越秀服務集團有限公司
YUEXIU SERVICES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 6626

Where Good Service Starts

Annual Report 2021


通往二层

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Lin Feng *(Chairman)*
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan

EXECUTIVE DIRECTORS

Mr. Zhang Jianguo
Mr. Mao Liangmin
Mr. Zhang Jin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

BOARD COMMITTEES

AUDIT COMMITTEE

Ms. Hui Lai Kwan *(Chairlady)*
Mr. Hung Shing Ming
Mr. Chan Yuen Hang Kenneth

REMUNERATION COMMITTEE

Mr. Hung Shing Ming *(Chairman)*
Mr. Lin Feng
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

NOMINATION COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

INVESTMENT COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Mao Liangmin
Mr. Zhang Jin
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan
Mr. Hung Shing Ming

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

COMPANY SECRETARY

Mr. Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
and Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Agricultural Bank of China Limited
China Construction Bank Corporation
Bank of China (Hong Kong) Limited

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26/F., Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

SHARE REGISTRAR

Tricor Investor Services Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

COMPLIANCE ADVISER

Luk Fook Capital (HK) Limited

INVESTOR RELATIONS

For further information of Yuexiu Services Group Limited, please contact:
Ms. Swan Wan
Email: ir@yuexiuproperty.com

STOCK CODE

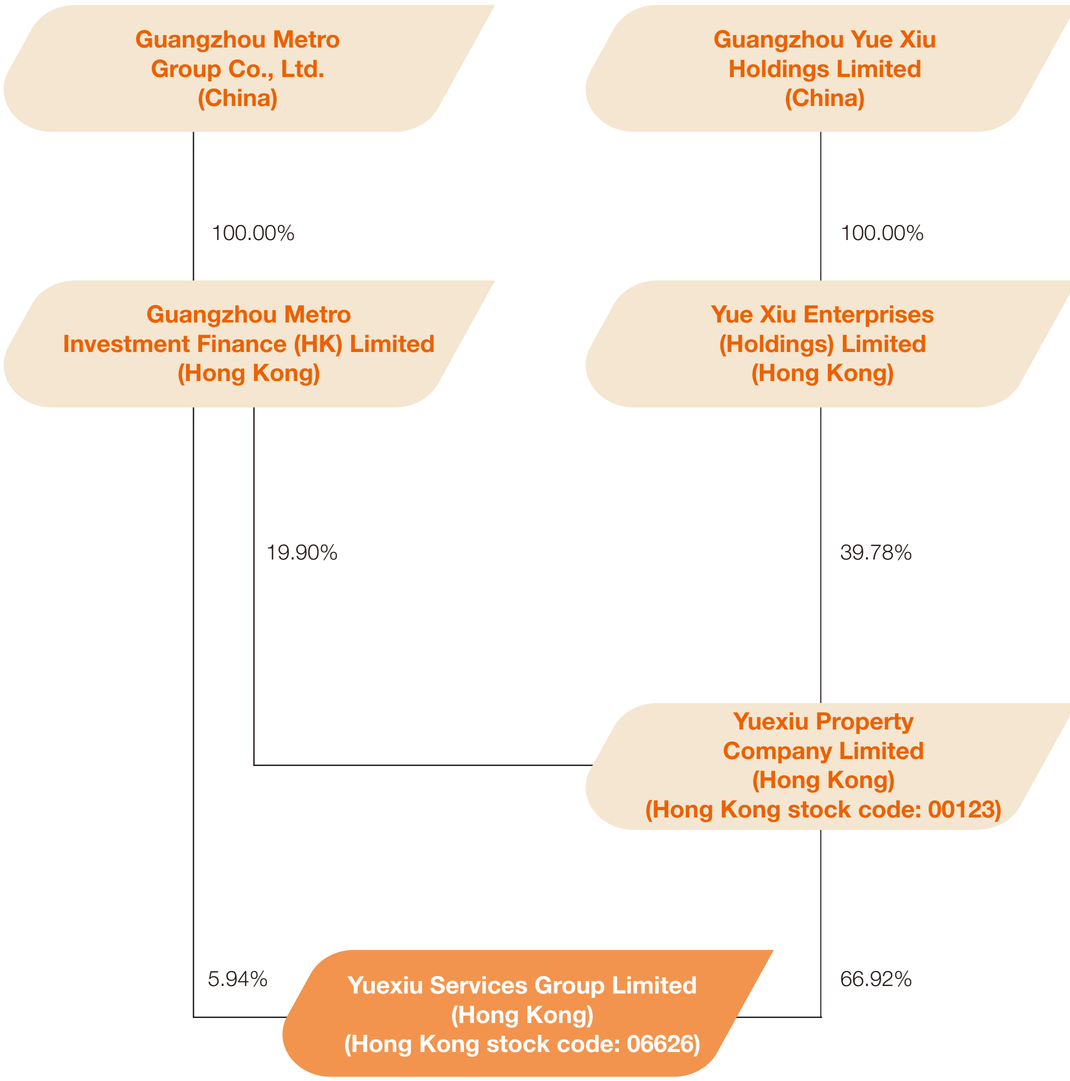
6626

WEBSITES TO ACCESS COMPANY INFORMATION

www.yuexiuservices.com
www.irasia.com/listco/hk/yuexiuservices/
www.hkexnews.hk

CORPORATE STRUCTURE

(As at 31 December 2021)



FINANCIAL SUMMARY

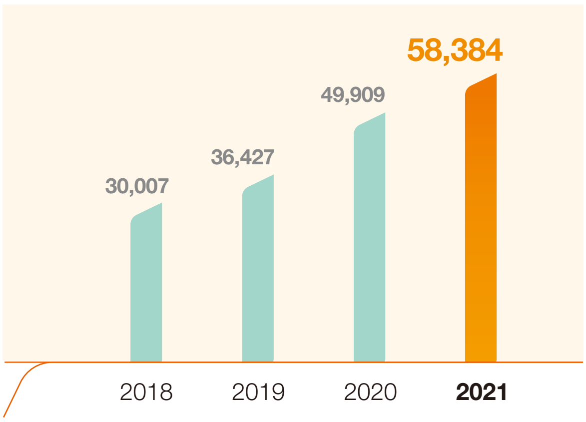
	For the year ended 31 December			
	2021	2020	2019	2018
Total revenue (RMB million)	**1,918**	**1,168**	**896**	**763**
Gross profit (RMB million)	**671**	**403**	**243**	**198**
Gross profit margin (%)	**35.0%**	**34.5%**	**27.2%**	**25.9%**
Net profit* (RMB million)	**370**	**204**	**93**	**47**
Net profit margin* (%)	**19.3%**	**17.4%**	**10.4%**	**6.2%**
Earnings per share (RMB)	**0.27**	**0.20**	**0.09**	**0.04**
Dividend per share (RMB)	**0.083**	**–**	**–**	**–**
Dividend per share (HKD)	**0.102**	**–**	**–**	**–**

* Net profit = profit for the year; net profit margin = profit for the year/ total revenue * 100%

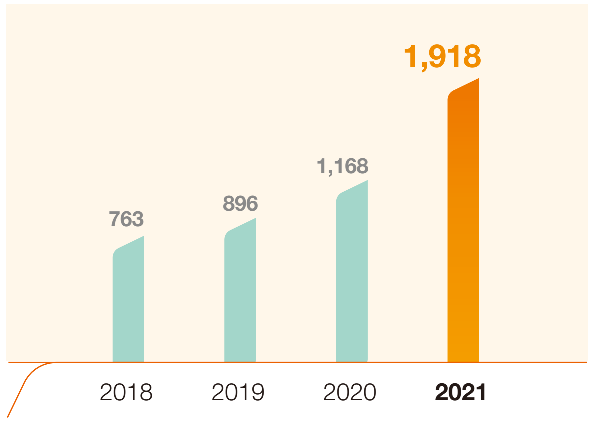
	As at 31 December			
(RMB million)	2021	2020	2019	2018
Assets				
Non-current assets	**490**	**535**	**211**	**224**
Current assets	**4,641**	**1,876**	**2,756**	**2,477**
Total assets	**5,131**	**2,411**	**2,967**	**2,701**
Equity				
Equity attributable to owners of the Company	**2,932**	**615**	**259**	**171**
Non-controlling interests	**158**	**146**	**9**	**13**
Total equity	**3,090**	**761**	**268**	**184**
Liabilities				
Non-current liabilities	**498**	**94**	**973**	**1,086**
Current liabilities	**1,543**	**1,556**	**1,726**	**1,431**
Total liabilities	**2,041**	**1,650**	**2,699**	**2,517**
Total equity and liabilities	**5,131**	**2,411**	**2,967**	**2,701**

RESULTS HIGHLIGHTS

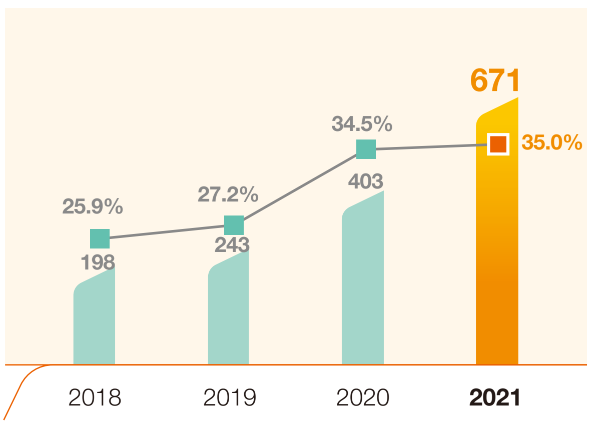
CONTRACTED GFA
(thousand sq.m.)



