnel. We will not send gifts, valuable securities, payment certificates, or valuables to leaders at higher levels. Our employees will work together to promote the righteousness of the Company with the theme of integrity. In addition, during the Reporting Period, the Group held anti-corruption trainings for our directors and staff, which promoted anti-corruption information through educational documentary.

COMMUNITY

Community Investment

Over the years, the Group has been philanthropic and strived to be a good corporate citizen to help create a harmonious society. We have also encouraged our staff to actively participate in social service and care for the people in need. We will select donation recipients according to the operating philosophy and the activities of community organisations. Our past beneficiaries include The Community Chest, Tung Wah Group of Hospitals and Yan Oi Tong.

The Group's management encourages the staff to take part in community service and motivate them to join in various volunteer activities. Our colleagues are more than ready to participate and even form their own teams in joining volunteer activities whenever available. In addition, we are also doing our part in the area of public health by cooperating, participating and assisting in the prevention and control of the COVID-19 pandemic, so as to improve our working environment to mitigate the infection risk for our staff. We hope the above measures can make contribution to the fight against the epidemic and our society.

As an influential company in the society, we will continue to participate in social construction and help the underprivileged to give back to the society. The breakdown of our awards and related community investments is set out as follows:

Name of Award/Achievement	Issuer
Property Management Services Business	
• 2021 Top 100 Property Management Company in China 2021 (2021中國物業服務百强企業)	China Index Academy
• 2021 Leading Brand in terms of Property Service Quality in China (2021中國物業服務品質領先品牌)	Beijing China Index Academy
• 2021 Leading Enterprise in the Guangdong-Hong Kong-Macau Greater Bay Area in terms of Property Services in China (2021中國物業服務粵港澳大灣區領先品牌企業)	Beijing China Index Academy
• 2021 Leading Enterprise in China in terms of Professional Operation of Property Services (2021中國物業服務專業化運營領先品牌企業)	Beijing China Index Academy

	Unit	2021	2020
Total number of participants	person	**Not available**	231
Total hours of volunteering	hour	**Not available**	1,302
Total donation amount	RMB	**Not available**	Not available

Affected by the COVID-19 pandemic, the Group suspended our charity events to mitigate infection risk for our staff. But we will continue to monitor the development of the pandemic, and will arrange suitable community charity events when appropriate and encourage our staff to participate, with a view to keep our devotion and efforts in community contribution and services.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT INDEX OF HONG KONG STOCK EXCHANGE

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement
Subject Area A – Environmental		
Aspect A1: Emissions		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.	Emissions
KPI A1.1	The types of emissions and respective emissions data.	Emissions
KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Emissions
KPI A1.5	Description of emission target(s) set and steps taken to achieve them.	Emissions
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Emissions

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement
Aspect A2: Use of Resources		
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials.	Use of Resources
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (000' kWh) and intensity (e.g. per meal).	Use of Resources
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Use of Resources
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Use of Resources
KPI A2.5	Total packaging materials used for finished products (in tonnes) and, if applicable, with reference to per unit of production.	N/A: The Group has no packaging materials
Aspect A3: Environment and Natural Resources		
General Disclosure	Policies on minimising the issuer's significant impact on the environment and natural resources.	Environment and Natural Resources
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Environment and Natural Resources
Aspect A4: Climate Change		
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Climate Change

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement
Subject Area B – Social		
Employment and Labour Practices		
Aspect B1: Employment		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, antidiscrimination, and other benefits and welfare.	Employment
KPI B1.1	Total workforce by gender, employment type (for example, full– or part-time), age group and geographical region.	Employment
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment
Aspect B2: Health and Safety		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Health and Safety
KPI B2.2	Lost days due to work injury.	Health and Safety
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.	Health and Safety

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement
Aspect B3: Development and Training		
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. *Note: Training refers to vocational training. It may include internal and external courses paid by the employer.*	Development and Training
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Development and Training
KPI B3.2	The average training hours completed per employee by gender and employee category.	Development and Training
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Labour Standards
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.	Labour Standards
KPI B4.2	Description of steps taken to eliminate such noncompliance practices when discovered.	Labour Standards
Operating Practices		
Aspect B5: Supply Chain Management		
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management
KPI B5.1	Number of suppliers by geographical region.	Supply Chain Management
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Supply Chain Management
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply Chain Management
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply Chain Management

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement
Aspect B6: Product Responsibility		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service Quality As the Group is not engaged in product manufacturing, the issues of product health and safety, advertising and labelling has no significant impact on its business
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A: The Group has no product
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Service Quality
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Service Quality
KPI B6.4	Description of quality assurance process and recall procedures.	Service Quality
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Service Quality
Aspect B7: Anti-corruption		
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the Reporting Period and the outcomes of the cases.	No related case
KPI B7.2	Description of preventive measures and whistleblowing procedures, and how they are implemented and monitored.	Anti-corruption
KPI B7.3	Description of anti-corruption training provided to directors and staff.	Anti-corruption

Subject Areas/Aspects/Key Performance Indicators (KPIs)		Section/Statement
Community		
Aspect B8: Community Investment		
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Community Investment
KPI B8.2	Resources contributed (e.g. money or time) to the focus areas.	Community Investment

REPORT OF THE DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in (i) the provision of property management services, and (ii) hotel advisory and exhibition services in the People's Republic of China (the "PRC").

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 up to the date of this report, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 10 to 18 of this report. In addition, discussions on the Group's environmental policies, relationships with its stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, Corporate Governance Report and ESG Report of this report. The review and discussions form part of this Report of the Directors.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2021 are set out in the Consolidated Statement of Profit or Loss on page 95 of this report and Consolidated Statement of Comprehensive Income on page 96 of this report. The Board does not recommend payment of a final dividend for the year ended 31 December 2021 (2020: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Tuesday, 31 May 2022 ("AGM"), all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 25 May 2022.

FIXED ASSETS

Details of the movements in property, plant and equipment of the Group during the year are set out in note 14(a) in the financial statements.

SHARE CAPITAL

Details of movements of the share capital of the Company during the year are set out in note 26 in the financial statements.

DISTRIBUTABLE RESERVES

There is no distributable reserves as at 31 December 2021 (2020: Nil).

FIVE YEAR SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2021 and the Group's assets and liabilities as at 31 December 2017, 2018, 2019, 2020 and 2021 is set out on page 5 of this report.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-Laws"), or under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors:

Mr. Li Guangning *(Chairman)*
Mr. Zhou Wenbin *(Chief Executive Officer)* (appointed with effect from 30 July 2021)
Mr. Xie Wei
Mr. Liang Liang (appointed with effect from 9 November 2021)
Mr. Gu Yuanping (appointed with effect from 16 March 2022)
Ms. Guo Jin (resigned with effect from 30 July 2021)
Mr. Tze Kan Fat (resigned with effect form 16 March 2022)

Non-executive Directors:

Ms. Zhou Youfen
Mr. Shong Hugo (resigned with effect form 29 October 2021)

Independent Non-executive Directors:

Dr. Chen Jieping
Mr. Pu Yonghao
Mr. Guo Shihai

In accordance with bye-law 87 of the Bye-Laws, Mr. Li Guangning and Mr. Pu Yonghao will retire at the forthcoming AGM by rotation. In addition, Mr. Zhou Wenbin, Mr. Liang Liang and Mr. Gu Yuanping, who have been appointed by the Board on 30 July 2021, 9 November 2021 and 16 March 2022 respectively, will hold office until the forthcoming AGM pursuant to bye-law 86(2) of the Bye-laws. All of the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

Ms. Guo Jin had tendered her resignation as an executive Director and a member of Remuneration Committee with effect from 30 July 2021. Ms. Guo Jin has confirmed that she has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of her resignation as an executive Director. The Board would like to take this opportunity to express its gratitude to Ms. Guo Jin for her contribution to the Company during her term of services as an executive Director.

Mr. Tze Kan Fat had tendered his resignation as an executive Director and a vice president（副總裁）of the Company with effect from 16 March 2022. Mr. Tze Kan Fat has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of his resignation as an executive Director. The Board would like to take this opportunity to express its gratitude to Mr. Tze Kan Fat for his contribution to the Company during his term of services as an executive Director and a vice president of the Company.

Mr. Shong Hugo had tendered his resignation as a non-executive Director with effect from 29 October 2021. Mr. Shong Hugo has confirmed that he has no disagreement with the Board and there are no matters that need to be brought to the attention of the shareholders of the Company in respect of his resignation as a non-executive Director. The Board would like to take this opportunity to express its gratitude to Mr. Shong Hugo for his contribution to the Company during his term of services as a non-executive Director.

Mr. Zhou Wenbin, Chief Executive Officer and executive Director, entered into his service contract with the Company for an initial term of three years commencing from 30 July 2021. During his three-year employment period, he is entitled to an annual Director's fee of HK$120,000 plus discretionary bonus, which is determined with his roles, experience and responsibilities.

Mr. Liang Liang, executive Director, entered into his service contract with the Company for an initial term of three years commencing from 9 November 2021. During his three-year employment period, he is entitled to an annual Director's fee of HK$120,000 plus discretionary bonus, which is determined with his roles, experience and responsibilities.

Mr. Gu Yuanping, executive Director, entered into his service contract with the Company for an initial term of three years commencing from 16 March 2022. During his three-year employment period, he is entitled to an annual Director's fee of HK$1 with discretionary bonus.

Mr. Li Guangning, Chairman and executive Director, entered into his service contract with the Company in 2014. His appointment was for an initial term of three years commencing on 21 July 2014 and was renewed for a further period of three years with effect from 1 April 2017 and 1 April 2020 respectively. During his three-year employment period, he has been entitled to a Director's fee of HK$120,000 per year effective from 1 April 2020 plus discretionary bonus, which is determined by his roles, experience and responsibilities in the Company.

Mr. Xie Wei, executive Director, resigned as a Chief Executive Officer and an authorised representative of the Company with effect from 30 July 2021, entered into his service contract with the Company in 2014. His appointment was for an initial term of three years commencing on 21 July 2014 and was renewed for a further period of three years with effect from 1 April 2017 and 1 April 2020 respectively. During his three-year employment period, he has been entitled to a Director's fee of HK$120,000 per year effective from 1 April 2020 plus discretionary bonus, which is determined by his roles, experience and responsibilities in the Company.

Ms. Zhou Youfen, non-executive Director, entered into her letter of appointment with the Company in 2020. Her appointment was for an initial term of three years commencing on 28 September 2020, subject to termination at any time by either party giving to the other three months' notice in writing. Ms. Zhou Youfen would not receive any remuneration from the Company.

Three independent non-executive Directors, namely, Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai, entered into their letters of appointment with the Company for an initial term of three years commencing on 21 July 2014, 1 June 2020 and 21 July 2020 respectively. The letter of appointment between Dr. Chen Jieping and the Company was renewed for a further period of three years with effect on 21 July 2017 and 21 July 2020 respectively, subject to termination at any time by either party giving to the other two months' notice in writing. With effect from 1 April 2022, each of the independent non-executive Directors is entitled to a Director's fee of HK$150,000 per year which is determined with reference to their duties and responsibilities within the Company.

Apart from the above, none of the Directors proposed for re-election at the forthcoming AGM had a service contract with the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors and the Directors' fees of the independent non-executive Directors are mutually agreed between the Board and each of the executive Directors and independent non-executive Directors with reference to the prevailing market conditions and determined by the Board based on the anticipated time, efforts and expertise to be exercised by each of them on the Company's affairs. Such emoluments are subject to review by the Board from time to time, pursuant to the power conferred on it in the annual general meeting of the Company.

CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 20 to 25 of this report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were 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 the Directors and the chief executive of the Company were taken or deemed to have been taken under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") for Securities Transactions by Directors adopted by the Company were as follows:

Interests in associated corporation of the Company, Zhuhai Huafa Properties Co., Ltd.（珠海華發實業股份有限公司）("Huafa Properties") (Note 1)

Name of Director/ Chief Executive	Capacity/Nature of interests	Number of shares held (Note 2)	Approximate percentage of shareholding in the associated corporation (%)
Zhou Wenbin	Beneficial owner	211,000 (L)	0.01

Notes:

1. Pursuant to the SFO, Huafa Properties, a company listed on the Shanghai Stock Exchange (stock code: 600325), is a non-wholly-owned direct subsidiary of Zhuhai Huafa, an indirect controlling shareholder of the Company, and therefore is deemed to be an associated corporation of the Company.

2. The letter "L" denotes long position of the shares.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

As far as was known to the Directors, as at 31 December 2021, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa (Note 1)	Interest in controlled corporations	3,901,907,480	38.78
Ho Chi Sing (Note 2)	Interest in controlled corporations	669,762,520	6.66
IDG Light Solutions Limited (Note 2)	Beneficial owner	669,762,520	6.66

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Hong Kong Huafa Investment Holdings Limited ("Huafa HK") which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin Investment"). Zhuhai Huafa's non-wholly-owned direct subsidiary, Huafa Properties, indirectly wholly owns Guang Jie Investment Limited ("Guang Jie") which directly holds 191,157,480 shares of the Company. Since Huajin Investment holds 3,710,750,000 shares of the Company and Guang Jie holds 191,157,480 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,901,907,480 shares of the Company by virtue of its shareholding in Huajin Investment and Guang Jie.

2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 669,762,520 shares of the Company.

   Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 669,762,520 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 31 December 2021, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

SHARE OPTIONS

There is no share option scheme during the year ended 31 December 2021 and up to the date of this report.

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year was the Company, or any of its holding company, fellow subsidiaries and subsidiaries, a party to any arrangement enabling the Directors or their respective spouses or children (natural or adopted) under the age of 18 years, to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Equity-linked Agreements

The Group has not entered into any equity-linked agreements during the year ended 31 December 2021.