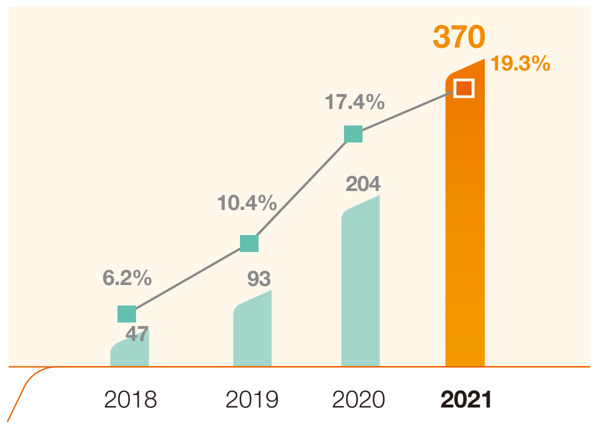
TOTAL REVENUE
(RMB million)



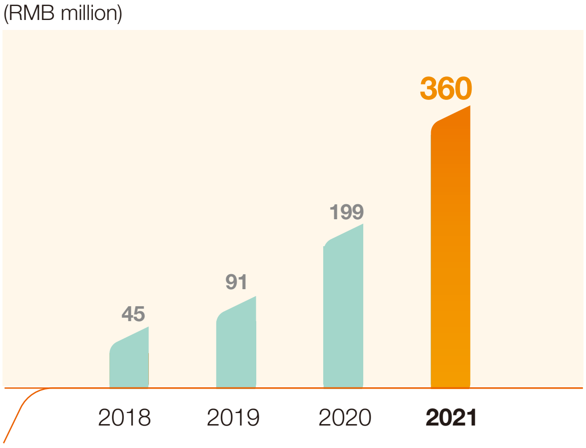
GROSS PROFIT/GROSS PROFIT MARGIN
(RMB million)/(%)



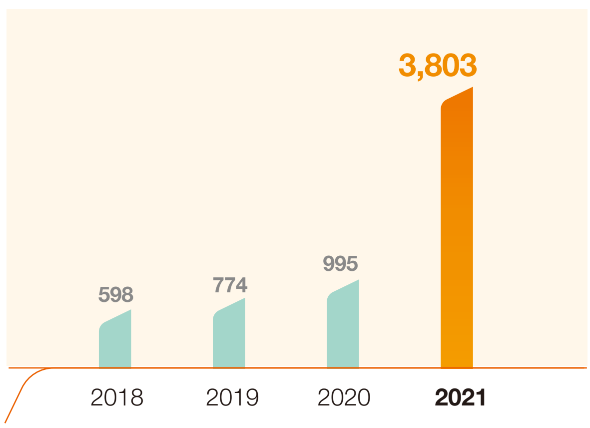
NET PROFIT*/NET PROFIT MARGIN*
(RMB million)/(%)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB million)



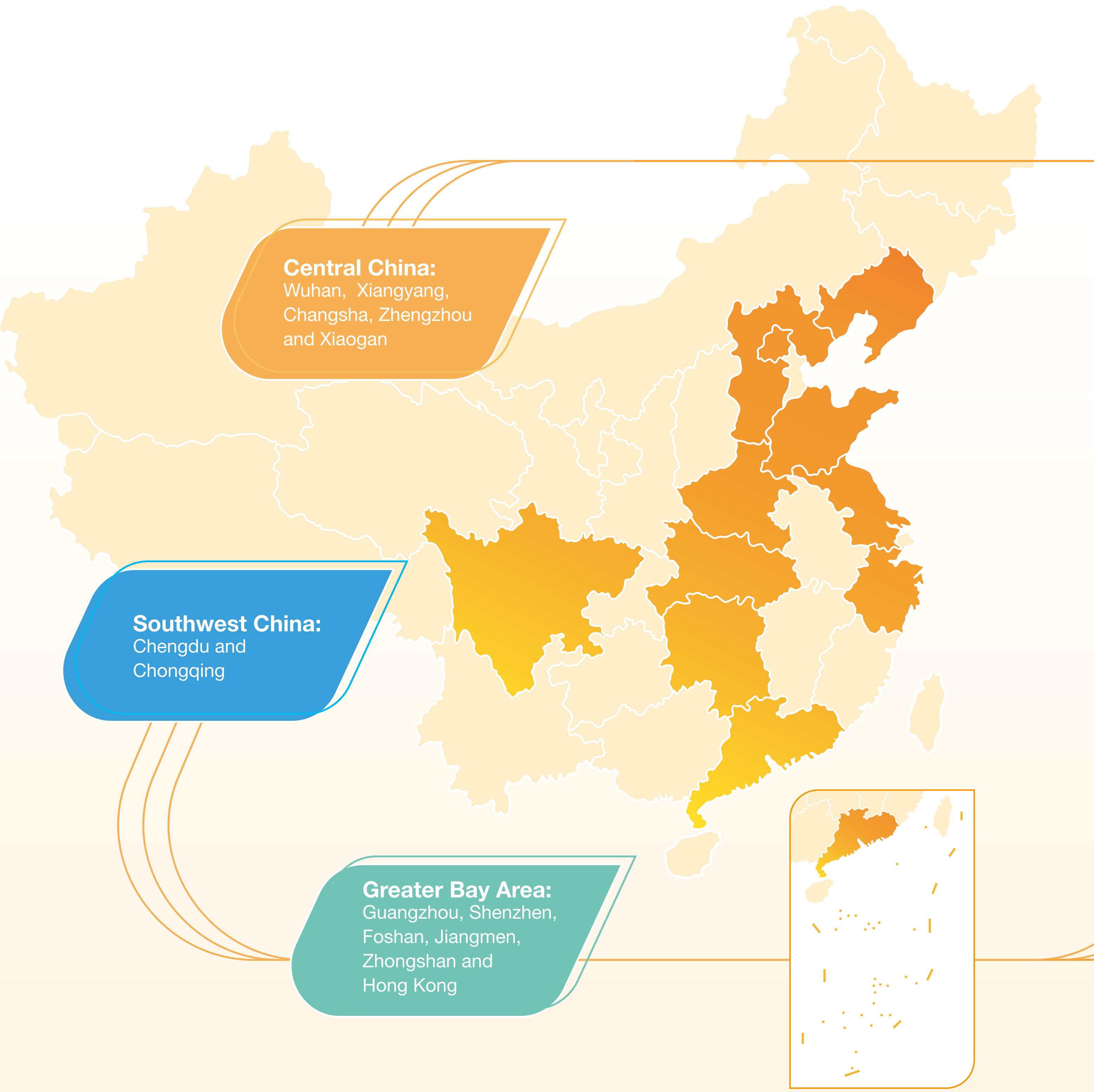
CASH AND CASH EQUIVALENTS
(RMB million)



* Net profit = profit for the year; net profit margin = profit for the year/ total revenue × 100%

NATIONWIDE PRESENCE

(As of 31 December 2021)



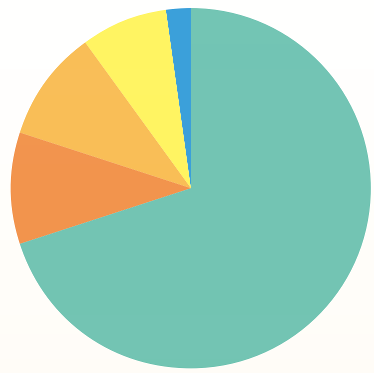
NATIONWIDE PRESENCE

(As at 31 December 2021)

26 cities and Hong Kong

North China:
Beijing, Cangzhou, Zhangjiakou, Shenyang, Qingdao, Jinan and Yantai

East China:
Shanghai, Hangzhou, Suzhou, Jiaxing, Wuxi, Nantong and Ningbo



- Greater Bay Area: 70%
- East China: 10%
- Central China: 10%
- North China: 8%
- Southwest China: 2%

Contracted GFA

Greater Bay Area:	40.96 million sq.m.
East China:	6.12 million sq.m.
Central China:	5.76 million sq.m.
North China:	4.61 million sq.m.
Southwest China:	0.93 million sq.m.

Contracted GFA: 58.38 million sq.m.

2021 MAJOR EVENTS

"Enhanced Service" (強服務) Campaigns

- We carried out three-month "Enhanced Service" (強服務) campaigns in over one hundred projects across the country, so as to improve our property services quality in all respects

Exploration of "One-For-All" Service Model

- We joined hands with Yangming Garden in Wuxi City, to spearhead "one-for-all" service model by integrating resources of property management, community commercial services, intelligent technology and others

Upgrade of Community Commercial Service Brand

- We upgraded the community commercial service brand, "Living Fun (悦匯時光)", offering convenient and quality commercial services to residents

Demonstration of "Yue + (越 +)" Good Service at the SpmExpo

- As the president institution of the Guangzhou Property Management Industry Association, we participated in Guangzhou Smart Property Management Expo ("**SpmExpo**") to showcase our brand image, service quality and intelligent technology

2021 MAJOR EVENTS

Fighting against the Pandemic

- In view of the resurgence of the COVID-19 pandemic, we responded to the government's call and mobilised a total of 308 staff throughout four times to high-risk areas, providing attentive service and peace of mind to our customers for fighting against the pandemic

Ranking 16th among Top 100 Property Management Companies in 2021

- We were accredited by China Index Academy and ranked 16th among the 2021 Top 100 Property Management Companies in China (2021 中國物業服務百強企業第 16 位)

Listing on Stock Exchange

- The shares of our Company ("**Shares**") have been successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**Stock Exchange**") on 28 June 2021

Inclusion in Hang Seng Property Service and Management Index

- We were admitted as a constituent stock of Hang Seng Property Service and Management Index by Hang Seng Indexes Company Limited

AWARDS AND HONOURS

Awards and Honours	Organisers
2021 Top 100 China Property Management Companies in Terms of Brand Value (2021中國物業服務企業品牌價值100強)	*Shanghai E-house Real Estate Research Institute (上海易居房地產研究院), China Real Estate Appraisal Centre (中國房地產測評中心)*
2021 Top 20 Brands of China Property Management Companies in South China (2021中國物業服務華南品牌企業20強)	
TOP 30 China Property Management Companies in Terms of Digital Strength for 2020-2021 (2020-2021中國物業企業數字力TOP30)	*Shanghai E-house Real Estate Research Institute (上海易居房地產研究院), China Real Estate Appraisal Centre (中國房地產測評中心), CRIC Property Management (克而瑞物管)*
The 9th among 2021 Top 100 Property Management Companies in Terms of Service Quality in the Greater Bay Area (TOP 9) (2021物業服務力大灣區TOP100企業第九位)	*Shanghai E-house Real Estate Research Institute (上海易居房地產研究院), CRIC Property Management (克而瑞物管)*
2021 Top 5 Office Building-focused Property Management Companies in the Greater Bay Area (2021大灣區寫字樓物業服務力TOP5企業)	
2021 Top 15 China Property Management Companies in terms of Comprehensive Strength (2021中國物業服務年度綜合實力品牌企業NO.15)	*China Real Estate Business (中國房地產報社), CIHAF Organizing Committee (中國住交會組委會)*
Brand Benchmarking Enterprise of the Development of the Property Management Industry in Guangdong Province for the 40th Anniversary (廣東省物業管理行業發展40週年品牌標桿企業)	*Guangdong Property Management Industry Institution (廣東省物業管理行業協會)*
2021 Leading Smart Property Management Company (2021年度智慧物業領先企業)	*Bo'ao 21st Century Real Estate Forum (博鰲·21世紀房地產論壇)*

AWARDS AND HONOURS





Awards and Honours	Organisers
The 16th among the 2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業第十六位)	***China Index Academy (中國指數研究院)***
2021 Leading High-end Property Management Companies in China (2021中國高端物業服務領先企業)	
2021 Top 100 Leading China Property Management Companies in terms of Service Quality (2021中國物業服務百強服務質量領先企業)	
2021 Outstanding China Commercial Property Management Company (2021中國商業物業管理優秀企業)	
2021 Leading Property Management Company in the Greater Bay Area (TOP 5) (2021大灣區物業服務市場地位領先企業TOP5)	
2021 Top 10 China Property Management Companies in Terms of Urban Service (2021中國物業服務企業城市服務十強)	***EH Consulting and Jiahe Jiaye (億翰智庫・嘉和家業)***
2021 Top 50 China Property Management Companies in terms of Customer Satisfaction (2021中國物業服務企業客戶滿意度模範企業五十強)	
2021 Top 10 China Property Management Companies in Terms of Competitiveness in South China (2021中國物業服務企業華南競爭力十強)	

CHAIRMAN'S STATEMENT

CHAIRMAN'S STATEMENT

Mr. Lin Feng
Chairman of the Board

Dear Shareholders,

2021 marked the commencement of the "14th Five-Year" strategic plan of Yuexiu Services Group Limited (the "**Company**") and its subsidiaries (together, the "**Group**") and a milestone year for its development. On 28 June 2021, the Group was successfully listed (the "**Listing**") on the Main Board of the Stock Exchange, making it the first (and so far the only) property management enterprise under the State-owned Assets Supervision and Administration Commission of Guangzhou Municipal Government (the "**Guangzhou SASAC**") that has been listed in the Hong Kong Special Administrative Region ("**Hong Kong**") of the People's Republic of China (the "**PRC**" or "**China**").

CHAIRMAN'S STATEMENT

The Group focused on implementing the theme of "enhancing capability, efficiency and services, making multi-dimensional breakthroughs for development (提能增效強服務，多維突破謀發展)", in order to overcome the adverse impact of the recurring COVID-19 pandemic, strengthen its basic services and develop various new businesses. Its targets in various operating indicators have recorded a rapid growth.

Rapid growth in operating results

For the year ended 31 December 2021 (the "**Year**"), the Group recorded a revenue of RMB1,918.4 million, representing an increase of 64.2% as compared to the year ended 31 December 2020 (the "**Previous Year**"). Gross profit margin was 35.0% for the Year, which increased 0.5 percentage point as compared to that of the Previous Year. Profit attributable to owners of the Company was RMB359.5 million, representing a year-on-year increase of 80.6%. Excluding listing expenses of RMB19.8 million and foreign exchange losses of RMB15.8 million, profit attributable to owners of the Company for the Year amounted to RMB395.1 million. The board (the "**Board**") of directors (the "**Directors**") of the Company has proposed to declare a final dividend for the Year of HKD0.102 per Share (equivalent to RMB0.083 per Share).

Focusing on service quality and strengthening property management services

The Group continues to strengthen its property management services with the aim of providing "thoughtful customer service, complete security, continuous maintenance, comfortable environment and pleasant sales offices (客服貼心、秩序安心、工程放心、環境舒心、案場悅心)". In 2021, the Group comprehensively launched the "Revitalising Action (春風行動)" and "Enhanced Service (強服務)" campaigns to revitalise old facilities and equipment of projects under its management, including via enhancements and rectification, building a comprehensive system for property management, upgrading key service guidelines and refining our services.

The Group also integrated the "Nationwide 400 Integrated Command Centre (全國400集成指揮中心)" to provide 24-hour service for customers' needs and requests. According to the survey data of a third-party research institution, the overall residential customer satisfaction score was 88.2, representing a steady improvement.

In 2021, the Group was honoured to rank as "16th among the 2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業第16位)" by China Index Academy and received other titles.

CHAIRMAN'S STATEMENT

Promoting expansion with a view to developing new business areas

The Group continues to focus on developing new business areas and market expansion by establishing a professional business expansion team, setting up an incentive system, and enhancing its capabilities and management system.

In 2021, the Group entered into contracts for 71 new projects, with new contracted gross floor area ("**GFA**") of 10.2 million sq.m, setting foot in new cities such as Beijing, Ningbo, Nantong, Chongqing and Wuxi, as well as new business areas such as schools and highway service areas. Certain joint ventures were founded to facilitate the contracting and development of local projects.

As at 31 December 2021, the Group had 251 projects under management with total GFA under management of 38.9 million sq.m., and 315 contracted projects with contracted GFA of 58.4 million sq.m. covering 26 cities in the five regions of China, namely the Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**"), East China, Central China, North China and Southwest China and Hong Kong.

Leveraging unique strengths to enhance all-round services

As a leader of high-end office property management, the Group continues to maintain its strength in commercial property management and operation. In 2021, in addition to its existing commercial properties under management, the Group commenced managing new office projects such as Guangdong Media Tower in Guangzhou (廣州粵傳媒大廈), Science City Headquarters Building of Skyworth in Guangzhou (廣州創維科學城總部大樓) and Guangzhou Cloudshare Economic Ecology Park (廣州雲享經濟生態園), achieving a steady increase in commercial properties under its management.

The Group also maintained a unique competitive advantage in its transit-oriented development ("**TOD**") property management model. Apart from new management projects for train stations and train depots within the Guangzhou metro system, the Group also actively expanded its TOD business to other cities outside Guangzhou, including by strategic cooperation with metro companies in other cities such as Chongqing, Changsha, Kunming, Nanning and Qingdao, thus further reinforcing the foundation of its TOD property management model across China. In addition, at the beginning of 2022, the Group successfully won the bid for property management service for Line 2 of Fuzhou Metro, which was the Group's first TOD property management service project outside Guangzhou.