Permitted Indemnity Provision

Pursuant to the Bye-Laws, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

MAJOR CUSTOMERS AND SUPPLIERS/SUBCONTRACTORS

The percentage of sales and cost of services provided for the year attributable to the Group's major customers and suppliers/subcontractors were as follows:

Sales	
– the largest customer	34%
– five largest customers	46%
Cost provided	
– the largest supplier/subcontractor	2%
– five largest suppliers/subcontractors	5%

Among the five largest customers, the sales value to Zhuhai Huafa's subsidiaries accounted for 34% of the total sales value for the year.

Mr. Li Guangning, Mr. Xie Wei and Ms. Zhou Youfen act as Zhuhai Huafa's directors during the year.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the date of this report, and pursuant to the Listing Rules, none of the Directors is considered to have interests in any business which causes, or may cause, significant competition with the business of the Group.

CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

In addition to the related party transactions disclosed in note 29 to the audited consolidated financial statements, details of connected transaction and continuing connected transactions of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Appendix 16 and Chapter 14A of the Listing Rules, are summarised below:

Connected transaction

The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

Disposal

On 19 May 2021, the Company and Guang Jie, a company incorporated with limited liability under the laws of the British Virgin Islands and indirectly wholly-owned by Huafa Properties, a company established under the laws of the People's Republic of China and listed on the Shanghai Stock Exchange (Stock code: 600325), a non-wholly-owned direct subsidiary of Zhuhai Huafa (the "Purchaser") entered into the agreement for the sale and purchase of the entire issued share capital of Hazel Trend Limited, a company incorporated with limited liability under the laws of the British Virgin Islands and directly wholly-owned by the Company (the "Target Company") (the "Sale Shares") dated 19 May 2021 and entered into between the Company and the Purchaser (the "Sale and Purchase Agreement") in relation to the disposal of the Sale Shares by the Company pursuant to the terms and conditions of the Sale and Purchase Agreement (the "Disposal"), pursuant to which the Company has conditionally agreed to sell, and the Purchaser has conditionally agreed to purchase, the Sale Shares at the total consideration of the Disposal, being HK$40,000,000. Upon the completion of the sale and purchase of the Sale Shares in accordance with the Sale and Purchase Agreement, the Group no longer held any interest in the Target Company and the Target Company ceased to be a subsidiary of the Company and the financial results of the Target Company was no longer consolidated with the results of the Group.

As the Purchaser is an indirectly wholly-owned subsidiary of Huafa Properties and is an indirectly non-wholly-owned subsidiary of Zhuhai Huafa, a state-owned enterprise wholly-owned by Zhuhai State-owned Asset Supervision and Administration Commission of Zhuhai Municipal People's Government and a controlling shareholder of the Company. As at the date of the announcement on 20 May 2021, Zhuhai Huafa was an indirect controlling shareholder of the Company holding approximately 36.88% of the total issued share capital of the Company, the Purchaser was a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Disposal exceed 0.1% but all are less than 5%, the Disposal is subject to the reporting and announcement requirements but is exempt from the circular (including independent financial advice) and the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules. For details, please refer to the announcement of the Company dated 20 May 2021.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the connected transaction of the Group in accordance with Chapter 14A of the Listing Rules.

Continuing Connected Transactions

Framework Agreements

On 20 December 2019, Zhuhai Huafa Property, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company entered into the property management services cooperation framework agreement and the procurement cooperation framework agreement (the "Framework Agreements") with Zhuhai Huafa, with a term from 17 January 2020 to 31 December 2022, pursuant to which upon the completion of the acquisition of Huafa Property Management Services (Hong Kong) Limited by the Company, Zhuhai Huafa Property will provide property management services to and procure products and services from Zhuhai Huafa and its subsidiaries and associates (excluding Zhuhai Huafa Property and its three subsidiaries, Zhuhai Huafa Municipal, Zhuhai Huafa Building Elevator Engineering and Zhuhai Huafa Jones Lang LaSalle Property Management Services Company, Limited*（珠海華發仲量聯行物業服務有限公司）("Zhuhai Huafa Group") in relation to the operation of Huafa Property Management Services (Hong Kong) Limited and its subsidiaries.

Pursuant to the property management services cooperation framework agreement, Zhuhai Huafa Property shall provide (i) property management services to property sales centres, sample flats, etc. held by Zhuhai Huafa Group ("Category I Property Management Services"), and (ii) property management services including but not limited to security, cleaning, greening and gardening, repair and maintenance services as well as other value added services to the properties developed by Zhuhai Huafa Group ("Category II Property Management Services"). Zhuhai Huafa is an indirect controlling shareholder of the Company, and that Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of each of (i) the property management services cooperation framework agreement and (ii) the procurement cooperation framework agreement constitutes a continuing connected transaction of the Company.

The Company has been closely monitoring the progress of its continuing connected transactions with Zhuhai Huafa under the procurement cooperation framework agreement. It was expected that additional products and services will have to be procured from Zhuhai Huafa Group and therefore the transaction amounts of the continuing connected transactions under the procurement cooperation framework agreement for the year ending 31 December 2021 would exceed RMB5.65 million, being the existing annual cap amount for the year ending 31 December 2021 pursuant to the procurement cooperation framework agreement (the "Original Annual Cap"). In addition, as the scale of business expands, the Board considers that the Original Annual Cap under the procurement cooperation framework agreement shall be revised to satisfy the business needs of Zhuhai Huafa Property and its subsidiaries for the year ending 31 December 2021.

On 22 June 2021, Zhuhai Huafa Property and Zhuhai Huafa entered into the supplemental agreement to supplement the procurement cooperation framework agreement (the "Supplemental Agreement") to (a) revise the existing scope of services to cover (i) leasing of venues for office use and (ii) information maintenance services such as maintenance of management platform, service platform and other system services; and (b) increase the Original Annual Cap to RMB17.04 million, being the new annual cap amount for the year ending 31 December 2021 as revised pursuant to the Supplemental Agreement.

On 28 December 2021, as the Company expected that based on the estimated procurement needs of the Group, the Group (besides Zhuhai Huafa Property and its subsidiaries), would also require to procure products and services to meet their general daily administration and business operation needs, the Company and Zhuhai Huafa entered into the 2021 procurement cooperation framework agreement in relation to the procurement of the products and services from Zhuhai Huafa Group by the Group for a term of three years from 1 January 2022 and ending on 31 December 2024. Hence, the procurement cooperation framework agreement as supplemented by the Supplemental Agreement was terminated on 1 January 2022.

* *For identification purpose only*

As at the date of the announcement on 28 December 2021, Zhuhai Huafa was an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa was a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, 2021 procurement cooperation framework agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of the 2021 procurement cooperation framework agreement are more than 0.1% but less than 5%, the transaction contemplated under the 2021 procurement cooperation framework agreement is subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Also, since one or more of the applicable percentage ratios (other than the profit ratio) in respect of the annual caps under the property management services cooperation framework agreement is more than 5% and the annual service fees to be received by Zhuhai Huafa Property is greater than HK$10,000,000, the entering into of the property management services cooperation framework agreement is subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The property management services cooperation framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 14 January 2020.

For details including the pricing policies of the property management services cooperation framework agreement, procurement cooperation framework agreement and 2021 procurement cooperation framework agreement, please refer to the announcements of the Company dated 20 December 2019, 22 June 2021 and 28 December 2021, respectively and the circular of the Company dated 27 December 2019.

The annual caps in respect of the service fees payable by Zhuhai Huafa Group of each of the Category I Property Management Services and Category II Property Management Services pursuant to the property management services cooperation framework agreement for the year under review were RMB363,640,000 and RMB118,620,000, respectively, and the total annual cap in respect of the service fees payable by Zhuhai Huafa Group pursuant to the property management services cooperation framework agreement for the year under review was RMB482,260,000. The annual cap in respect of the procurement price payable by Zhuhai Huafa Property and its subsidiaries under the procurement cooperation framework agreement for the year under review was RMB17,040,000. The actual amounts for the year ended 31 December 2021 did not exceed the relevant annual caps.

Office Sharing Agreement

On 10 July 2018, the Company and Huafa HK entered into an office sharing agreement pursuant to which Huafa HK has agreed to grant the Company the non-exclusive right to use an office space for the term up to 31 December 2020 in consideration of the sharing fees payable by the Company.

The office sharing agreement was subsequently renewed on 31 December 2020. The renewed term commencing from 1 January 2021 and ending on 30 November 2023 (both days inclusive).

As at the date of the announcements on 10 July 2018 and 31 December 2020, Huafa HK was an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company. Therefore, Huafa HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the renewed office sharing agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules and since all the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the renewed office sharing agreement are more than 0.1% but less than 5%, the transactions contemplated under the renewed office sharing agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, and are only subject to the annual review, reporting and announcement requirements. For details, please refer to the announcements of the Company dated 10 July 2018 and 31 December 2020.

The annual cap in respect of the office sharing agreement for the year under review was HK$5,000,000 and the actual sharing fees paid by the Company pursuant to the office sharing agreement for the year ended 31 December 2021 did not exceed the annual cap.

Cost Sharing Framework Agreement

An indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）(the "Management Company") and Zhuhai Huafa International Hotel Management Company Limited*（珠海華發國際酒店管理有限公司）("Huafa Hotel") entered into the cost sharing framework agreement on 18 April 2019, with a term from 1 September 2019, being the commencement date of the cost sharing framework agreement, to 31 December 2021, pursuant to which the Management Company and Huafa Hotel agreed to share general costs incurred for the daily normal operation of the Sheraton Zhuhai Hotel and St. Regis Zhuhai (the "Hotels") including category 1 (shared staff costs), category 2 (shared laundry costs), category 3 (shared staff canteen costs), category 4 (shared bakery food costs), category 5 (shared general administration department cleaning product costs), category 6 (shared general administration department temporary worker costs), category 7 (shared boiler room costs) and category 8 (shared public area energy and maintenance and repairs costs) (collectively the "Operation Costs").

As at the date of the announcements on 18 April 2019, Huafa Hotel was an indirect subsidiary of Zhuhai Huafa, an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Huafa Hotel is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the cost sharing framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the cost sharing framework agreement are over 5% and the annual payment by Huafa Hotel receivable by the Management Company is greater than HK$10,000,000, the entering into of the cost sharing framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The cost sharing framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 28 June 2019. For details including the pricing policies, please refer to the announcements of the Company dated 19 March 2019 and 18 April 2019; and the circular of the Company dated 13 June 2019.

The annual cap in respect of the sharing of the Operation Costs was RMB24,330,000 and the annual cap in respect of the payment of the interests which the Management Company is entitled to charge Huafa Hotel regarding any unpaid Operation Costs of St. Regis Zhuhai was RMB120,000 and the total annual cap pursuant to the terms of the cost sharing framework agreement for the year under review was RMB24,450,000. The actual Operation Costs shared and the actual interests paid by Huafa Hotel for the year ended 31 December 2021 did not exceed the relevant annual cap.

Hotel Consultancy Services Framework Agreement

On 29 April 2019, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市横琴新區華金國際酒店管理有限公司）(the "Management Company") and Zhuhai Huafa entered into the hotel consultancy services framework agreement, for a term not exceeding three years commencing from the fulfilment of all the conditions precedent, pursuant to which Zhuhai Huafa agreed to retain and the Management Company agreed to provide the management services to consultancy hotels (the "Type 1") and consultation services to target hotels (the "Type 2") in return for the services fees.

As at the date of the announcements on 2 December 2018 and 29 April 2019, as Zhuhai Huafa was an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into the hotel consultancy services framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the hotel consultancy services framework agreement are over 5% and the annual service fees receivable by the Management Company is greater than HK$10,000,000, the entering into of the hotel consultancy services framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The hotel consultancy services framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 19 July 2019. For details including the pricing policies, please refer to the announcements of the Company dated 2 December 2018 and 29 April 2019; and the circular of the Company dated 2 July 2019.

The annual caps in respect of the service fees of each of the Type 1 and Type 2 services pursuant to the hotel consultancy services framework agreement for the year under review were RMB12,390,000 and RMB6,900,000, respectively, and the total annual cap in respect of the service fees pursuant to the hotel consultancy services framework agreement for the year under review was RMB19,290,000. The actual amount received by Management Company for each of Type 1 and Type 2 services for the year ended 31 December 2021 did not exceed the relevant annual cap.

* *For identification purpose only*

On 28 December 2021, the Management Company has entered into the 2021 hotel consultancy services framework agreement with Zhuhai Huafa in relation to the renewal of continuing connected transactions regarding the provision of hotel consultancy services to Zhuhai Huafa for a term of three years from 1 January 2022 and ending on 31 December 2024. Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, 2021 hotel consultancy services framework agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of the 2021 hotel consultancy services framework agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2021 hotel consultancy services framework agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details including the pricing policies, please refer to the announcement of the Company dated 28 December 2021.

Convention & Exhibition Business Cooperation Framework Agreement

On 18 July 2019, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Convention Services Company Limited*（珠海市橫琴新區華金國際會展服務有限公司）(the "Consultant Company") and Zhuhai Huafa entered into the convention & exhibition business cooperation framework agreement, pursuant to which the Consultant Company agreed to cooperate, and Zhuhai Huafa agreed to retain the Consultant Company for the convention & exhibition services for a term not exceeding three years commencing from the fulfilment of all the conditions precedent.