Enhancing the offerings of value-added services

The Group continues to improve its community value-added services by focusing on "services for the people (人的服務)" and providing new services to cater residents' daily needs and lifestyles. In 2021, the Group launched home decoration business to provide customers with a "one-stop solution comprising renovation, furniture shopping for a complete home makeover (硬裝+軟裝+一步到家+煥新改造)" by integrating online and offline industry resources and shopping avenues.

Through developing its "Enjoy Club (悦秀會)" online membership scheme, the Group worked with Guangzhou Yuexiu Foods Group Company Limited* (廣州越秀食品集團有限公司) under Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) ("**GZYX**") to provide a new online retail business for food products. The Group is also one of the few property management services providers that offers "all-round community commercial services" in the market, which involve the market positioning and branding of commercial streets in residential projects and tenant sourcing services for the shops in these commercial streets.

Future outlook

The year 2022 marks the 30th anniversary of the Group's establishment and the first full financial year after the Listing. At this new juncture, the Group will continue to rise to new challenges and opportunities.

In its 30th anniversary, the Group will continue its strategic positioning as "China's leading integrated urban services operator", with quality property management services as the foundation of its development, and commercial operation and technological empowerment as its core competencies to provide all-round property management services and value-added services for diversified property types.

Consolidating "One Focus" and enhancing the quality of services. Service quality is the foundation of development and the key to growth in property management. The Group will continue to strengthen its services through measures such as refining service standards, creating specialisations within service models, modernising service tools, increasing service efficiencies and enhancing service brands. The Group aims at being one of the leading brands in the property management services sector.

CHAIRMAN'S STATEMENT

Identifying the "Four Business Types" to drive high quality growth. The property management industry is in a period of development, with mergers and acquisitions increasing in frequency and expansion of scale remaining a strategic priority. The Group will continue to focus on residential property management as foundation, while actively expanding into commercial, mass transportation and urban services and other business areas. The Group's ultimate aim is to become an integrated urban services operator providing property management services in four main areas, namely residential, commercial, mass transportation and urban services, and to rapidly expand its scale and market share through organic growth, external business development and mergers and acquisitions.

Focusing on the "Four Value-added Services" and expanding diversified income channels. In addition to basic property management services, the Group will actively explore personalised and diversified value-added service products that target the needs of community living and operation of public areas – to promote rapid growth of revenue from community value-added services. The Group will upgrade its urban commercial space services and further expand its community commercial services; enhance urban living space services and introduce home decoration services; improve the quality of urban living and expand its customer-end businesses such as sales and leasing services, new retail and home-living services; and upgrade its smart urban management service business and explore intelligent technology solutions.

Enhancing the "Five Capabilities" and strengthening the operational management system construction. The Group will continue to enhance its business expansion capabilities and take advantage of the current market environment. It will conduct in-depth resource exploration and industry research and strive for breakthroughs in mergers and acquisitions. The Group will also enhance its technology capabilities and build an integrated model of all-round property management services, improve its operational efficiency and reduce labour costs. The Group will enhance its supply chain management capabilities and work with strategic partners to reduce procurement costs and improve profit margins. In terms of organisational management capabilities, the Group will optimise talent recruitment and training mechanism to provide manpower support for business expansion. Finally, and just as important, the Group will enhance its risk management capabilities alongside the rapid development.

At the same time, the Group will pay further attention to sustainable development, by improving its governance structure and strengthening the Board's participation in and supervision of the environmental, social and governance affairs.

As the Group embarks on its journey in the new year, it will maintain its aspirations and determination, and continue to strengthen its core competencies to live up to the expectations of being "a leading integrated urban services operator in China".

Acknowledgements

We would like to express our sincere gratitude to our shareholders, partners and customers for their support and to all our staff for their hard work and dedication, all of which led to the Group's achievements and developments.

Mr. Lin Feng
Chairman of the Board

MANAGEMENT
DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

The Group is one of the leading property management companies in the Greater Bay Area. The Group is committed to providing diversified and integrated services covering various types of properties, including residential properties, shopping malls, office buildings, public facilities, urban railways, metro stations and metro depots. Its major businesses comprise (i) non-commercial property management and value-added services, which consist of property management services, value-added services to non-property owners and community value-added services; and (ii) commercial property management and operational services, which consist of commercial operation and management services and market positioning consultancy and tenant sourcing services.

Adhering to the motto of "Where Good Service Starts (用心•成就美好生活)", the Group has been providing its customers with a full range of property management services and high-quality value-added services. Its efforts were highly recognised in the industry. In 2021, the Group was honoured to rank as "16th among the 2021 Top 100 Property Management Companies in China (2021中國物業服務百強企業第16位)", "2021 High-end Property Service Leading Company in China (2021中國高端物業服務領先企業)", and "2021 China Commercial Property Management Exceptional Company (2021中國商業物業管理優秀企業)" by China Index Academy, and was named as one of the "2021 Top 10 China Property Service Companies in terms of Urban Service (2021中國物業服務企業城市服務十強)" and one of the "2021 Top 10 China Property Service Companies in terms of Competitiveness in South China (2021中國物業服務企業華南競爭力十強)" by EH Consulting (億翰智庫) and Jiahe Jiaye (嘉和家業). The Group was also admitted as a constituent stock of the Hang Seng Property Service and Management Index on 6 September 2021.

In 2021, Guangzhou and the surrounding cities experienced a new wave of the COVID-19 pandemic. In response, the Group swiftly established a pandemic prevention emergency team to provide property owners with sufficient anti-pandemic supplies and daily supplies in the projects which were affected by the pandemic, assisted medical staff to conduct door-to-door nucleic acid testing for the property owners and tenants, and deployed security staff to the high-risk areas for outbreak control work. In addition, in respect of TOD property management services, the Group has also strengthened the disinfection of metro station facilities, indoor spaces and metro trains to provide a safe environment for the public. The pandemic did not have any significant impact on the Group's operating and financial performance for the Year.

For the Year, the Group's revenue amounted to RMB1,918.4 million, representing an increase of 64.2% as compared to RMB1,168.0 million for the Previous Year. The Group's profit attributable to owners of the Company for the Year was RMB359.5 million, representing an increase of 80.6% as compared to RMB199.1 million for the Previous Year.

As of 31 December 2021, the Group had 251 projects under management with a total GFA under management of 38.9 million sq.m. (31 December 2020: 32.6 million sq.m.), representing a growth of 19.1%; it was contracted to manage 315 projects with a total contracted GFA of 58.4 million sq.m. (31 December 2020: 49.9 million sq.m.), representing a growth of 17.0%. The table below sets forth the change of the Group's contracted GFA and GFA under management for the years indicated.

	Year ended 31 December			
	2021		2020	
	Contracted GFA[(1)]	**GFA under management[(2)]**	Contracted GFA	GFA under management
	(sq.m. in thousands)			
As of the beginning of the year	**49,909**	**32,648**	36,427	21,934
New engagements	**10,218**	**7,967**	7,025	4,736
Acquisitions	**–**	**–**	6,462	5,983
Terminations	**(1,743)**	**(1,743)**	(5)	(5)
As at the end of the year	**58,384**	**38,872**	49,909	32,648

Notes:

(1) Contracted GFA means gross floor area currently being managed or to be managed by the Group under signed property management service contracts.

(2) GFA under management means gross floor area currently being managed by the Group under signed property management service contracts.

As of 31 December 2021, projects contracted to be managed by the Group covered 26 cities in the PRC and Hong Kong. The table below sets forth a geographical breakdown of the Group's contracted GFA and GFA under management as of the dates indicated.

	As of 31 December			
	2021		2020	
	Contracted GFA	**GFA under management**	Contracted GFA	GFA under management
	(sq.m. in thousands)			
Greater Bay Area	**40,961**	**28,513**	36,540	25,275
East China Region	**6,116**	**4,225**	4,757	3,020
Central China Region	**5,765**	**2,587**	5,014	1,988
North China Region	**4,612**	**3,184**	3,235	2,366
Southwest China Region	**930**	**363**	363	–
Total	**58,384**	**38,872**	49,909	32,648

Non-commercial property management and value-added services

The Group provides a wide spectrum of property management services and value-added services to non-commercial properties, which primarily comprise residential properties, TOD properties, public premises and industrial parks. In particular, it offers:

- **Property management services.** The Group provides cleaning, security, gardening and repair and maintenance services to property owners, property owners' associations and/or residents for properties sold and delivered and property developers for pre-delivery stage of residential properties.

- **Value-added services to non-property owners.** The Group provides value-added services to non-property owners which mainly include (i) sales office and display unit management and pre-delivery support services; (ii) carpark space sales assistance services; (iii) ancillary property leasing services; and (iv) preliminary planning and design consultancy services.

- **Community value-added services.** The Group provides community value-added services to meet the needs of property owners and residents of residential properties under its management. Such services mainly include (i) home-living services; (ii) space operation services; and (iii) decoration, turnkey and move-in furnishing services.