As at the date of the announcement on 18 July 2019, Zhuhai Huafa was an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the convention & exhibition business cooperation framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the convention & exhibition business cooperation framework agreement are over 5% and the annual cooperation fees receivable by the Consultant Company is greater than HK$10,000,000, the entering into of the convention & exhibition business cooperation framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The convention & exhibition business cooperation framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 17 September 2019. For details including the pricing policies, please refer to the announcement and circular of the Company dated 18 July 2019 and 27 August 2019 respectively.

The annual cap in respect of the cooperation fees pursuant to the convention & exhibition business cooperation framework agreement for the year under review was RMB68,310,000 and the actual amount received by Consultancy Company for the year ended 31 December 2021 did not exceed the annual cap.

* *For identification purpose only*

On 28 December 2021, the Consultant Company has entered into the 2021 convention & exhibition business cooperation framework agreement with Zhuhai Huafa in relation to the renewal of continuing connected transactions regarding the provision of convention & exhibition services to Zhuhai Huafa for a term of three years from 1 January 2022 and ending on 31 December 2024. Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, 2021 convention & exhibition business cooperation framework agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of 2021 convention & exhibition business cooperation framework agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2021 convention & exhibition business cooperation framework agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details including the pricing policies, please refer to the announcement of the Company dated 28 December 2021.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules. The aforesaid continuing connected transactions as contemplated under the Framework Agreements, office sharing agreement, cost sharing framework agreement, hotel consultancy services framework agreement and convention & exhibition business cooperation framework agreement have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor, PricewaterhouseCoopers, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "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 auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A. 56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Details of the related party transactions of the Group for the year ended 31 December 2021 are set out in note 29 to the audited consolidated financial statements. With regard to the related party transactions which constitute continuing connected transactions, the Company has complied with the annual review and disclosure requirements in accordance with Chapter 14A of the Listing Rules.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its holding company, fellow subsidiaries, subsidiaries and controlling shareholder or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year under review.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

CORPORATE GOVERNANCE

During the year under review, the Company, in the opinion of the Directors, has complied with the code provisions set out in the Corporate Governance Code (the "CG Code") as contained in Appendix 14 of the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix 10 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors have confirmed that they have complied with the Model Code during the year under review and up to the date of this report.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

REMUNERATION POLICY

The remuneration policy of the Group for its employees and Directors is based on their performance, duties and responsibilities, comparable market rates and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, contribution to pension schemes and bonuses relating to the profit of the relevant company. The Remuneration Committee regularly reviews and makes recommendations to the Board on the specific remuneration and compensation of the Directors and senior management of the Group.

DONATIONS

During the year ended 31 December 2021, the Group made charitable donations amounting to approximately HK$120,579 (2020: HK$233,159).

CONSULTING PROFESSIONAL TAX ADVISERS

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's securities.

The shareholders are recommended to consult professional advisers if they are in any doubt about the taxation implications of subscribing for holding or disposal of, dealing in, or the exercise of any rights in relation to the Company's securities.

AUDIT COMMITTEE

The Group established an Audit Committee consisting of three independent non-executive Directors, namely, Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and effectiveness of the risk management and internal control systems of the Group. The Audit Committee has reviewed the Group's final results for the year ended 31 December 2021.

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, who will retire as the auditor of the Company at the forthcoming annual general meeting of the Company and a resolution for the appointment of Ernst & Young as the new auditor of the Company will be proposed at the forthcoming annual general meeting of the Company.

On behalf of the Board

Li Guangning
Chairman

Hong Kong, 29 April 2022

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Board of the Group has committed to maintaining high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, to enhance corporate value and accountability, to formulate its business strategies and policies, and to enhance its transparency and accountability.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 of the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Company has applied the code provisions as set out in the CG Code contained in Appendix 14 of the Listing Rules.

In the opinion of the Directors, throughout the year under review, the Company has complied with all the code provisions as set out in the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the year under review.

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by senior management or other staff who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board currently comprises nine members, consisting of five executive Directors, one non-executive Director and three independent non-executive Directors. The executive Directors, non-executive Director and independent non-executive Directors up to the date of this report were as follows:

Executive Directors:

Mr. Li Guangning (Chairman of the Board)
Mr. Zhou Wenbin (Chief Executive Officer) (appointed with effect from 30 July 2021)
Ms. Guo Jin (resigned with effect from 30 July 2021)
Mr. Xie Wei (Member of the Remuneration Committee, resigned as Chief Executive Officer on 30 July 2021)
Mr. Tze Kan Fat (resigned with effect from 16 March 2022)
Mr. Liang Liang (appointed with effect from 9 November 2021)
Mr. Gu Yuanping (appointed with effect from 16 March 2022)

Non-executive Directors:

Ms. Zhou Youfen
Mr. Shong Hugo (resigned with effect from 29 October 2021)

Independent Non-executive Directors:

Dr. Chen Jieping (Chairman of the Audit Committee and
member of the Nomination Committee and Remuneration Committee)
Mr. Pu Yonghao (Chairman of the Remuneration Committee and
member of the Audit Committee and Nomination Committee)
Mr. Guo Shihai (Chairman of the Nomination Committee and
member of the Audit Committee and Remuneration Committee)

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and Senior Management" on pages 20 to 25 of this report.

None of the members of the Board is related to one another.

Chairman and chief executive officer

The positions of the Chairman and the Chief Executive Officer are held by Mr. Li Guangning and Mr. Zhou Wenbin respectively. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company's business development and daily management and operations generally.

Independent non-executive directors

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

Non-executive directors and directors' re-election

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 code provision A.4.2 of the CG code 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.

According to the Bye-Laws, one-third of the directors are currently required (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) to retire from office by rotation at each annual general meeting of the Company, provided that every director is subject to retirement at least once every three years. The retiring directors are eligible to offer themselves for re-election.

Details of the Directors' Service Contracts are set out in the section headed "Directors and Directors' Service Contracts" in the Report of the Directors on pages 63 to 65 of this report.

The Nomination Committee recommended that Mr. Li Guangning and Mr. Pu Yonghao, who will retire by rotation at the forthcoming AGM, be eligible to offer themselves for re-election.

In accordance with the Bye-Laws, all Directors are subject to retirement by rotation at least once every three years. Any Directors appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his/her appointment and be subject to re-election at such meeting. Any Directors appointed by the Board as an addition to the Board shall hold office until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting. As Mr. Zhou Wenbin, Mr. Liang Liang and Mr. Gu Yuanping were appointed by the Board as the executive Directors on 30 July 2021, 9 November 2021 and 16 March 2022, respectively, each of the above Directors shall, in accordance with the bye-law 86(2) of the Bye-Laws, retire and shall then be eligible for re-election at the forthcoming AGM.

Responsibilities, accountabilities and contributions of the board and management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including non-executive Directors 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 full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and co-ordinating the daily operation and management of the Company are delegated to the management.

Continuous professional development of directors

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2021, the following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

Directors	Topic [Notes]
Executive Directors	
Mr. Li Guangning	1,2,4
Mr. Zhou Wenbin (appointed on 30 July 2021)	1,2,4
Mr. Xie Wei	1,2,4
Mr. Liang Liang (appointed on 9 November 2021)	1,2,4
Ms. Guo Jin (resigned on 30 July 2021)	1,2,4
Mr. Tze Kan Fat (resigned on 16 March 2022)	1,2,4
Non-executive Directors	
Ms. Zhou Youfen	1,2,4
Mr. Shong Hugo (resigned on 29 October 2021)	1,2,4
Independent Non-executive Directors	
Dr. Chen Jieping	1,2,3,4
Mr. Pu Yonghao	1,2,3,4
Mr. Guo Shihai	1,2,3,4

Notes:

1. Corporate governance

2. Regulatory updates

3. Finance and accounting

4. Industry updates

In addition, relevant reading materials including legal and regulatory update seminar handouts have been provided to the Directors for their reference and studying.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference and are of no less exacting terms than those set out in the CG Code. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 4 of this report.

Audit committee

The Audit Committee currently comprises three members, namely Dr. Chen Jieping (chairman), Mr. Pu Yonghao and Mr. Guo Shihai (including one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management and internal control systems, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2021 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and re-appointment of external auditor and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

The Audit Committee also met with the external auditor twice a year and at least once a year the Audit Committee shall meet with the external auditor without the presence of the executive Directors.

Remuneration committee

The Remuneration Committee currently comprises five members, namely, Mr. Pu Yonghao (chairman), Dr. Chen Jieping and Mr. Guo Shihai (independent non-executive Directors), Mr. Xie Wei and Mr. Zhou Wenbin (executive Directors).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration.

The Remuneration Committee held one meeting to determine, review and make recommendations to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management and other related matters. The attendance records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Details of the remuneration of the senior management by band for the year ended 31 December 2021 are set out in note 9 in the Notes to the Consolidated Financial Statements on pages 136 to 139 of this Report.

Nomination committee

The Nomination Committee currently comprises three members, namely, Mr. Guo Shihai (chairman), Dr. Chen Jieping and Mr. Pu Yonghao, all are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for consideration and approval.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the Director Nomination Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendation to the Board.

The Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at the annual general meeting of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board has been maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Board Diversity Policy

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry and regional experience and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

As at the date of this report, the Board's composition can be summarised by the following main diversity perspectives:

Board Members

	Number of Directors
Gender	
Female	1
Male	8
Ethnicity	
Chinese	9
Age	
31-40	1
41-50	4
51-60	2
61-70	2
Length of Service	
Less than 1 year	3
1-3 years	3
4-6 years	0
7-9 years	3

Director Nomination Policy

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors of the Company and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional qualification, skills, knowledge and industry and regional experience and length of service;
- Requirements of independent non-executive directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

The Director Nomination Policy also sets out the procedures for the selection and appointment of new directors and re-election of directors at general meetings. During the year ended 31 December 2021 and up to the date of this report, the Board approved the resignation of Ms. Guo Jin as executive Director and a member of Remuneration Committee and appointment of Mr. Zhou Wenbin as executive Director with effect from 30 July 2021; the resignation of Mr. Shong Hugo as non-executive Director with effect from 29 October 2021; the appointment of Mr. Liang Liang as executive Director with effect from 9 November 2021 and the resignation of Mr. Tze Kan Fat as executive Director and a vice president（副總裁）of the Company and appointment of Mr. Gu Yuanping as executive Director and a vice president（副總裁）of the Company with effect from 16 March 2022 after taking into consideration of the recommendation from the Nomination Committee.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

Corporate governance functions

The Board is responsible for performing the functions set out in the code provision D.3.1 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2021 are set out in the table below:

	Attendance/Number of Meetings				
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting
Li Guangning	5/5	–	–	–	1/1
Zhou Wenbin (appointed on 30 July 2021)	2/2	–	–	–	–
Xie Wei	5/5	–	1/1	–	1/1
Guo Jin (resigned on 30 July 2021)	3/3	–	1/1	–	1/1
Tze Kan Fat (resigned on 16 March 2022)	5/5	–	–	–	1/1
Liang Liang (appointed on 9 November 2021)	1/1	–	–	–	–
Zhou Youfen	5/5	–	–	–	1/1
Shong Hugo (resigned on 29 October 2021)	4/4	–	–	–	1/1
Chen Jieping	5/5	1/1	1/1	2/2	1/1
Pu Yonghao	5/5	1/1	1/1	2/2	1/1
Guo Shihai	5/5	1/1	1/1	2/2	1/1

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year.

DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 90 to 94.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

AUDITOR'S REMUNERATION

An analysis of the remuneration paid or payable to the external auditor of the Company, PricewaterhouseCoopers, in respect of audit services and non-audit services for the year ended 31 December 2021 is set out below:

Service Category	Fees Paid/ Payable HK$
Audit Services	2,966,000
Non-audit Services	
– Tax related services	460,000
	3,426,000

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board and the Audit Committee

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Board regularly monitors and updates the Group's risk profile and exposure, and evaluates the effectiveness of the risk management and internal control systems at least annually. During the year, a review of the effectiveness of the risk management and internal control systems was conducted. The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

Risk Management and Internal Control Systems

The Group's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has employed a bottom-up approach for identification, assessment and mitigation of risk at business unit level and across functional areas.

Main Features of Risk Management and Internal Control Systems

The key elements of the Group's risk management and internal control systems to ensure their effectiveness include the establishment of a Risk Register to track and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the on-going testing of internal control procedures.

An on-going risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievement of its objectives. A risk matrix is adopted to determine risk rating (L=low risk, M=medium risk, H=high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management attention and risk treatment effort required.

Process Used to Identify, Evaluate and Manage Significant Risks

During the process of risk assessment, each of the risk owner of departments and major subsidiaries is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration the risk responses, such as control measures in place to mitigate the risk, the residual risk of each inherent risk is evaluated again. The Risk Register with the risk responses and residual risks is reported to the Audit Committee. The Audit Committee, acting on behalf of the Board, evaluates the effectiveness of the systems. The highest category of residual risks is subject to the Board's oversight.

Procedures and Internal Controls for Handling and Dissemination of Inside Information

Regarding the procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its obligations under the SFO, the Listing Rules and the overriding principle. The Group conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong. The Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Meanwhile, the Group has also implemented procedures to guard against possible mishandling of inside information within the Group, including but not limited to, pre-clearance on dealing in the securities of the Company by designated members of the management and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees.

Process Used to Review the Effectiveness of the Risk Management & Internal Control Systems and to Resolve Material Internal Control Defects

In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has outsourced the internal audit function to an independent consulting firm (the "Internal Auditor"). The Internal Auditor has conducted a review of the effectiveness of the Company's risk management and internal control systems according to the scope of review agreed and approved by the Audit Committee.