On the one hand, the Group's business scale grew steadily with the strong support of the Company's controlling shareholder (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")), Yuexiu Property Company Limited (Stock code: 123) ("**Yuexiu Property**"); on the other hand, the Company actively explored new and diversified business opportunities from independent sources to increase its market share. As of 31 December 2021, the Group had 209 non-commercial projects of a GFA under management of 35.6 million sq.m., representing a growth of 19.1% as compared to 29.9 million sq.m. as of 31 December 2020. For the Year, the average management fee of residential properties remained stable at RMB2.8/sq.m./month (Previous Year: RMB2.7/sq.m./month).

Commercial property management and operational services

The Group provides property management and operational services to commercial properties, which primarily comprise office buildings, shopping malls and wholesale markets. In particular, it offers:

- **Commercial operation and management services.** The Group provides commercial operation and management services to property owners, developers and tenants, which mainly consist of commercial property management services and other value-added services such as carpark management and operation services and space operation services (including advertising space leasing and common area leasing services).

- **Market positioning consultancy and tenant sourcing services.** The Group provides market positioning consultancy and tenant sourcing services to property developers and property owners, which primarily include market positioning and management consultancy services and tenant sourcing services.

As of 31 December 2021, the Group had 42 commercial projects of a GFA under management of 3.3 million sq.m., representing a growth of 16.9% as compared to 2.8 million sq.m. as of 31 December 2020. For the Year, the average management fees of office buildings and shopping malls remained stable at RMB22.3/sq.m./month (Previous Year: RMB22.8/sq.m./month) and RMB36.8/sq.m./month (2020: RMB35.3/sq.m./month), respectively.

FINANCIAL REVIEW

Revenue

For the Year, the Group's revenue amounted to RMB1,918.4 million (Previous Year: RMB1,168.0 million), representing a year-on-year increase of 64.2%. The Group's revenue was derived from its two major business segments, namely non-commercial property management and value-added services and commercial property management and operational services. The significant increase in the Group's total revenue for the Year was mainly a combined effect from the increase in revenue from both of its business segments as detailed below.

The table below sets forth a breakdown of the Group's revenue by business segment for the years indicated.

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	%
Non-commercial property management and value-added services	**1,425,142**	**74.3**	811,168	69.4
Commercial property management and operational services	**493,236**	**25.7**	356,880	30.6
Total	**1,918,378**	**100.0**	1,168,048	100.0

The table below sets forth the breakdown of the Group's revenue by type of property developers for the years indicated.

	Year ended 31 December			
	2021		2020	
	RMB'000	**%**	*RMB'000*	%
GZYX, Yuexiu Property and their respective joint ventures, associates or other related parties(1)	**1,768,450**	**92.2**	1,046,755	89.6
Independent third parties(2)	**149,928**	**7.8**	121,293	10.4
Total	**1,918,378**	**100.0**	1,168,048	100.0

Notes:

(1) Includes properties developed by GZYX, Yuexiu Property, both being the controlling shareholders of the Company, and their respective joint ventures, associates or other related parties.

(2) Includes properties developed by independent third party (entity or person who is not a connected person of the Company as defined in the Listing Rules) property developers.

For the Year, the Group's revenue generated from properties developed by GZYX, Yuexiu Property and their respective joint ventures, associates or other related parties increased by RMB721.7 million or 69.0% as compared to the Previous Year, mainly because in November 2020, the Group acquired Guangzhou Metro Environmental Engineering Co., Ltd.* (廣州地鐵環境工程有限公司) and Guangzhou Metro Property Management Co., Ltd.* (廣州地鐵物業管理有限責任公司) from Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司) ("**GZ Metro**") and commenced to provide property management and related services to metro depots, metro lines and metro stations, and residential and commercial properties along the metro network; and new projects were delivered by related parties since 2021.

The table below sets forth the geographical breakdown of the Group's revenue for the years indicated.

	Year ended 31 December			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
PRC	**1,850,641**	**96.5**	1,097,787	94.0
Hong Kong, PRC	**67,737**	**3.5**	70,261	6.0
Total	**1,918,378**	**100.0**	1,168,048	100.0

(I) Non-commercial property management and value-added services

For the Year, revenue from non-commercial property management and value-added services amounted to RMB1,425.1 million (Previous Year: RMB811.2 million), representing a year-on-year increase of 75.7%. The increase is mainly attributable to the following factors:

(i) the increase in the number of non-commercial projects under its management to 209 from 176 and the GFA under management to 35.6 million sq.m. from 29.9 million sq.m., respectively as of 31 December 2021 as compared to 31 December 2020; and the increase in revenue from providing property management services and value added services to TOD properties after the acquisition from GZ Metro in November 2020, resulting in an increase in revenue from property management services to non-commercial properties;

(ii) revenue from value-added services to non-property owners increased from RMB333.0 million for the Previous Year to RMB340.6 million for the Year, representing an increase of 2.3%. The increase was mainly attributable to the business growth of property developers, and the increase in revenue from preliminary planning and design consultancy services; and

(iii) revenue from community value-added services increased from RMB134.4 million for the Previous Year to RMB442.0 million for the Year, representing an increase of 228.8% and making it the fastest-growing business of the Group. The increase was mainly because the Group's community value-added services developed in a more professional, diversified and balanced direction, the Group developed community commercial services, agency business and turnkey and move-in furnishing services in 2021 in an active manner, resulting in an increase in revenue.

The table below sets forth the breakdown of the Group's revenue from this business segment by type of services for the years indicated.

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Property management services	642,525	45.1	343,735	42.4
Value-added services to non-property owners	340,577	23.9	332,988	41.0
Community value-added services	442,040	31.0	134,445	16.6
Total	1,425,142	100.0	811,168	100.0

(II) Commercial property management and operational services

For the Year, revenue from commercial property management and operational services amounted to RMB493.2 million (Previous Year: RMB356.9 million), representing a year-on-year increase of 38.2%. The increase is mainly attributable to the following factors:

(i) the increase in the number of commercial projects under its management to 42 from 39 and the GFA under management to 3.3 million sq.m. from 2.8 million sq.m., respectively, as of 31 December 2021 as compared to 31 December 2020, including but not limited to the opening of office tower of Guangzhou International Commercial Center (廣州環貿中心) in 2021; and the change of the service fee model of one of its projects from commission basis to lump-sum basis since August 2020, resulting in an increase in revenue from commercial operation and management services; and

(ii) revenue from the provision of market positioning and tenant sourcing services increased from RMB53.6 million for the Previous Year to RMB110.6 million for the Year, representing a year-on-year increase of 106.3%. The additional provision of tenant sourcing, tenant management and consultancy services to Guangzhou International Commercial Center (廣州環貿中心) by the Group during the Year; the provision of market research and positioning services to a number of new projects, resulting in an increase in revenue from market positioning, consultancy and tenant sourcing services.

The table below sets forth the breakdown of the Group's revenue from this business segment by type of services for the years indicated.

	Year ended 31 December			
	2021		2020	
	RMB'000	%	RMB'000	%
Commercial operation and management services	382,672	77.6	303,294	85.0
Market positioning, consultancy and tenant sourcing service	110,564	22.4	53,586	15.0
Total	493,236	100.0	356,880	100.0

Cost of sales

Cost of sales of the Group represents costs and expenses directly attributable to the provision of its services, which mainly comprises staff costs, subcontracting costs, depreciation and amortisation and maintenance. For the Year, cost of sales of the Group was RMB1,247.5 million (Previous Year: RMB764.8 million), representing a year-on-year increase of 63.1%, which was in line with the business expansion of the Group for the Year. During the Year, the Group adopted cost-saving measures. While continuing to use smart technologies in management to enhance its operational efficiency, the Group also implemented stricter cost control measures while maintaining good service quality.

For the Year, staff costs under costs of sales amounted to RMB594.5 million (Previous Year: RMB389.7 million), representing a year-on-year increase of 52.5% and was in line with the business expansion of the Group for the Year.

Gross profit and gross profit margin

The following table sets forth the gross profit and gross profit margin of the Group by business segments for the years indicated.

	Year ended 31 December			
	2021		2020	
	Gross profit	Gross profit margin	Gross profit	Gross profit margin
	RMB'000	%	RMB'000	%
Non-commercial property management and value-added services	494,350	34.7	293,194	36.1
- Property management services	142,467	22.2	74,318	21.6
- Value-added services to non-property owners	148,190	43.5	168,071	50.5
- Community value-added services	203,693	46.1	50,805	37.8
Commercial property management and operational services	176,483	35.8	110,097	30.8
- Commercial operation and management services	122,477	32.0	88,453	29.2
- Market positioning, consultancy and tenant sourcing service	54,006	48.8	21,644	40.4
Total	670,833	35.0	403,291	34.5

The overall gross profit margin of the Group is primarily affected by its business mix, average property management fee rates it charges for property management services, geographic concentration of GFA under management and cost control capabilities. The Group's gross profit increased from RMB403.3 million for the Previous Year to RMB670.8 million for the Year. The overall gross profit margin of the Group increased from 34.5% for the Previous Year to 35.0% for the Year.

The gross profit margin for non-commercial property management and value-added services decreased slightly from 36.1% for the Previous Year to 34.7% for the Year, mainly because the business restructuring of the value-added services to non-property owners which led to a decrease in gross profit margin.

The gross profit margin for commercial property management and operational services increased from 30.8% for the Previous Year to 35.8% for the Year. The increase in gross profit margin for the segment was primarily due to (i) the higher profit margin of the market research and positioning services provided to a number of new projects during the Year; and (ii) the continuous optimisation of staffing and resources allocation, and cost control through automation and smart technologies in management in 2021.

Administrative expenses

Administrative expenses of the Group mainly comprise staff costs, consultancy fees, depreciation and amortisation, travelling and entertainment expenses, and bank charges. For the Year, administrative expenses of the Group amounted to RMB161.5 million, representing an increase of 12.2% as compared to RMB143.9 million for the Previous Year, primarily due to the listing expenses and related consultancy fees incurred during the Year.

Other income

Other income of the Group primarily consisted of government grants and the additional input value-added tax deduction for certain subsidiaries of the Group in life services industry. For the Year, other income of the Group amounted to RMB14.0 million (Previous Year: RMB45.2 million), representing a decrease of 69.0% as compared to the Previous Year, primarily due to the absence of interest income from a loan to related party during the Year as compared to the Previous Year. The loan to related party was settled in June 2020.

Other losses — net

Net other losses/gains primarily consist of net foreign exchange losses/gains and losses/gains on disposal of equipment. For the Year, the Group had net other losses of RMB16.0 million (Previous Year: net other gains of RMB488,000). Foreign exchange losses of RMB15.8 million were recorded for the Year mainly because proceeds from the global offering of the Shares (the "**Global Offering**") were in Hong Kong dollar and the exchange rate of Hong Kong dollar against RMB dropped at the end of the Year. Please refer to the paragraphs headed "Proceeds from the Listing" below for details.

Finance income — net

Net finance income/costs primarily consists of interest income from bank deposits and interest expense of lease liabilities. For the Year, net finance income amounted to RMB20.4 million (Previous Year: net finance costs of RMB22.3 million). Finance income for the Year increased by RMB16.8 million as compared to the Previous Year primarily due to the increase in bank deposits. Finance costs decreased by RMB25.8 million for the Year as compared to the Previous Year primarily due to the absence of interest expenses of a bank borrowing of RMB23.2 million and the decrease in interest expense of lease liabilities during the Year as compared to the Previous Year.

Income tax expenses

For the Year, income tax expenses of the Group were RMB154.5 million (Previous Year: RMB76.5 million), representing an increase of 102.0% as compared to the Previous Year, primarily due to the increase in profit before income tax as a result of the continuous business expansion of the Group and its costs-saving measures as detailed above.

Profit for the Year

For the Year, net profit of the Group amounted to RMB369.7 million (Previous Year: RMB203.7 million), representing a year-on-year increase of 81.5%. Net profit margin for the Year was 19.3%, representing an increase of 1.9 percentage points as compared to that of 17.4% for the Previous Year, mainly attributable to the continuous business expansion of the Group and its costs-saving measures as detailed above.

Profit attributable to owners of the Company

During the Year, profit attributable to owners of the Company was RMB359.5 million (Previous Year: RMB199.1 million), representing a year-on-year increase of 80.6%. Excluding the listing expenses of RMB19.8 million and foreign exchange losses of RMB15.8 million, profit attributable to owners of the Company for the Year amounted to RMB395.1 million.

Basic earnings per Share

In 2021, basic earnings per share attributable to the owners of the Company (based on the weighted average number of ordinary Shares in issue) were RMB0.27 (Previous Year: RMB0.20).

Final dividend

The Board has proposed the payment of a final dividend for the Year of HKD0.102 per Share, which is equivalent to RMB0.083 per Share (Previous Year: Nil), payable to shareholders whose names appear on the register of members of the Company at the close of business on 7 June 2022. Subject to the approval of the shareholders of the Company (the "**Shareholders**") at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about 6 July 2022. The Board did not declare any interim dividend for the six months ended 30 June 2021.

Dividends payable to the Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

Right-of-use assets

The Group's right-of-use assets are mainly related to the lease contracts for buildings and parking lots it used for operations. As of 31 December 2021, the Group's right-of-use assets amounted to RMB53.8 million (31 December 2020: RMB100.0 million). Such decrease of right-of-use assets was primarily attributable to depreciation over time.

Financial assets at fair value through other comprehensive income

As of 31 December 2021, the Group had financial assets at fair value through other comprehensive income of RMB32.2 million (31 December 2020: RMB34.8 million), which comprised the Group's investments in 5% equity interests of Guangzhou Construction & Development Property Holdings Mingte Network Development Co., Ltd (廣州市城建開發集團名特網絡發展有限公司), which is principally engaged in development and installation of intelligence management systems and informationisation services and 10% equity interests of Guangzhou Yuetou Commercial Factoring Co., Ltd. (廣州越投商業保理有限公司), which is principally engaged in provision of commercial factoring and other related financial services in the PRC.

Trade and other receivables

The Group's trade receivables increased to RMB517.0 million as of 31 December 2021 from RMB446.9 million as of 31 December 2020, representing an increase of 15.7%, mainly attributable to the increase in the Group's revenue for the Year as compared with the Previous Year.

The Group's other receivables mainly comprise property management costs recoverable, payments on behalf of residents and tenants and guarantee deposits paid in relation to the provision of property management services. The Group's other receivables decreased to RMB256.6 million as of 31 December 2021 from RMB399.0 million as of 31 December 2020, representing a decrease of 35.7%, mainly due to the settlement of non-trade amounts due from related parties during the Year.

Trade and other payables

The Group's trade payables increased to RMB166.6 million as of 31 December 2021 from RMB81.0 million as of 31 December 2020, representing an increase of 105.8% mainly because of the continuous business expansion of the Group.

The Group's other payables primarily consist of advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under a commission basis, and performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants. The Group's other payables as of 31 December 2020 and 31 December 2021 were RMB985.6 million and RMB978.1 million respectively. The decrease in the Group's other payables was mainly due to a combined effect from the settlement of non-trade amounts due to related parties and the increase of other payables resulting from business expansion during the Year.

Liquidity and capital resources

The Group finances its working capital mainly by its cash and cash equivalents, cashflows from its operating activities and a portion of the proceeds from the Global Offering. The Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has maintained stable financial condition and sufficient liquidity throughout. The Group's net current assets position improved significantly from RMB319.9 million as of 31 December 2020 to RMB3,098.0 million as of 31 December 2021.

As of 31 December 2021, the Group's cash and cash equivalents amounted to RMB3,803.4 million (31 December 2020: RMB994.6 million). The increase was mainly attributable to the receipt of proceeds from the Listing, including the partial exercise of the over-allotment option (the "**Over-allotment Option**") as described in the prospectus of the Company dated 16 June 2021 (the "**Prospectus**") and the capital injection by Guangzhou Metro Investment Finance (HK) Limited of RMB330.0 million by subscribing Shares in February 2021.

As of 31 December 2021, the Group had no bank borrowings (31 December 2020: Nil) or loans from related party (31 December 2020: RMB6.1 million) or amounts due to related parties (31 December 2020: RMB121.2 million). The previous loan due to a related party of RMB6.1 million as of 31 December 2020 was non-trade in nature and was settled in March 2021. The previous amounts due to related parties of RMB121.2 million as of 31 December 2020 were non-trade in nature, interest-free, unsecured and repayable on demand and were repaid in April 2021. As of 31 December 2021, the Group had lease liabilities of RMB55.0 million (31 December 2020: RMB109.3 million).

The gearing ratio is calculated based on total bank borrowings divided by total equity, multiplied by 100%. Since the Group had no bank borrowings as of 31 December 2020 and 31 December 2021, the gearing ratios as of both aforesaid dates were nil.

Proceeds from the Listing

The Shares were listed on the Main Board of the Stock Exchange by way of Global Offering on 28 June 2021 (the "**Listing Date**"). Pursuant to the Global Offering, 369,660,000 Shares were issued on the Listing Date and 43,410,500 additional Shares were issued on 26 July 2021 according to the partial exercise of the Over-allotment Option as described in the Prospectus.