The Internal Auditor reported directly to the Audit Committee and the Audit Committee is satisfied that there has been no major deficiency noted in the areas of the Company's risk management and internal control systems being reviewed after implementation of recommendations of the internal control defects reported by the Internal Auditor. The management has also confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems. Accordingly, the Board as supported by the Audit Committee, as well as the management report and the internal audit findings, reviewed and considered the risk management and internal control systems to be effective.

COMPANY SECRETARY

Mr. Liang Liang and Ms. Chan Sau Ling of Tricor Services Limited, external service provider, have acted as joint company secretaries of the Company. The primary contact person of Ms. Chan Sau Ling at the Company is Mr. Liang Liang, joint company secretary of the Company. For the year ended 31 December 2021, Ms. Chan Sau Ling has undertaken not less than 15 hours of relevant professional trainings to update the skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Exchanges and Clearing Limited after each general meeting.

Shareholders' rights

i. Procedure for shareholders to convene a special general meeting:

Shareholder(s) 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 shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such a requisition. This meeting shall be held within two months after the deposit of the requisition. If, within 21 days of the deposit, the Board fails to proceed to convene such a meeting, the requisitionist(s) himself (themselves) may do so in accordance with Section 74(3) of the Companies Act 1981 of Bermuda.

ii. Procedure for shareholders to propose a person for election as a director at a general meeting:

If a shareholder wishes to propose a person (the "Candidate") for election as a director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (b) must be signed by the shareholder concerned, including the information/documents to verify the identity of the shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting and end no later than seven days prior to the date of such a general meeting. To ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director, without adjourning the general meeting, shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for the election.

Putting forward enquiries to the board

For putting forward any enquiries to the Board, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact details

Shareholders may send their enquiries or requests as mentioned above to the following:

Address:	Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong (For the attention of the Board)
Fax:	(852) 3465 5333
Email:	ir982@huafagroup.com

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

Shareholders may call the Company at (852) 3465 5300 for any assistance.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meeting, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the annual general meetings to meet shareholders and answer their enquiries.

During the year ended 31 December 2021, an annual general meeting was held on 28 May 2021. The notice of annual general meeting was sent to shareholders at least 20 clear business days before the annual general meeting.

To promote effective communication, the Company maintains a website at www.huafapropertyservices.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

During the year under review, the Company has not made any changes to its Memorandum of Association and Bye-Laws. An up-to-date version of the Company's Memorandum of Association and Bye-Laws is also available on the websites of the Company and Hong Kong Exchanges and Clearing Limited.

Policy relating to Shareholders

The Company has adopted a Dividend Policy on payment of dividends. The Company does not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the shareholders' approval. Such details have been disclosed in the annual report of the Company.

Independent Auditor's Report

羅兵咸永道

To the Shareholders of Huafa Property Services Group Company Limited
(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Huafa Property Services Group Company Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 95 to 160, comprise:

- the consolidated statement of financial position as at 31 December 2021;
- the consolidated statement of profit or loss for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Our opinion

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

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

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.

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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 identified in our audit is summarised as follows:

- **Recoverability of trade receivables – Property Management Services**

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables – Property Management Services	
Refer to Note 4(a) "Critical accounting estimates and assumptions" and Note 19 "Trade receivables" to the consolidated financial statements. As of 31 December 2021, the Group had gross trade receivables of HK$403,743,000, which are mainly arisen from property management services income from properties managed under lump sum basis and value-added services. Management has assessed the expected credit losses ("ECL") of trade receivables and the Group has recognised loss allowance on these trade receivables of HK$56,116,000 as of 31 December 2021. The Group applied the HKFRS 9 simplified approach to measure lifetime ECL allowance for trade receivables.	We have performed the following procedures to address this key audit matter: 1) Obtained an understanding of management's impairment assessment process over ECL of trade receivables. We discussed with management to understand the ECL impairment model, key assumptions and estimates as they adopted for determining the ECL rates; 2) Understood, evaluated and tested the key controls, on a sample basis, in place over ageing analysis review of trade receivables; 3) Assessed the inherent risk of material misstatement of ECL of trade receivables by considering the degree of estimation uncertainty and level of other inherent risk factors; 4) Evaluated the outcome of prior period assessment of provision for ECL of trade receivables to assess the effectiveness of management's estimation process by comparing the ECL as estimated in the prior year against the actual collection performance of the debtors in the current year;

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
Recoverability of trade receivables – Property Management Services (Continued)	
Management estimated the ECL rates of trade receivables collectively by grouping the trade receivables based on shared credit risk characteristics and aging periods, and considering the market conditions, their knowledge about the customers group (including their reputation, financial capability and payment histories), and the current and forward-looking information on macroeconomic factors that might affect the ability of the customers to settle the related receivables. We identified the impairment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimation uncertainty in relation to the ECL assessment.	5) Evaluated management's estimation on the ECL by considering the reputation and financial capability of the customers against the publicly available information, and the cash collection performance against the historical payment records; 6) Evaluated the appropriateness of the current and forward-looking macroeconomic factors as adopted by management in the ECL assessment by reference to our industry knowledge and relevant published macroeconomic data that might affect the ability of customers to settle the receivables in the future; 7) Tested, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management to the sales invoice, demand notes and other related supporting documents; and 8) Checked the mathematical accuracy of the ECL calculation for the loss allowance on trade receivables. Based on the above, we considered that the significant judgements and estimates made by management in relation to the impairment assessment of trade receivables were supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE 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.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- 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.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au, Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 29 March 2022

Consolidated Statement of Profit or Loss

For the Year Ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Continuing operations			
Revenue	5	**1,547,624**	1,086,434
Cost of sales	7	**(1,128,162)**	(783,331)
Gross profit		**419,462**	303,103
Other income and other gains, net	6	**10,504**	12,605
Selling and marketing costs	7	**(1,699)**	–
Administrative expenses	7	**(142,411)**	(131,160)
Net impairment losses on financial assets	3.1(b)	**(11,194)**	(7,792)
Operating profit		**274,662**	176,756
Finance expenses, net	10	**(12,288)**	(34,053)
Share of results of associates	16	**(646)**	585
Share of results of joint ventures		**431**	801
Profit before income tax		**262,159**	144,089
Income tax expense	11	**(73,732)**	(48,734)
Profit from continuing operations		**188,427**	95,355
Discontinued operations			
Loss from discontinued operations		**–**	(71,246)
Profit for the year		**188,427**	24,109
Profit/(loss) attributable to:			
Owners of the Company		**187,975**	36,789
Non-controlling interests		**452**	(12,680)
		188,427	24,109
Profit/(loss) for the year attributable to owners of the Company arising from:			
Continuing operations		**187,975**	95,355
Discontinued operations		**–**	(58,566)
		187,975	36,789
Earnings per share for profit from continuing operations attributable to owners of the Company (HK cent):			
– Basic and diluted	12	**1.8684**	0.9478
Earnings per share for profit attributable to owners of the Company (HK cent)			
– Basic and diluted	12	**1.8684**	0.3657

The above consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statement of Comprehensive Income

For the Year Ended 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Profit for the year		**188,427**	24,109
Other comprehensive income for the year, net of tax			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**15,670**	24,603
Total comprehensive income for the year		**204,097**	48,712
Total comprehensive income for the year attributable to:			
Owners of the Company		**202,936**	61,392
Non-controlling interests		**1,161**	(12,680)
		204,097	48,712
Total comprehensive income for the year attributable to owners of the Company arising from:			
Continuing operations		**202,936**	116,814
Discontinued operations		**–**	(55,422)
		202,936	61,392

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Non-current assets			
Property, plant and equipment	14(a)	**26,966**	22,107
Right-of-use assets	14(b)	**22,519**	19,536
Intangible assets	15	**9,663**	4,683
Deferred tax assets	25	**29,614**	24,113
Interests in associates	16	**351**	39,907
Interest in a joint venture		**1,660**	1,136
Financial asset at fair value through profit or loss	18	**11,475**	7,988
		102,248	119,470
Current assets			
Inventories		**14,359**	2,507
Trade receivables	19	**349,211**	209,214
Other receivables, deposits and prepayments	20	**28,016**	33,860
Restricted bank balances	21	**5,458**	896
Cash and cash equivalents	21	**552,944**	664,864
		949,988	911,341
Total assets		**1,052,236**	1,030,811

Consolidated Statement of Financial Position

As at 31 December 2021

	Note	2021 HK$'000	2020 HK$'000
Deficit			
Share capital	26	**2,515**	2,515
Deficit in reserve		**(160,739)**	(363,675)
Total deficit attributable to owners of the Company		**(158,224)**	(361,160)
Non-controlling interests		**3,798**	–
Total deficit		**(154,426)**	(361,160)
Non-current liabilities			
Lease liabilities	14(b)	**3,067**	327
Deferred tax liabilities	25	**644**	–
Other payables and accruals	23	**2,748**	–
		6,459	327
Current liabilities			
Trade payables	22	**108,883**	60,787
Contract liabilities	5(a)	**72,534**	57,747
Other payables and accruals	23	**383,888**	326,818
Bank borrowings	24	**619,800**	519,000
Amount due to a related party	29(c)	**411**	416,690
Lease liabilities	14(b)	**2,914**	1,218
Income tax payable		**11,773**	9,384
		1,200,203	1,391,644
Total liabilities		**1,206,662**	1,391,971
Total equity and liabilities		**1,052,236**	1,030,811

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

The financial statements on pages 95 to 160 were approved by the Board of directors on 29 March 2022 and were signed on its behalf.

XIE Wei,
Director

LI Guangning,
Director

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2021

	Capital and reserves attributable to owners of the Company										
	Share Capital HK$'000	Share premium HK$'000	Special reserve (Note a) HK$'000	Statutory reserve HK$'000	Other reserve HK$'000	Merge reserve HK$'000	Exchange reserve HK$'000	Retained earnings HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 January 2020	2,515	169,105	4,451	25,186	(534)	62,288	(3,404)	145,867	405,474	12,680	418,154
Acquisition of subsidiaries through business combination under common control	–	–	–	–	–	(828,026)	–	–	(828,026)	–	(828,026)
Appropriation to statutory reserves	–	–	–	10,871	–	–	–	(10,871)	–	–	–
Comprehensive income/(loss)											
Profit/(loss) for the year	–	–	–	–	–	–	–	36,789	36,789	(12,680)	24,109
Other comprehensive income											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	24,603	–	24,603	–	24,603
Total comprehensive income/(loss)	–	–	–	–	–	–	24,603	36,789	61,392	(12,680)	48,712
At 31 December 2020	2,515	169,105	4,451	36,057	(534)	(765,738)	21,199	171,785	(361,160)	–	(361,160)
At 1 January 2021	2,515	169,105	4,451	36,057	(534)	(765,738)	21,199	171,785	(361,160)	–	(361,160)
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	2,637	2,637
Appropriation to statutory reserves	–	–	–	6,840	–	–	–	(6,840)	–	–	–
Comprehensive income											
Profit for the year	–	–	–	–	–	–	–	187,975	187,975	452	188,427
Other comprehensive income											
Exchange differences on translation of foreign operations	–	–	–	–	–	–	14,961	–	14,961	709	15,670
Total comprehensive income	–	–	–	–	–	–	14,961	187,975	202,936	1,161	204,097
At 31 December 2021	2,515	169,105	4,451	42,897	(534)	(765,738)	36,160	352,920	(158,224)	3,798	(154,426)

Note a:

Special reserve represents the difference between the aggregate amount of the share capital and share premium of the subsidiaries acquired and the nominal value of the shares issued by the Company for the acquisition pursuant to the group reorganisation which was to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited.

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2021

	Note	**2021 HK$'000**	2020 HK$'000
Cash flows from operating activities			
Cash generated from continuing operations	28	**255,704**	191,361
Income tax paid		**(76,210)**	(64,170)
Net cash generated from operating activities from continuing operations		**179,494**	127,191
Net cash used in operating activities from discontinued operations		**–**	(38,231)
		179,494	88,960
Cash flows from investing activities			
Interest received		**6,619**	3,731
Settlement of consideration payable for acquisition of a subsidiary in 2020		**(395,417)**	(432,609)
Acquisition of a subsidiary, net of cash acquired		**1,964**	–
Disposal of a joint venture		**39,430**	–
Disposal of subsidiaries		**–**	64,936
Investments in an associate		**(367)**	–
Investments in a joint venture		**(1,229)**	–
Purchase of property, plant and equipment		**(12,666)**	(5,432)
Purchase of intangible assets		**(332)**	(2,659)
Net cash used in investing activities from continuing operations		**(361,998)**	(372,033)
Net cash generated from investing activities from discontinued operations		**–**	1,453
		(361,998)	(370,580)

	Note	2021 HK$'000	2020 HK$'000
Cash flows from financing activities			
Interest paid		**(40,110)**	(16,725)
Capital contributions from non-controlling interests		**2,637**	–
Proceeds from bank borrowings		**625,800**	532,000
Repayments of bank borrowings		**(525,000)**	(107,000)
Decrease in restricted bank balances		**–**	756
Principal and interest element of lease payment		**(2,718)**	(1,832)
Net cash generated from financing activities from continuing operations		**60,609**	407,199
Net cash used in financing activities from discontinued operations		**–**	(78,639)
		60,609	328,560
Net (decrease)/increase in cash and cash equivalents		**(121,895)**	46,940
Cash and cash equivalents at beginning of the year		**664,864**	600,112
Effect of foreign exchange rate changes, net		**9,975**	17,812
Cash and cash equivalents at end of the year	21	**552,944**	664,864

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1 GENERAL INFORMATION OF THE GROUP

Huafa Property Services Group Company Limited (the "Company") is a limited liability company incorporated in Bermuda. Its registered office is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda and its principal place of business is at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong.

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in (i) the provision of property management services in Mainland China, (ii) hotel advisory and exhibition services in Mainland China.

The Company has its listing on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These consolidated financial statements are presented in Hong Kong dollars ("HK$") unless otherwise stated.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) Compliance with HKFRSs and HKCO

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

(b) Historical cost convention

The consolidated financial statements have been prepared on a historical cost convention, except for financial asset at fair value through profit or loss ("FVTPL") which is carried at fair value.

(c) Going concern basis

As at 31 December 2021, the Group's total liabilities exceeded its total assets by HK$154,426,000. At the same date, its current liabilities exceeded its current assets by HK$250,215,000. Included in the current liabilities, there were bank borrowings of HK$619,800,000 that are subject to certain restrictive covenants (Note 24).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(c) Going concern basis (Continued)

In view of such circumstances, a number of plan and measures have been put in place by the Directors to mitigate the liquidity pressure and to improve the financial position of the Group:

(i) Subsequent to the year end date, the Group successfully extended the maturity date of two banking facilities to January 2023. Short-term bank borrowings drawn under these two banking facilities amounted to HK$490,000,000 as of 31 December 2021. Moreover, the Group also successfully entered into a supplemental facility letter with the bank for one of the above bank facilities to revise the relevant non-financial covenant. Management of the Group considered the Group is able to comply with the revised non-financial covenant over the term of the short-term borrowings;

(ii) Management of the Group maintains regular communication with its banks and is confident that the remaining bank loans can be renewed upon their maturities;

(iii) The Group is actively assessing and looking for other sources of financing including other debt or equity financing to enhance the capital structure and to reduce finance expenses;

(iv) Zhuhai Huafa Group Company Limited ("Zhuhai Huafa"), the ultimate controlling shareholder, had issued a letter of financial support to the Company which confirmed that it will provide financial support for the Company's continuing operations for a period of twelve months from the approval date of these consolidated financial statements to enable the Group to meet its liabilities as they fall due and carry on its business without a significant curtailment of operations.

The Directors of the Company have reviewed the Group's cash flows projections prepared by management, which cover a period of not less than twelve months from 31 December 2021. The Directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, the possible changes in its operating performance, the continued availability of the Group's banking facilities, the Group will have sufficient financial resources to fulfill its financial obligations as and when they fall due in the coming twelve months from 31 December 2021. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

(d) New standards, amendments to existing standards and interpretations adopted by the Group

The Group has applied the following new standards, amendments to existing standards and interpretations for the first time for their reporting period commencing on or after 1 January 2021:

Standards	Subject of amendment
Amendments 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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(d) New standards, amendments to existing standards and interpretations adopted by the Group (Continued)

The new standards, amendments to existing standards and interpretations did not have a material impact or are not relevant to the Group.

(e) New standards, amendments to existing standards and interpretations not yet adopted

Certain new accounting standards, amendments to existing standards and interpretations have been published that are not mandatory for 31 December 2021 reporting period and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions:

Standards	Subject of amendment	Effective for annual years beginning on or after
Amendments to HKAS 16	Property, Plant and Equipment: Proceeds Before Intended Use	1 January 2022
Amendments to HKAS 37	Onerous Contract – Cost of Fulfilling a Contract	1 January 2022
Amendments to HKFRS 3	Reference to the Conceptual Framework	1 January 2022
Annual Improvements to HKFRSs Standards 2018 – 2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
Amendments to HKFRS 17	Amendments to HKFRS 17	1 January 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	1 January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	1 January 2023
Amendments to HKAS 8	Definition of Accounting Estimates	1 January 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting

(a) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

(i) fair values of the assets transferred

(ii) liabilities incurred to the former owners of the acquired business

(iii) equity interests issued by the Group

(iv) fair value of any asset or liability resulting from a contingent consideration arrangement, and

(v) fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the:

(i) consideration transferred,

(ii) amount of any non-controlling interest in the acquired entity, and

(iii) acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(b) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(c) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (e) below), after initially being recognised at cost.

(d) Joint arrangement

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. Interests in joint ventures are accounted for using the equity method (see (e) below), after initially being recognised at cost in the consolidated balance sheet.

(e) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(e) Equity method (Continued)

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.8.

(f) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.4 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as Executive Directors that makes strategic decisions.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in HK$, which is the Company's functional and the Group's presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in profit or loss.

Foreign exchange gains and losses are presented in the consolidated statement of profit or loss within "Other income and other gains, net".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets such as equities classified as financial assets at fair value through other comprehensive income are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation (Continued)

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

(ii) income and expenses for each statement of profit or loss are translated at average exchange rates; and

(iii) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

2.6 Property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and accumulated impairment losses, if any. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold improvements	Over the unexpired periods of the leases and their expected useful lives of 2 to 5 years, whichever is shorter
Office equipment	2 to 5 years
Furniture and fixtures	2 to 5 years
Motor vehicles	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.8).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 Intangible assets

(a) Goodwill

Goodwill is measured as described in Note 2.2(a). Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs"), for the purpose of impairment testing. The allocation is made to those CGUs or group of CGUs that are expected to benefit from the business combination in which the goodwill arose. The CGUs or groups of CGUs are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

(b) Computer softwares

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (10 years).

(c) Customer relationship

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 3 years for the customer relationship.

2.8 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(c) Measurement (Continued)

Debts instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are two measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains, net together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the consolidated statement of profit or loss.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other gains, net in the period in which it arises.

Equity Instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other income and other gains, net" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Investments and other financial assets (Continued)

(d) Impairment (Continued)

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the assets. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

For other receivables, a summary of the assumptions underpinning the Group's expected credit loss model is as follows:

- Stage 1, if it was not credit-impaired upon origination, and there has not been a significant increase in its credit risk. Stage 1 expected credit losses are measured as the credit loss that is expected to result from a default occurring within the next 12 months;

- Stage 2, if it was not credit-impaired upon origination but has since experienced a significant increase in credit risk. Stage 2 expected credit losses are measured as the credit loss that is expected over the expected remaining life of the financial asset;

- Stage 3, if it has been credit-impaired with objective evidence of default. Stage 3 expected credit losses are also measured as the credit loss that is expected over the expected remaining life of the financial asset.

2.10 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.11 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is measured by using specific identification of their individual costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Trade and other receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 19 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.13 Contract liabilities

A contract liability is an entity's obligation to transfer goods or services to a customer for which the entity has received consideration.

2.14 Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, net of pledged deposits.

2.15 Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

Trade and other payables are obligations to pay for services that have been acquired in the ordinary course of business from suppliers. Trade payables are presented as current liabilities unless payment is not due within 12 months after the reporting period.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in consolidated statement of profit or loss as other income or finance costs.

Where the terms of a financial liability are renegotiated and the entity issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

2.18 Borrowing costs

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

Other borrowing costs are expensed in the period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company, its subsidiaries and branches operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not recognised if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

The deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred tax assets are recognised only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions for legal claims and service warranties are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

2.21 Revenue recognition

The Group provides various services including property management services and related valued added services, hotel advisory services, exhibition services and sales of goods. Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs. Payment of the transaction is due immediately when the related goods are rendered to the customer.

(i) For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognise 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, the Group entitles to revenue at the value of property management services fee received or receivable. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage or amount of the property management fee received or receivable by the properties.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (Continued)

(i) (Continued)

For municipal supporting services, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

For sales of goods, revenue is recognised when the Group delivers the goods to the customers.

For hotel advisory and exhibition revenue, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs.

(ii) When either party to a contract has performed, the Group presents the contract in the balance sheet as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A receivable is recorded when the Group has an unconditional right to consideration. A right to consideration is unconditional if only the passage of time is required before payment of that consideration is due.

2.22 Employee benefits

(a) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(b) Other long-term employee benefit obligations

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of high-quality corporate bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

The obligations are presented as current liabilities in the statement of financial position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(c) Pension obligations

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the People's Republic of China ("PRC"), the PRC based employees of the Group participate in various defined contribution retirement benefit plans organized by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above.

Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administrated funds managed by the governments. The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

(d) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Employee benefits (Continued)

(e) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

(f) Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

2.23 Lease

Leases are recognised as a right-of-use asset and a corresponding liability at the date when the leased asset is available for use by the Group.

Each lease payment is allocated between the liability and finance cost. The finance cost is charged to consolidated statement of profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate
- amounts expected to be payable by the lessee under residual value guarantees
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Lease (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise office equipment.

2.24 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.25 Government grants

Government grants are recognised at their fair value when there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated statements of profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated statements of profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Dividend income

Dividend income is recognised when the rights to receive payment is established.

2.27 Interest income

Interest income is recognised on a time basis on the principal outstanding at the applicable interest rate.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

This note explains the Group's exposure to financial risks and how these risks could affect the Group's future financial performance. Current year profit and loss information has been included where relevant to add further context.

The Group's risk management is predominantly controlled by a central treasury department ("Group treasury") under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk, and liquidity risk.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and Mainland China and is exposed to foreign exchange risk from various currency exposures, primarily with respect to Chinese Renminbi ("RMB") and United States dollar ("USD").

Management has a policy to require group companies to manage their foreign exchange risks against their respective functional currencies. It mainly includes managing the exposures arisen from sales and purchases made by relevant group companies in currencies other than their own functional currencies. The Group also manages its foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposure. The Group has not used any hedging arrangement to hedge its foreign exchange risk exposure.

As the assets and liabilities of each company within the Group are mainly denominated in the respective company's functional currency, the directors are of the opinion that the Group's volatility of its profits against changes in exchange rates of foreign currencies would not be significant.

(ii) Cash flow and fair value interest rate risk

The Group's significant interest bearing assets are margin loans receivable, cash at bank and bank deposits, where the interest rate is low in the current environment. Amount due to a related party obtained at fixed rate expose the Group to fair value interest rate risk.

As at 31 December 2021, if interest rates on cash at bank and bank deposits (2020: if interest rates on cash at bank and bank deposits), had been 50 basis points (2020: 50 basis points) higher/lower with all other variables held constant, post-tax profit for the year would have been approximately HK$2,240,000 higher/lower (2020: post-tax profit for the year would have been approximately HK$2,560,000 higher/lower).

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

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

The Group's interest rate risk also arises from short-term borrowings. Borrowings obtained at variable rates expose the Group to cash flow interest rate risk which is partially offset by cash held at variable rates. During the year ended 31 December 2021, the Group's short-term borrowings at variable rate were denominated in the HK$.

At 31 December 2021, if interest rates on Hong Kong dollar-denominated borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been HK$2,588,000 (2020: HK$2,167,000) lower/higher, mainly as a result of higher/lower interest expense on floating rate borrowings.

(iii) Price risk

The financial assets at fair value through profit or loss represents 2.25% of equity interest in Hong Kong Johnson Holdings Co., Ltd. ("Hong Kong Johnson"), which is traded in an active market.

If the price of the financial assets had been 10% higher/lower, the post-tax profit for the year would have been HK$1,148,000 (2020: HK$799,000) higher/lower.

(b) Credit risk

Credit risk arises from bank balances, deposits and trade and other receivables.

(i) Risk Management

The Group has no significant concentrations of credit risk. The maximum exposure to credit risk at the reporting date is the carrying value of each class and category of financial assets mentioned above. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets.

Majority of the Group's bank balances and deposits are placed in those banks and financial institutions which are independently rated with high credit ratings. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets

Trade receivables

The Group applies the simplified approach to provide for expected credit losses ("ECL") prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for trade receivables.

The Group assessed that the expected loss rate of trade receivable from related parties was low considering their financial capacity and payment history with the Group. The expected credit loss rates are estimated as 1.78% by considering the probability of default and loss given default and adjusting for forward-looking macroeconomic data.

The Group assessed that the expected loss rate of trade receivable from government departments was low considering these government departments have strong ability to fulfill their contractual cash flow responsibilities, and have no historical loss experience. The expected credit loss rates are estimated as 0.06% by considering the probability of default and loss given default and adjusting for forward-looking macroeconomic data.

To measure the ECL, trade receivables due from third parties have been grouped based on shared credit risk characteristics and the aging. The ECL also incorporate forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the most relevant factors for customers in different industries (e.g. money supply, Consumer Price Index and Producer Price Index), and accordingly adjusts the historical loss rates based on expected changes in these factors.

Group 1: Trade receivables due from third parties

Group 2: Trade receivables due from related parties

Group 3: Trade receivables due from government departments

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

As at 31 December 2021 and 2020, the loss allowance provision for the trade receivables due from third parties was determined as follows. The expected credit losses below also incorporated forward looking information.

	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Trade receivables (Group 1)						
31 December 2021						
Expected loss rate	**9%**	**24%**	**45%**	**57%**	**100%**	
Gross carrying amount	**169,754**	**33,778**	**15,888**	**7,418**	**19,726**	**246,564**
Loss allowance provision	**15,251**	**8,107**	**7,150**	**4,228**	**19,726**	**54,462**

	Within 1 year HK$'000	1-2 years HK$'000	2-3 years HK$'000	3-4 years HK$'000	Over 4 years HK$'000	Total HK$'000
Trade receivables (Group 1)						
31 December 2020						
Expected loss rate	10%	20%	40%	60%	100%	
Gross carrying amount	89,934	25,309	11,182	6,480	20,003	152,908
Loss allowance provision	9,082	5,062	4,473	3,888	20,003	42,508

As at 31 December 2021, the loss allowance provision for the trade receivables due from related parties and government departments was determined as follows. The expected credit losses below also incorporated forward looking information.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

	Expected loss rate	Gross carrying amount HK$'000	Loss allowance provision HK$'000	Carrying amount (net of impairment provision) HK$'000
Trade receivables due from related parties	1.78%	91,751	1,633	90,118
Trade receivables due from government departments	0.06%	67,031	40	66,991

As at 31 December 2020, the trade receivables due from related parties and government departments amounted to HK$67,626,000 and HK$31,188,000. No significant expected credit loss was expected. Accordingly, no loss allowance provision was provided.