After deducting the underwriting fees and commissions, incentive fee and other relevant expenses, the net proceeds from the Listing and the partial exercise of the Over-allotment Option amounted to HKD1,961.3 million (equivalent to RMB1,632.0 million). As of 31 December 2021, the Group has utilised the net proceeds as follows:

Category	Intended use of proceeds	Percentage of total proceeds	Actual use of proceeds up to 31 December 2021	Unused proceeds up to 31 December 2021	Expected timeline for the intended use
	RMB'000	*%*	*RMB'000*	*RMB'000*	
Strategic acquisitions and investments	979,200	60	– *(Note 1)*	979,200	By end of 2023
Further development of the Group's value-added services	244,800	15	– *(Note 2)*	244,800	By end of 2023
Developing information technology systems and smart communities	244,800	15	– *(Note 3)*	244,800	By end of 2023
Replenishing working capital and for general corporate purposes	163,200	10	1,840	161,360	By end of 2023
Total	**1,632,000**	**100**	**1,840**	**1,630,160**	

Notes:

(1) The Group is still in the process of identifying suitable acquisition and investment targets through conducting feasibility studies and due diligence.

(2) The Group is still identifying potential value-added service business partners and subcontractors, in an effort to expand the Group's value-added service offerings.

(3) Due to the complexity of the Group's systems, the Group will require adequate time to evaluate plans of upgrading existing systems and developing new systems.

The unused proceeds are expected to be used in accordance with the purposes set out in the Prospectus and are currently held as bank deposits.

MANAGEMENT DISCUSSION AND ANALYSIS

Foreign exchange risk

The principal operating entities of the Group are based in the PRC and their operating activities are transacted in RMB. Foreign exchange risk mainly arises from the proceeds from the Listing including the partial exercise of the Over-allotment Option held by the Group. The Group adopts a balanced strategy to control its foreign exchange risk in respect of its bank deposits denominated in Hong Kong dollars. It is expected that a part of the bank deposits will be converted into RMB in order to gain a higher interest income and reduce the foreign exchange exposure, while other part of the bank deposits will not be converted into RMB for payment of cash dividend and day-to-day working capital for operations in Hong Kong and outside the PRC in the future.

Pledge of assets

As of 31 December 2021, no assets of the Group were pledged as securities for liabilities.

Major acquisition and disposals

During the Year, the Company did not have any major acquisition or disposal of subsidiaries and associated companies.

Major investments

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

Contingent liabilities

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

Capital commitment and capital expenditure

As of 31 December 2021, the Group did not have any capital commitment.

The Group’s capital expenditure for the year 2022 is expected to be financed by proceeds from the Global Offering and working capital generated from the operating activities of the Group.

Relationships with employees, customers and suppliers

The Group recognises its employees as valuable assets, and strives to continue to be an attractive employer for committed employees. The Group is committed to motivating its employees with a clear career path and trainings for advancement and improvement of their skills. As at 31 December 2021, the Group had a total of 11,212 full-time employees in the PRC and Hong Kong, the PRC. Total staff costs for the Year amounted to RMB698.3 million. The Group regularly reviews remuneration and benefits of its employees according to market practice and the relevant employee’s performance. The Group also (in accordance with applicable laws) provides various insurance coverage (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance), housing provident funds (in the PRC) and mandatory provident funds (in Hong Kong, the PRC) for its employees. The Group has also implemented various talent development and acquisition policies, in order to recruit and retain high-quality employees and their expertise and experience. For example, the “Yuexiu Property Management Training & Development Academy (越秀物業培訓發展學院)” provides employees with various comprehensive training sessions and courses, including management skill enhancement, qualification test tutoring and professional skill training.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its competitiveness, the Group aims at delivering quality services to its customers while encouraging customers’ active feedback. During the Year, there was no material and significant dispute between the Group and its suppliers, subcontractors and/or customers.

Environmental, Social and Governance ("ESG") Policy

The Board attaches great importance to sustainability management. In accordance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, the Company has established an effective sustainability management system, improved the Group's sustainability governance structure and strengthened the supervision and participation of the Board in the Group's ESG affairs. The Board, as the highest governing body of the Group, takes the full responsibility for its ESG affairs. In March 2022, the Environmental, Social and Governance Committee (the "**ESG Committee**") chaired by the Chairman of the Board and staffed by the chief executive officer of the Company (the "**Chief Executive Officer**") and the independent non-executive Directors was established. The ESG Committee is authorised by the Board to be responsible for the setting of the Group's ESG vision, goals, strategies and framework, as well as the management of the overall ESG performance. In addition, an ESG leading group is formed under the ESG Committee, with the Chief Executive Officer as the leader and the relevant functional departments leader as the group members, and is responsible for coordinating and supervising the implementation of ESG management, and periodically reporting ESG performance to the ESG Committee.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CORPORATE GOVERNANCE REPORT

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CORPORATE GOVERNANCE PRACTICES

The Company has always valued the importance of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. During the period from the Listing Date to 31 December 2021 (the "**Relevant Period**"), the Company has applied the principles of and complied with all code provisions and mandatory disclosure requirements as set out in the Corporate Governance Code in Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquiries with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code for the Relevant Period.

BOARD OF DIRECTORS

The Board, which is chaired by Mr. Lin Feng, consists of three executive Directors, three non-executive Directors and three independent non-executive Directors. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of Group and the exercising of independent opinion.

The Directors in office during the Relevant Period and up to the date of this report are as follows:

Non-executive Directors

Mr. Lin Feng (Chairman of the Board)
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan

Executive Directors

Mr. Wu Wei (resigned on 23 February 2022)
Mr. Zhang Jianguo (appointed on 23 February 2022)
Mr. Mao Liangmin
Mr. Zhang Jin

Independent Non-executive Directors

Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

Appointments and Re-election of Directors

Mr. Wu Wei resigned as an executive Director and the Chief Executive Officer on 23 February 2022 and on the same date, Mr. Zhang Jianguo was appointed as an executive Director and the Chief Executive Officer.

Regarding the details of service contracts of the executive Directors, each of Mr. Mao Liangmin and Mr. Zhang Jin has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, and Mr. Zhang Jianguo has entered into a service contract with the Company for an initial fixed term of three years commencing from 23 February 2022.

Each of the non-executive Directors entered into a letter of appointment with the Company for an initial fixed term of three years commencing from the Listing Date.

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing one-third of the Board) throughout the Relevant Period, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the three independent non-executive Directors has confirmed his/her independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules. Each of the independent non-executive Directors has entered into a letter of appointment with the Company commencing on and with effect from 1 February 2021 and, starting from the Listing Date, for a fixed term of one year.

Pursuant to article 110 of the Articles of Association of the Company (the "**Articles of Association**"), the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Pursuant to article 111(a) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation; subject to the provisions of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("**Companies Ordinance**"), the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless they otherwise agree between themselves) be determined by lot; and every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Therefore, in accordance with the Articles of Association, (i) Mr. Lin Feng, Mr. Zhang Jin and Mr. Yao Xiaosheng will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**"); and (ii) Mr. Zhang Jianguo will hold office until the AGM and being eligible, offer himself for re-election at the AGM.

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advice. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and the Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgements on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

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

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and financial performance. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. 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 coordinating the daily operation and management of the Company are delegated to the management. To oversee particular aspects of the Company's affairs, the Board has established five Board committees, including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**") and investment committee (the "**Investment Committee**") before the Listing Date and the ESG Committee in March 2022 (collectively, the "**Board Committees**"). The Board has delegated various responsibilities to the relevant Board Committees. All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

Board Meetings and General Meetings

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. Other than regular Board meetings, the chairman of the Board has also met with independent non-executive Directors without the presence of executive Directors. In addition, the Board holds general meeting to maintain an on-going communication with the Shareholders.

During the Relevant Period, the Company held two Board meetings and one Audit Committee meeting; while no Remuneration Committee meeting, Nomination Committee meeting, Investment Committee meeting as well as general meeting were held during the same period. The attendance of the individual Directors at the relevant meetings is set out in the table below:

	Attendance/Number of Meetings	
Directors	**Board meeting**	**Audit Committee meeting**
Mr. Lin Feng	2/2	N/A
Mr. Wu Wei[(1)]	2/2	N/A
Mr. Mao Liangmin	2/2	N/A
Mr. Zhang Jin	2/2	N/A
Mr. Yao Xiaosheng	1/2	N/A
Mr. Yang Zhaoxuan	2/2	N/A
Mr. Hung Shing Ming	2/2	1/1
Ms. Hui Lai Kwan	2/2	1/1
Mr. Chan Yuen Hang Kenneth	2/2	1/1

Note:

(1) Mr. Wu Wei resigned as an executive Director on 23 February 2022.

CORPORATE GOVERNANCE REPORT

For Board meetings and Board Committee meetings, reasonable notices are generally given to the relevant Directors. The agenda and accompanying Board papers are provided to the relevant Directors at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and are adequately prepared for the Board meetings or Board Committee meetings. Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the relevant meeting prior to the meeting.

Minutes of the Board meetings and Board Committee meetings shall be kept by the company secretary. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting has been held. The minutes of the Board meetings are open for inspection by all Directors. Minutes of the Board meetings and Board Committee meetings are recorded in sufficient details on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors.

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, the Articles of Association also contain provisions requiring directors to (subject to certain exceptions) abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates are to their knowledge materially interested. Independent non-executive Directors with no conflict of interest will be present at meetings to deal with such issues.