Other receivables

Other financial assets at amortised cost include other receivables excluding prepayments. The Group has assessed that there is no significant increase of credit risk for other financial assets since initial recognition. Thus the Group used the 12 months expected credit losses model to assess credit loss of other receivables.

While cash and cash equivalents and restricted bank balances are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

As at 31 December 2021, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables HK$'000	Other receivables HK$'000	Total HK$'000
At 1 January 2021	42,508	1,634	44,142
Provision/(reversal) of impairment losses – Continuing operations	12,203	(1,009)	11,194
Exchange differences	1,424	32	1,456
At 31 December 2021	56,135	657	56,792

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Impairment of financial assets (Continued)

Trade receivables (Continued)

As at 31 December 2020, the loss allowance provision for trade and other receivables (excluding prepayments) reconciles to the opening loss allowance for that provision as follows:

	Trade receivables HK$'000	Other receivables HK$'000	Total HK$'000
At 1 January 2020	**44,860**	**862**	**45,722**
Provision of impairment losses			
– Continuing operations	**6,931**	**861**	**7,792**
Disposal of discontinued operations	**(11,624)**	**(180)**	**(11,804)**
Exchange differences	**2,341**	**91**	**2,432**
At 31 December 2020	**42,508**	**1,634**	**44,142**

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

	As at 31 December 2021				
	Current or less than 12 months HK$'000	1 to 2 Years HK$'000	2 to 5 Years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	108,883	–	–	–	108,883
Financial liabilities included in other payables and accruals	163,667	–	–	–	163,667
Bank borrowings (including interest payment)	631,929	–	–	–	631,929
Lease liabilities (including interest payment)	3,793	1,707	764	–	6,264
Amount due to a related party (including interest payment)	411	–	–	–	411
	908,683	1,707	764	–	911,154

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	As at 31 December 2020				
	Current or less than 12 months HK$'000	1 to 2 Years HK$'000	2 to 5 Years HK$'000	Over 5 years HK$'000	Total HK$'000
Trade payables	60,787	–	–	–	60,787
Financial liabilities included in other payables and accruals	148,112	–	–	–	148,112
Bank borrowings (including interest payment)	523,416	–	–	–	523,416
Lease liabilities (including interest payment)	1,261	272	65	–	1,598
Amount due to a related party (including interest payment)	417,476	–	–	–	417,476
	1,151,052	272	65	–	1,151,389

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

	2021 HK$'000	2020 HK$'000
Total liabilities	**1,206,662**	1,391,971
Total assets	**1,052,236**	1,030,811
Asset-liability ratio	**115%**	135%

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

The Group's financial instruments carried at fair value, by valuation method. The difference levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The following table presents the Group's financial assets that are measured at fair value at 31 December 2021 and 31 December 2020, respectively.

As at 31 December 2021

	Level 1 **HK$'000**	**Level 2** **HK$'000**	**Level 3** **HK$'000**	**Total** **HK$'000**
Listed equity investment	**11,475**	**–**	**–**	**11,475**

As at 31 December 2020

	Level 1 HK$'000	Level 2 HK$'000	Level 3 HK$'000	Total HK$'000
Listed equity investment	7,988	–	–	7,988

There were no transfer of financial assets in the fair value hierarchy classifications for the year ended 31 December 2021 and 2020.

4 CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

Estimates and judgements are continually evaluated and are based on historical experiences and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade receivables and other receivables and doubtful debt expenses in the periods in which such estimate has been changed.

Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the companies engaged in the Group. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different.

5 REVENUE AND SEGMENT INFORMATION

The chief operating decision-maker has been identified as the executive directors of the Company (the "Executive Directors"). The Executive Directors review the Group's internal reporting in order to assess performance and allocate resources. Management has determined the operating segments based on these reports.

The Group's operating businesses are structured and managed separately according to the nature of the operations. Each of the Group's reportable segments represents a strategic business unit that is subject to risks and returns that are different from other reportable operating segments.

The Group is principally engaged in the following:

- Property management – Provision of property management services and related value-added services, including municipal supporting services and other services; and

- Hotel advisory and exhibition services – provision of hotel advisory services, exhibition planning and organisation services.

The Executive Directors consider all assets and revenue relating to the operations are primarily located in Hong Kong and Mainland China.

Segment assets mainly exclude interests in associates, interest in a joint venture, deferred tax assets and other assets that are managed on a central basis.

Segment liabilities mainly exclude income tax payable, deferred tax liabilities, bank borrowings, amount due to a related party and other liabilities that are managed on a central basis.

During the year ended 31 December 2021, revenues of approximately HK$523,324,000 (2020: HK$415,116,000) are derived from Zhuhai Huafa and its subsidiaries ("Zhuhai Huafa Group").

The Executive Directors assess the performance of the operating segments based on their underlying profit, which is measured by profit before income tax, excluding income and expenses that are managed on a central basis.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Property management		Hotel advisory and exhibition services		Total	
	2021 HK$'000	2020 HK$'000	**2021 HK$'000**	2020 HK$'000	**2021 HK$'000**	2020 HK$'000
Revenue from external customers						
–Recognised over time	**1,488,088**	1,024,940	**19,206**	61,494	**1,507,294**	1,086,434
–Recognised at a point in time	**40,330**	–	**–**	–	**40,330**	–
	1,528,418	1,024,940	**19,206**	61,494	**1,547,624**	1,086,434
Segment results	**288,832**	178,218	**4,743**	21,685	**293,575**	199,903
Unallocated income					**7,637**	7,966
Unallocated expenses					**(38,838)**	(65,166)
Share of results of associates					**(646)**	585
Share of results of joint ventures					**431**	801
Income tax expense					**(73,732)**	(48,734)
Profit for the year from continuing operations					**188,427**	95,355
Segment assets	**862,825**	779,210	**36,761**	153,882	**899,586**	933,092
Unallocated assets					**152,650**	97,719
Total assets					**1,052,236**	1,030,811
Segment liabilities	**565,465**	413,686	**6,347**	28,915	**571,812**	442,601
Unallocated liabilities					**634,850**	949,370
Total liabilities					**1,206,662**	1,391,971
Other segment information:						
Additions to non-current assets	**17,681**	6,898	**869**	502	**18,550**	7,400
Cost of sales	**(1,120,306)**	(757,604)	**(7,856)**	(25,727)	**(1,128,162)**	(783,331)
Depreciation of property, plant and equipment	**(8,124)**	(7,203)	**(303)**	(166)	**(8,427)**	(7,369)
Depreciation of right-of-use assets	**(4,428)**	(2,781)	**–**	–	**(4,428)**	(2,781)
Amortisation of intangible assets	**(1,110)**	(258)	**–**	–	**(1,110)**	(258)
Net (impairment losses)/reversal of impairment losses on financial assets	**(11,308)**	(7,659)	**114**	(133)	**(11,194)**	(7,792)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

The Group's revenue by geographical location is determined by the location of services rendered and the geographical location of non-current assets is determined by where the assets are located and are detailed below:

	Revenue	
	2021 **HK$'000**	2020 HK$'000
– Mainland China	**1,547,624**	1,086,434

	Non-current assets (Note)	
	2021 **HK$'000**	2020 HK$'000
– Mainland China	**59,148**	46,326

Note: Non-current assets exclude interests in associates, interest in a joint venture, financial asset at fair value through profit or loss and deferred tax assets.

(a) Contract liabilities

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

	2021 **HK$'000**	2020 HK$'000
Contract liabilities relating to property management services	**72,498**	57,747
Contract liabilities relating to hotel advisory services	**36**	–
	72,534	57,747

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

(a) Contract liabilities (Continued)

Revenue recognised that was included in the balance of contract liabilities at the beginning of the year as follows:

	2021 **HK$'000**	2020 HK$'000
Contract liabilities relating to property management services	**57,747**	43,739

6 OTHER INCOME AND OTHER GAINS/(LOSSES), NET

	2021 **HK$'000**	2020 HK$'000
Additional value-added tax credit	**3,680**	1,936
Fair value gains/(losses) on financial asset at fair value through profit or loss (Note 18)	**3,487**	(225)
Government grants	**3,380**	5,961
Gain on disposal of a joint venture	**2,560**	–
Gain on disposal of a subsidiary	**153**	–
Loss on disposal of property, plant and equipment	**(38)**	(107)
Foreign exchange (loss)/gain, net	**(3,994)**	4,235
Others	**1,276**	805
	10,504	12,605

7 EXPENSES BY NATURE

Expenses included in cost of sales, selling and marketing costs and administrative expenses are analysed as follows:

	2021 HK$'000	2020 HK$'000
Employee benefit expenses, including directors' emoluments (Note 8)	**812,049**	631,633
Greening and cleaning expenses	**157,758**	101,454
Maintenance cost	**67,699**	28,180
Cost of goods sold	**39,269**	–
Cost of security and fire protection	**33,649**	11,536
Utilities	**30,640**	22,318
Consumables	**23,954**	14,454
Vehicle expenses	**9,492**	8,376
Depreciation of property, plant and equipment	**8,427**	7,369
Entertainment	**8,080**	5,193
Employee uniform expense	**8,033**	5,171
Other taxes expenses	**7,798**	5,553
Expenses related to short-term and low value lease payments	**4,763**	7,113
Depreciation of right-of-use assets	**4,428**	2,781
Auditor's remuneration		
– Audit service	**2,966**	2,500
– Non-audit service	**460**	2,322
Legal and professional fee	**1,957**	14,820
Amortisation of intangible assets	**1,110**	258
Others	**49,740**	43,460
Total cost of sales, selling and marketing costs and administrative expenses	**1,272,272**	914,491

8 EMPLOYEE BENEFIT EXPENSES

	2021 HK$'000	2020 HK$'000
Salaries, commissions, bonuses and other allowances	**666,546**	541,543
Contribution to retirement benefit schemes	**59,122**	37,321
Other employee expenses	**86,381**	52,769
	812,049	631,633

Note:

No forfeited contributions were utilized during the years ended 31 December 2021 and 2020 to reduce future contributions.

9 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The emoluments of every director and the chief executive of the Company during the years ended 31 December 2021 and 2020 which were included in the employee benefit expenses as disclosed in Note 8 are as follows:

For the year ended 31 December 2021:

Name	Fees HK$'000	Salary HK$'000	Discretionary bonuses HK$'000	Allowances and benefits in kind HK$'000	Employer's contribution to a retirement benefit scheme HK$'000	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
Executive directors							
Li Guangning	120	–	–	–	–	–	120
Zhou Wenbin (Note a)	50	–	–	–	–	–	50
Xie Wei	120	–	–	–	–	–	120
Liang Liang (Note b)	17	–	–	–	–	–	17
Guo Jin (Note c)	70	–	–	–	–	–	70
Tze Kan Fat (Note d)	–	75	–	–	–	–	75
Non-executive directors							
Shong Hugo (Note e)	–	–	–	–	–	–	–
Zhou Youfen	–	–	–	–	–	–	–
Independent non-executive directors							
Chen Jieping	100	–	–	–	–	–	100
Pu Yonghao	100	–	–	–	–	–	100
Guo Shihai	100	–	–	–	–	–	100
Total	677	75	–	–	–	–	752

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

For the year ended 31 December 2020:

Name	Fees	Salary	Discretionary bonuses	Allowances and benefits in kind	Employer's contribution to a retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertakings	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Executive directors							
Li Guangning	120	–	–	–	–	–	120
Xie Wei	120	–	–	–	–	–	120
Guo Jin	120	–	–	–	–	–	120
Tze Kan Fat	–	3,000	1,800	19	18	–	4,837
Non-executive directors							
Zhang Kui Hong	–	–	–	–	–	–	–
Shong Hugo	–	–	–	–	–	–	–
Zhou Youfen	–	–	–	–	–	–	–
Independent non-executive directors							
Chen Jieping	100	–	–	–	–	–	100
Sun Mingchun	42	–	–	–	–	–	42
Tse Yung Hoi	55	–	–	–	–	–	55
Pu Yonghao	58	–	–	–	–	–	58
Guo Shihai	45	–	–	–	–	–	45
Total	660	3,000	1,800	19	18	–	5,497

Note a: Zhou Wenbin was appointed on 30 July 2021.
Note b: Liang Liang was appointed on 9 November 2021.
Note c: Guo Jin resigned on 30 July 2021.
Note d: The Group paid Tze Kan Fat HK$1 as director fee in 2021.
Note e: Shong Hugo resigned on 29 October 2021.

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

	Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertakings HK$'000	Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertakings HK$'000	Total HK$'000
For the year ended 31 December 2021	**752**	**–**	**752**
For the year ended 31 December 2020	660	4,837	5,497

(b) Five highest-paid employees

Out of the five employees with the highest emoluments in the Group, none of them (2020: one) was director of the Company whose emolument is included in Note 9 (a) above. The emoluments of the remaining five (2020: four) highest paid individuals were as follows:

	2021 HK$'000	2020 HK$'000
Salaries, commissions and other allowances	**7,857**	16,729
Retirement benefits scheme contributions	**642**	72
	8,499	16,801

The emoluments fell within the following bands:

	No. of employees	
	2021	2020
HK$1,000,001 – HK$2,000,000	**4**	–
HK$2,000,001 – HK$3,000,000	**1**	1
HK$3,000,001 – HK$4,000,000	**–**	1
HK$4,000,001 – HK$5,000,000	**–**	1
HK$5,000,001 – HK$6,000,000	**–**	–
HK$6,000,001 – HK$7,000,000	**–**	1
HK$10,000,001 – HK$11,000,000	**–**	–

9 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(c) Directors' retirement benefits

None of the directors received or will receive any retirement benefits from a defined benefit pension plan during the year (2020: HK$nil).

(d) Directors' termination benefits

None of the directors received or will receive any termination benefits during the year (2020: HK$nil).

(e) Consideration provided to third parties for making available directors' services

During the year ended 31 December 2021, the Company did not pay consideration to any third parties for making available directors' services (2020: HK$nil).

(f) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

As at 31 December 2021, there are no loans, quasi-loans and other dealing arrangements in favour of directors, controlled bodies corporate by and connected entities with such directors (2020: HK$nil).

(g) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: HK$nil).

10 FINANCE EXPENSES, NET

	2021 HK$'000	2020 HK$'000
Interest expense:		
– Bank borrowings	**(17,423)**	(16,725)
– Amount due to a related party	**(452)**	(20,970)
– Lease liabilities (Note 14(b))	**(245)**	(89)
– Others	**(787)**	–
	(18,907)	(37,784)
Interest income:		
– Bank deposits	**6,619**	3,731
Finance expenses, net	**(12,288)**	(34,053)

11 INCOME TAX EXPENSE

a) Hong Kong profits tax is calculated at 16.5% (2020: 16.5%) of the estimated assessable profit for the years ended 31 December 2021 and 2020.

b) PRC corporate income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2021 and 2020 based on the existing legislation, interpretations and practices in respect thereof. The corporate income tax rate applicable to the Group entities located in the PRC is 25%, 20% or 15%.

c) Pursuant to the PRC tax law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in the PRC. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between China and the jurisdiction of the foreign investors. The relevant tax rate for the Group are 5 and 10%, where applicable. The Group is therefore liable for withholding taxes on dividends distributed by those foreign invested subsidiaries established in the PRC in respect of earnings generated from 1 January 2008.

The Group does not have any plan as at 31 December 2021 in the foreseeable future to require its subsidiaries in the PRC to distribute its retained earnings and intends to retain them to operate and expand its business in Mainland China. Accordingly, no deferred income tax liability related to withholding tax on undistributed earnings was accrued as of the end of each reporting period.

11 INCOME TAX EXPENSE (CONTINUED)

The amount of income tax expense in the consolidated statement of profit or loss represents:

	2021 HK$'000	2020 HK$'000
Current tax	**79,674**	55,719
Over provision in prior years	**(1,075)**	(1,133)
Deferred tax	**(4,867)**	(5,852)
Income tax expense	**73,732**	48,734

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to results of the consolidated companies as follows:

	2021 HK$'000	2020 HK$'000
Profit before income tax expense	**262,159**	144,089
Tax calculated at domestic tax rates applicable to profits in the respective jurisdictions	**71,275**	34,003
Tax effects of:		
– Expenses not deductible for tax purpose	**3,515**	17,226
– Income not subject to income tax	**(1,791)**	(1,265)
– Joint venture's and associates' results reported net of tax	**–**	(97)
– Withholding tax on the distributable profits of the Group's PRC subsidiaries	**1,808**	–
– Over provision in prior years	**(1,075)**	(1,133)
Income tax expense	**73,732**	48,734

12 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to owners of the Company of approximately HK$187,975,000 (2020: profit for the year arising from continuing operations approximately HK$95,355,000 and loss for the year arising from discontinued operations HK$58,566,000) and the weighted average number of ordinary shares in issue during the year of 10,060,920,000 (2020: 10,060,920,000) (Note 26).

	2021 **HK$'000**	2020 HK$'000
Profit attributable to owners of the Company arising from continuing operations	**187,975**	95,355
Loss attributable to owners of the Company arising from discontinued operations	**–**	(58,566)
	187,975	36,789
Shares		
Weighted average number of ordinary shares in issue ('000)	**10,060,920**	10,060,920

	2021 **HK cent**	2020 HK cent
Basic and diluted earnings/(loss) per share		
From continuing operations	**1.8684**	0.9478
From discontinued operations	**–**	(0.5821)
	1.8684	0.3657

Diluted earnings/(loss) per share equals to basic earnings/(loss) per share as there were no potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020, respectively.

13 DIVIDENDS

No dividend has been paid or declared by the Company for the years ended 31 December 2021 and 2020.

14(a) PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvements HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
Year ended 31 December 2020					
Opening net book amount	4,824	4,816	4,617	15,762	30,019
Additions	6	1,698	1,880	2,108	5,692
Disposal	–	(41)	(40)	(27)	(108)
Depreciation	(617)	(1,682)	(2,020)	(4,630)	(8,949)
Disposal of discontinued operations	(4,209)	(1,487)	(127)	(29)	(5,852)
Exchange differences	–	176	271	858	1,305
Closing net book amount	4	3,480	4,581	14,042	22,107
At 31 December 2020					
Cost	1,040	12,771	15,512	34,429	63,752
Accumulated depreciation	(1,036)	(9,291)	(10,931)	(20,387)	(41,645)
Net book amount	4	3,480	4,581	14,042	22,107
Year ended 31 December 2021					
Opening net book amount	**4**	**3,480**	**4,581**	**14,042**	**22,107**
Additions	**1,358**	**1,320**	**4,203**	**5,785**	**12,666**
Disposal	**–**	**(3)**	**(3)**	**(35)**	**(41)**
Depreciation	**(89)**	**(1,028)**	**(2,062)**	**(5,248)**	**(8,427)**
Exchange differences	**8**	**94**	**166**	**393**	**661**
Closing net book amount	**1,281**	**3,863**	**6,885**	**14,937**	**26,966**
At 31 December 2021					
Cost	**2,429**	**14,456**	**20,226**	**41,245**	**78,356**
Accumulated depreciation	**(1,148)**	**(10,593)**	**(13,341)**	**(26,308)**	**(51,390)**
Net book amount	**1,281**	**3,863**	**6,885**	**14,937**	**26,966**

14(a) PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	2021 HK$'000	2020 HK$'000
Depreciation of property, plant and equipment		
Continuing operations		
Cost of sales	**(7,469)**	(6,252)
Administrative expenses	**(955)**	(1,117)
Selling and marketing costs	**(3)**	–
	(8,427)	(7,369)
Discontinued operations	**–**	(1,580)
	(8,427)	(8,949)

14(b) LEASES

(i) Amounts recognised in the consolidated statement of financial position

The consolidated statement of financial position shows the following amounts relating to leases:

	2021 HK$'000	2020 HK$'000
Right-of-use assets		
Office premises	**21,406**	18,481
Office equipment	**1,113**	1,055
Total right-of-use assets	**22,519**	19,536
Lease liabilities		
Current	**2,914**	1,218
Non-current	**3,067**	327
Total lease liabilities	**5,981**	1,545

Additions to the right-of-use assets during the year ended 31 December 2021 were HK$6,801,000 (2020 : HK$1,968,000).

14(b) LEASES (CONTINUED)

(ii) Amounts recognised in the consolidated statement of profit or loss

	2021 HK$'000	2020 HK$'000
Depreciation of right-of-use assets		
Continuing operations		
Office premises	**2,951**	1,472
Office equipment	**1,477**	1,309
	4,428	2,781
Discontinued operations	**–**	20,598
	4,428	23,379

	2021 HK$'000	2020 HK$'000
Interest expense of lease liabilities		
Continuing operations (Note 10)	**245**	89
Discontinued operations	**–**	1,380
	245	1,469

The total cash payment for leases during the year ended 31 December 2021 was HK$2,718,000 (2020: HK$29,901,000).

15 INTANGIBLE ASSETS

	2021 HK$'000	2020 HK$'000
Goodwill	**2,478**	–
Customer relationship	**2,576**	–
Computer softwares	**4,609**	4,683
At 31 December	**9,663**	4,683

16 INTERESTS IN ASSOCIATES

	2021 HK$'000	2020 HK$'000
At 1 January	**39,907**	39,322
Disposals	**(39,277)**	–
Additions	**367**	–
Share of results	**(646)**	585
At 31 December	**351**	39,907

The particulars of the associates are:

Name	Place of incorporation	Principal activities and place of operation	Effective interest held 2021	Effective interest held 2020	Measurement method
深圳華發融創物業管理服務有限公司	PRC, limited liability company	Engage in the provision of the property management services in the PRC	**30%**	–	Equity accounting
Dreamy City Limited	British Virgin Islands ("BVI")	Investment holding in Hong Kong	–	30%	Equity accounting
Cheer Chain Limited#	Hong Kong	Engage in the development of children's online educational content and related products in the PRC and Hong Kong	–	30%	Equity accounting
廣州益貝兒信息科技有限公司#	PRC, limited liability company	Engage in software and information technology in the PRC	–	30%	Equity accounting
珠海益貝兒資訊科技有限公司#	PRC, limited liability company	Engage in software and information technology services in the PRC	–	30%	Equity accounting

\# These entities are all wholly-owned subsidiaries of Dreamy City Limited, which was disposed by the Group during the year ended 31 December 2021.

There are no contingent liabilities relating to the Group's interests in the associates.

17 PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries as at 31 December 2021 are as follows:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Particulars of issued and paid up capital	Proportion of ordinary shares directly held by the Company (%)	Proportion of ordinary shares directly held by the Group (%)
珠海華發物業管理服務有限公司	PRC, limited liability company	Provision of property management services and related value-added service	RMB50,000,000	–	100%
Huajin International Bay Area High-end Services Holdings Company Limited	Hong Kong, limited liability company	Investment holding in Hong Kong	HK$1,230,000	100%	100%
珠海市橫琴新區華金國際酒店管理有限公司	PRC, limited liability company	Provision of hotel advisory services in PRC	RMB5,000,000	–	100%
珠海市橫琴新區華金國際會展服務有限公司	PRC, limited liability company	Provision of exhibition services in PRC	RMB500,000	–	100%

18 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss include the following:

	2021 HK$'000	2020 HK$'000
Listed equity investment in Hong Kong	**11,475**	7,988

Movement in the financial asset at fair value through profit or loss is as follows:

	2021 HK$'000	2020 HK$'000
As at 1 January	**7,988**	8,213
Fair value gains/(losses) recognised in profit or loss (Note 6)	**3,487**	(225)
At 31 December	**11,475**	7,988

Note:

(a) The balance represented fair value of the Group's 2.25% equity interest in Hong Kong Johnson Holdings Co., Ltd. ("Hong Kong Johnson") and was denominated in HK$.

(b) Valuation of financial assets at fair value through profit or loss

Hong Kong Johnson is listed on Hong Kong Main Board. The fair value of financial asset at fair value through profit or loss traded in active markets is based on quoted market prices at the end of the reporting period. The quoted market price used for the listed equity investment held by the Group is the current bid price.

19 TRADE RECEIVABLES

	2021 HK$'000	2020 HK$'000
Trade receivables in relation to provision of property management services (Note (a))	**403,743**	227,421
Trade receivables in relation to provision of hotel advisory and exhibition services (Note (b))	**1,603**	24,301
Gross trade receivables (Note (c))	**405,346**	251,722
Less: loss allowance		
– Property management services	**(56,116)**	(42,375)
– Hotel advisory and exhibition services	**(19)**	(133)
	(56,135)	(42,508)
Trade receivables, net	**349,211**	209,214

Note:

(a) As at 31 December 2021 and 2020, the trade receivables in relation to provision of property management services arisen from Zhuhai Huafa Group amounted to HK$90,942,000 (2020: HK$43,770,000).

(b) As at 31 December 2021 and 2020, the trade receivables in relation to provision of hotel advisory and exhibition services arisen from Zhuhai Huafa Group amounted to HK$809,000 (2020: HK$23,856,000).

(c) As at 31 December 2021, the ageing analysis of trade receivables based on invoice date was as follows:

	2021 HK$'000	2020 HK$'000
Within 1 year	**321,266**	184,335
1 to 2 years	**39,171**	29,344
2 to 3 years	**17,765**	11,537
3 to 4 years	**7,418**	6,503
Over 4 years	**19,726**	20,003
	405,346	251,722

19 TRADE RECEIVABLES (CONTINUED)

Note: (Continued)

(d) As at 31 December 2021 and 2020, the carrying amounts of trade receivables approximated their fair values.

As at 31 December 2021 and 2020, trade receivables were all denominated in RMB.

The maximum exposure to credit risk as at the end of reporting period is the carrying values of the trade receivables.

20 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 HK$'000	2020 HK$'000
Other receivables	**14,341**	25,069
Less: loss allowance	**(657)**	(1,634)
Other receivables – net	**13,684**	23,435
Deposits and prepayments	**14,332**	10,425
Other receivables, deposits and prepayments	**28,016**	33,860

Note:

(a) Other receivables, deposits and prepayments were denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK dollar	**985**	1,249
RMB	**27,031**	32,611
	28,016	33,860

As at 31 December 2021 and 2020, the carrying amounts of other receivables, deposits and prepayments approximated their fair values.

21 CASH AND BANK BALANCES

	2021 HK$'000	2020 HK$'000
Cash and cash equivalents	**552,944**	664,864
Restricted bank balances	**5,458**	896
Cash and bank balances	**558,402**	665,760

Cash and bank balances were denominated in the following currencies:

	2021 HK$'000	2020 HK$'000
HK dollar	**11,330**	6,678
RMB	**547,056**	642,773
USD	**16**	16,309
	558,402	665,760

The bank balances are deposited with creditworthy banks with no recent history of default. The carrying amount of cash and bank balances approximate their fair value.

22 TRADE PAYABLES

	2021 HK$'000	2020 HK$'000
Trade payables (Note)	**108,883**	60,787

22 TRADE PAYABLES (CONTINUED)

Note:

(a) The average credit period from the Group's trade creditors is 30 to 60 days (2020: 30 to 60), and the amounts are non-interest bearing.

The ageing analysis of other trade payables based on the invoice date was as follows:

	2021 HK$'000	2020 HK$'000
Up to 90 days	**92,438**	52,319
91-180 days	**2,117**	2,179
Over 181 days	**14,328**	6,289
	108,883	60,787

(b) Trade payables were all denominated in RMB and approximated their fair values due to short term maturities.

23 OTHER PAYABLES AND ACCRUALS

	2021 HK$'000	2020 HK$'000
Deposits paid by property owners	**62,946**	43,343
Accrued payroll	**206,297**	171,173
Other tax payables	**16,672**	7,533
Other payables	**100,721**	104,769
	386,636	326,818
Less: non-current portion of other payables	**(2,748)**	–
Current portion	**383,888**	326,818

The carrying amounts of other payables and accruals were mainly denominated in the following currencies and approximated their fair values due to short term maturities.

	2021 HK$'000	2020 HK$'000
RMB	**380,623**	321,618
HK dollar	**3,265**	5,200
	383,888	326,818

24 BANK BORROWINGS

	2021 HK$'000	2020 HK$'000
Current		
Bank loans – unsecured (Note a)	**619,800**	519,000

As at 31 December 2021 and 2020, the Group's bank borrowings are all within one year.

Notes:

(a) According to Circular Yuefu (2020) #10 and Circular Yuecaizi (2020) #78 issued by Guangdong Provincial Government, State-owned Asset Supervision and Administration Commission of Zhuhai Municipal Government ("Zhuhai SASAC") transferred its 10% equity interests in Zhuhai Huafa to Department of Finance of Guangdong Province in August 2021. Zhuhai SASAC further injected capital to Zhuhai Huafa in November 2021. After these two changes in shareholding ("Changes in Shareholding"), Zhuhai SASAC's equity interests in Zhuhai Huafa decreased from 100% to 92.1254%.

The decrease in Zhuhai SASAC's equity interests in Zhuhai Huafa resulted in the Group's failing to meet requirement of a non-financial covenant clause (the "Non-financial Covenant") as set out in one banking facility letter, which would allow the bank to request for immediate repayment of the Group's short-term bank borrowing of HK$416,800,000 before its contractual repayment date. The Group was advised by the bank's representative that the Changes in Shareholding were accepted by the bank in December 2021. Subsequent to the year end date, the Group successfully extended the maturity date of the said bank facility to January 2023. Moreover, the Group also successfully entered into a supplemental facility letter with the bank to revise the Non-financial Covenant requirement. Management of the Group considered the Group is able to comply with the revised Non-financial Covenant over the term of the banking facility.

(b) As at 31 December 2021 and 2020, there is no pledged assets and guarantee executed by the Group.

(c) Bank borrowings bear effective interest rate from 1.56% to 3.18% per annum (2020: from 2.61% to 3.85% per annum).

(d) The carrying amounts of the Group's bank borrowings were denominated in HK$ and the fair value of bank borrowings approximates their carrying amounts.

25 DEFERRED TAX

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2021 HK$'000	2020 HK$'000
Deferred tax assets:		
– Deferred tax asset to be recovered after more than 12 months	**29,614**	24,113
Deferred tax liabilities:		
– Deferred tax liability to be settled within 12 months	**644**	–
Deferred tax assets, net	**28,970**	24,113

The movements in deferred tax during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred tax assets:

	Decelerated tax depreciation HK$'000	Lease liabilities HK$'000	Expected credit losses on receivables HK$'000	Accrued expenses HK$'000	Total HK$'000
At 1 January 2020	556	9,548	8,455	8,424	26,983
Charged/(credited) to profit or loss					
– Continuing operations	–	2	1,915	3,935	5,852
– Discontinued operations	222	(9,542)	–	–	(9,320)
Disposal of discontinued operations	(778)	–	–	–	(778)
Exchange differences	–	–	632	744	1,376
At 31 December 2020	–	8	11,002	13,103	24,113
At 1 January 2021	–	8	11,002	13,103	24,113
Credited to profit or loss	–	1	2,844	1,879	4,724
Exchange differences	–	–	352	425	777
At 31 December 2021	**–**	**9**	**14,198**	**15,407**	**29,614**

25 DEFERRED TAX (CONTINUED)

Deferred tax liabilities:

	Accelerated tax depreciation HK$'000	Right-of-use assets HK$'000	Others HK$'000	Total HK$'000
At 31 December 2019	44	9,470	–	9,514
Credited to profit or loss				
– Discontinued operations	–	(9,470)	–	(9,470)
Disposal of discontinued operations	(44)	–	–	(44)
At 31 December 2020	–	–	–	–
At 1 January 2021	–	–	–	–
Acquisition of a subsidiary	–	–	778	778
Credited to profit or loss	–	–	(143)	(143)
Exchange difference	–	–	9	9
At 31 December 2021	**–**	**–**	**644**	**644**

Deferred tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred tax assets of HK$1,938,000 (2020: HK$773,000) in respect of losses amounting to HK$11,745,000 (2020: HK$4,687,000) that can be carried forward against future taxable income.

Deferred tax liabilities of HK$62,613,000 (2020: HK$33,195,000) have not been recognised for withholding tax that would be payable on the undistributed retained profits amounting to HK$626,128,000 (2020: HK$331,951,000) of the Company's subsidiaries in the Mainland China earned after 1 January 2008. Such amounts are not intended to be distributed in the foreseeable future to the group companies outside of the Mainland China.

26 SHARE CAPITAL

	2021 HK$'000	2020 HK$'000
Authorised:		
12,000,000,000 ordinary shares of HK$0.00025 each	**3,000**	3,000
Issued and fully paid:		
10,060,920,000 ordinary shares of HK$0.00025 each (2020: 10,060,920,000 ordinary shares of HK$0.00025 each)	**2,515**	2,515

27 CAPITAL COMMITMENT

There is no capital commitment as at 31 December 2021 and 2020.

28 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of profit before income tax to cash generated from continuing operations

	2021 HK$'000	2020 HK$'000
Cash flows from operating activities from continuing operation		
Profit before income tax	**262,159**	144,089
Adjustments for:		
Share of results of associates	**646**	(585)
Share of results of joint ventures	**(431)**	(801)
Interest expense	**18,907**	37,784
Interest income	**(6,619)**	(3,731)
Amortisation of intangible assets	**1,110**	258
Depreciation of property, plant and equipment	**8,427**	7,369
Loss on disposal of property, plant and equipment	**38**	107
Depreciation of right-of-use assets	**4,428**	2,781
Net impairment losses on financial assets	**11,194**	7,792
Fair value (gains)/losses on financial asset at fair value through profit or loss	**(3,487)**	225
Gain on disposal of a joint venture	**(2,560)**	–
Gain on disposal of a subsidiary	**(153)**	–
Operating profit before working capital changes	**293,659**	195,288
Change in working capital:		
Trade receivables	**(146,637)**	(69,501)
Other receivables, deposits and prepayments	**10,402**	1,824
Amount due to a related party	**108**	303
Inventories	**(11,611)**	(1,599)
Trade payables	**45,871**	(27,408)
Contract liabilities	**16,595**	13,759
Other payables and accruals	**51,879**	78,695
Restricted bank balances	**(4,562)**	–
Cash generated from continuing operations	**255,704**	191,361

28 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

Liabilities from financing activities

	Bank borrowings HK$'000	Lease liabilities HK$'000	Total HK$'000
At 1 January 2020	150,000	59,062	209,062
Non-cash movement	–	2,145	2,145
Cash flows – Continuing operations	425,000	(1,832)	423,168
Disposal of discontinued operations	(56,000)	(57,830)	(113,830)
At 31 December 2020	519,000	1,545	520,545
Non-cash movement	–	7,154	7,154
Cash flows – Continuing operations	100,800	(2,718)	98,082
At 31 December 2021	**619,800**	**5,981**	**625,781**

29 RELATED PARTY TRANSACTIONS

In addition to those disclosed in elsewhere in these consolidated financial statements, the following transactions were entered into terms and prices mutually agreed between the relevant parties.

(a) Rendering of services

	2021 HK$'000	2020 HK$'000
Property management services and related value-added services income received from Zhuhai Huafa Group		
– Property management services income	**509,459**	360,035
Hotel advisory and exhibition services income received from Zhuhai Huafa Group		
– 2021 Advisory income	**6,194**	–
– 2021 Event planning income I	**5,460**	–
– 2021 Event planning income II	**1,187**	–
– 2021 Market research services	**1,024**	–
– 2020 Advisory income	**–**	5,663
– 2020 Event planning income I	**–**	7,537
– 2020 Event planning income II	**–**	3,184
– 2020 Event planning income III	**–**	33,191
– 2020 Event planning income IV	**–**	2,243
– 2020 Event planning income V	**–**	2,223
– 2020 Market research services	**–**	1,040
	13,865	55,081

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Other related party transactions

	2021 HK$'000	2020 HK$'000
Continuing operations		
Recharge of administrative expenses from Huafa HK	**(3,035)**	(3,771)
Interest expense to a related party	**(452)**	(20,970)
Rental expenses to Zhuhai Huafa Group	**537**	1,826
Purchase of goods and services from Zhuhai Huafa Group	**7,707**	7,024
Interest income from Zhuhai Huafa Group	**471**	2,145

(c) Year end balances

In addition to those disclosed in elsewhere in these consolidated financial statements, particulars of the balances with related parties are as follows:

	2021 HK$'000	2020 HK$'000
Amount due to a related party – Huafa HK	**(411)**	(416,690)
Balances included in trade receivables		
– Zhuhai Huafa Group	**91,751**	67,626
Balances included in cash and cash equivalents		
– Zhuhai Huafa Group	**23**	150
Balances included in other receivables, deposits and prepayments		
– Zhuhai Huafa Group	**2,594**	2,299
Balances included in trade payables		
– Zhuhai Huafa Group	**(5,414)**	(4,077)
Balances included in other payables and accruals		
– Zhuhai Huafa Group	**(15,700)**	(31,230)
Balances included in contract liabilities		
– Zhuhai Huafa Group	**(4,573)**	(330)

29 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Compensation of key management personnel

The remuneration of directors and other members of key management during the year are as follows:

	2021 **HK$'000**	2020 HK$'000
Short-term benefits	**8,609**	15,623
Post-employment benefits	**642**	336
	9,251	15,959

The remuneration of directors and key management is determined having regard to the performance of individuals and market trends.

(e) Transactions and balances with other state-owned enterprises in the PRC

In accordance with HKAS 24 "Related Party Disclosures", state-owned enterprises and their subsidiaries, directly or indirectly controlled by the PRC Government ("state-owned enterprises") are regarded as related parties of the Group. The Group's PRC entities operate in an economic environment predominated by state-owned enterprises. During the years ended 31 December 2021 and 31 December 2020, the Group had transactions with state-owned enterprises including, but not limited to, providing property management services and value-added services and hotel advisory services and exhibition planning and organisation services. For the purpose of related party transactions disclosure, the Group had in place procedures to assist the identification of the immediate ownership structure of its customers and suppliers as to whether they are state-owned enterprises. However, many state-owned enterprises have multi-layered corporate structure and the ownership structures change over time as a result of transfers and privatization programs. Nevertheless, the directors of the Group consider that transactions with other state-owned enterprises are activities in the ordinary course of the business, and that the dealings of the Group have not been significantly or unduly affected by the facts that the Group and other state-owned enterprises are ultimately controlled or owned by the PRC Government. The Group had also established pricing policies for the products and services, and such pricing policies do not depend on whether or not the customers are state-owned enterprises. Having due regard to the substance of the relationships, the directors of the Group are of the opinion that none of these transactions are material related party transactions that require separate disclosure.

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY

(a) Statement of financial position of the Company

	2021 HK$'000	2020 HK$'000
Non-current assets		
Property, plant and equipment	**1,137**	449
Investments in subsidiaries	**829,256**	869,256
Financial asset at fair value through profit or loss	**11,475**	7,988
	841,868	877,693
Current assets		
Other receivables, deposits and prepayments	**985**	1,249
Loans to subsidiaries	**–**	59,408
Amount due from subsidiaries	**1,442**	7,833
Cash and cash equivalents	**107,427**	22,878
	109,854	91,368
Total assets	**951,722**	969,061
EQUITY		
Share capital	**2,515**	2,515
Reserves (Note b)	**18,571**	26,560
Total equity	**21,086**	29,075
Current liabilities		
Other payables and accruals	**2,390**	4,296
Amounts due to related party	**242**	416,690
Amounts due to subsidiaries	**308,204**	–
Bank borrowings	**619,800**	519,000
Total liabilities	**930,636**	939,986
Total equity and liabilities	**951,722**	969,061

30 STATEMENT OF FINANCIAL POSITION AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

(b) Reserves movement of the Company

	Share premium HK$'000	Contributed surplus (Note a) HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2020	168,947	65,305	(107,171)	127,081
Comprehensive loss				
Loss for the year	–	–	(100,521)	(100,521)
Total comprehensive loss	–	–	(100,521)	(100,521)
At 31 December 2020 and 1 January 2021	168,947	65,305	(207,692)	26,560
Comprehensive loss				
Loss for the year	–	–	(7,989)	(7,989)
Total comprehensive loss	–	–	(7,989)	(7,989)
At 31 December 2021	168,947	65,305	(215,681)	18,571

Note a:

Contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation.

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