Chairman and Chief Executive Officer

During the Relevant Period and up to the date of this report, the position of the chairman of the Board is held by Mr. Lin Feng while the position of the Chief Executive Officer was held by Mr. Wu Wei until 23 February 2022 and has been held by Mr. Zhang Jianguo since 23 February 2022.

The chairman of the Board provides leadership for the Board and is primarily responsible for ensuring the Board works effectively and performances its responsibilities in accordance with good corporate governance practices and procedures. The chairman of the Board is also primary responsible for drawing up and approving the agenda for each Board meeting. With the support of the senior management, the chairman of the Board is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer is responsible for overseeing the overall management, formulation and implementation of business strategies (including acquisition plans) of the Group.

Directors' Training

The Corporate Governance Code requires all Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and members of senior management are encouraged to participate in continuous professional development relating to the Listing Rules, Companies Ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills.

In addition, every newly appointed Director will receive a comprehensive, formal and tailored induction upon appointment, where he or she will receive briefing and professional training necessary to ensure that he or she has a proper understanding of the operations and business of the Company, and that he or she is fully aware of his or her responsibilities under relevant laws, the Listing Rules, other legal and regulatory requirements as well as the business and governance policies of the Company.

According to the records maintained by the Company, all Directors have attended trainings and/or seminars relating to their responsibilities under and updates on laws, rules and regulations and corporate governance matters during the Relevant Period.

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirement, and applicable accounting standards. Pursuant to the Corporate Governance Code, management should provide such explanation and information to the Board that will enable the Board to make an informal assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the Year, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 78 to 82.

For the Year, the external independent auditor's remuneration to the Group's auditor in respect of audit and non-audit services provided to the Group amounted to approximately RMB1.8 million and RMB1.1 million, respectively. Non-audit services provided by the Group's external auditor (or its members of the same international network) include interim review and other reporting services.

RISK MANAGEMENT AND INTERNAL CONTROL

Further details of the Group's risk management measures and internal control system are set out in the Risk Management Report on pages 72 to 77.

Inside Information

The Group is aware of its obligations under the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong) ("**SFO**") and the Listing Rules. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company has formulated guidelines on management and disclosure of inside information, and has raised the attention of the Directors, senior management and relevant employees who may have access to sensitive information to the same which are required to comply with the relevant procedures, monitor information disclosure and respond appropriately to enquiries. The Company also provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

DIVIDEND POLICY

The Company may distribute dividends in the form of cash or by other means that it considers appropriate. The Company intends to declare and distribute dividends on an annual basis of no less than 30% of its distributable net profit attributable to the Shareholders but subject to a number of factors, including the Group's operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors the Board may deem relevant. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the relevant laws. Any future declarations of dividend may or may not reflect the historical declaration of dividends of the Company and will be at the discretion of the Board. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

The Board has established four committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee and the Investment Committee before the Listing Date in consideration of the business development needs of the Group and oversee the relevant aspects of the Group's affairs during the Relevant Period. In March 2022, the Board further established the ESG Committee. The Board Committees are provided with sufficient resources to discharge their duties. The full terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website (www.yuexiuservices.com) and the Stock Exchange's website.

The Board as a whole is responsible for performing the corporate governance duties including:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

Audit Committee

The Audit Committee was established on 1 February 2021 with terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. During the Relevant Period and up to the date of this report, the Audit Committee consisted of three independent non-executive Directors (including one independent non-executive Director who possesses the appropriate professional qualifications or accounting or related financial management expertise), namely Ms. Hui Lai Kwan, Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth. Ms. Hui Lai Kwan is the chairlady of the Audit Committee.

None of the Audit Committee's members is a member of the former or existing auditor of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is also authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Corporate Governance Code. The responsibilities of the Audit Committee include but are not limited to:

- reviewing the financial information of the Company and its disclosure;
- overseeing the financing reporting system and risk management and internal control system of the Company;
- improving the communication between the internal audit function and the external auditor;
- making recommendation to the Board on proposing the appointment, re-appointment or removal of an external auditor; and
- reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process in accordance with applicable standards.

The Audit Committee held one meeting during the Relevant Period. During the Relevant Period, the Audit Committee (i) reviewed the Group's interim results for the six months ended 30 June 2021; (ii) discussed with the management and external auditor the accounting principles and policies adopted by the Group as well as the procedures adopted by the external auditor in reviewing all continuing connected transactions and connected transactions; (iii) reviewed the audit plans and re-appointment of the external auditor; (iv) reviewed the risk management and internal control system of the Group; and (v) considered and identified risks of the Group during the Year.

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any issues arising from audit and any other matters the external auditor may wish to raise.

The Company's annual results announcement dated 3 March 2022 for the Year has been reviewed by the Audit Committee.

Nomination Committee

The Nomination Committee was established on 1 February 2021 with terms of reference in compliance with the Corporate Governance Code. During the Relevant Period and up to the date of this report, the Nomination Committee consisted of one executive Director, one non-executive Director and three independent non-executive Directors, namely Mr. Lin Feng, Mr. Wu Wei (who ceased to be a member on 23 February 2022), Mr. Zhang Jianguo (who has become a member since 23 February 2022), Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth. Mr. Lin Feng is the chairman of the Nomination Committee.

Among other things, the primary duties of the Nomination Committee are to (i) review the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy; and (ii) assess 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 board diversity policy adopted by the Company (the "**Board Diversity Policy**"). The Board Diversity Policy sets out the approach to achieve diversity on the Board in order to enhance the quality of its performance, which provides that the Company should endeavour to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to adapt to the constantly evolving geopolitical and economic environment, the Nomination Committee formulates the following measurable objectives: gender, age, length of service, professional experience, skills and knowledge, reviews the diversity of the Board and makes proposal to the Board if necessary. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

Since 1 January 2022 and up to the date of this report, the Nomination Committee held a meeting. The members of the Nomination Committee (i) reviewed the structure, size and composition (including the skills, knowledge and experience) of the Board, (ii) evaluated the Directors' time commitment and contribution for performing their duties; (iii) reviewed the independence of the independent non-executive Directors; and (iv) made recommendations to the Board in respect of the appointment of Mr. Zhang Jianguo as an executive Director.

Remuneration Committee

The Remuneration Committee was established on 1 February 2021 with terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. During the Relevant Period and up to the date of this report, the Remuneration Committee consisted of one non-executive Director and three independent non-executive Directors, namely Mr. Lin Feng, Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth. Mr. Hung Shing Ming is the chairman of the Remuneration Committee.

Among other things, the primary duties of the Remuneration Committee are to (i) make recommendations to the Board on the Company's policy and structure for all Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy; (ii) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (iii) ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; and (iv) consider other matters that are related to remuneration paid or payable by the Group, as defined or assigned by the Board from time to time.

Since 1 January 2022 and up to the date of this report, the Remuneration Committee held a meeting. The members of the Remuneration Committee reviewed the remuneration packages of the Directors and the senior management and made recommendation to the Board in relation to the remuneration package of Mr. Zhang Jianguo.

The amount of the Directors' remuneration (including entitlement of any discretionary bonus) is reviewed by the Remuneration Committee on the basis of the relevant Directors' experience, responsibility, workload, individual performance and the time devoted to the Group, Group's performance as well as market practice and conditions.

Investment Committee

The Investment Committee was established on 2 June 2021 for the purposes of, among other things, assessing the performance of past investment projects of the Group, studying potential investment projects for the future development of the Group, and making recommendations to the Board accordingly. During the Relevant Period and up to the date of this report, the Investment Committee consisted of three executive Directors, three non-executive Directors and one independent non-executive Director, namely, Mr. Lin Feng, Mr. Wu Wei (who ceased to be a member since 23 February 2022), Mr. Zhang Jianguo (who has become a member since 23 February 2022), Mr. Mao Liangmin, Mr. Zhang Jin, Mr. Yao Xiaosheng, Mr. Yang Zhaoxuan and Mr. Hung Shing Ming. Mr. Lin Feng is the chairman of the Investment Committee.

During the Relevant Period and up to the date of this report, the Investment Committee did not hold any meetings as the Group was in the process of identifying suitable investment projects.

Environmental, Social and Governance Committee

The ESG Committee was established on 3 March 2022. Up to the date of this report, the ESG Committee consisted of one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. Lin Feng, Mr. Zhang Jianguo, Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth. Mr. Lin Feng is the chairman of the ESG Committee.

The main duties of the ESG Committee include the following:

(a) To review, formulate and approve the Group's vision, goals, strategies and management policies regarding ESG issues, and make recommendations to the Board on the relevant ESG matters;

(b) To review and evaluate the adequacy and effectiveness of the management framework for ESG matters at the Group level;

(c) To review and monitor the Group's policies on ESG to ensure compliance with legal and regulatory requirement; and

(d) To review and report to the Board on major international trends in legislation, regulation of corporate ESG, identify and assess the ESG related risks and opportunities that have an impact on the Group's operation.

The ESG Committee shall report to the Board on their decisions or recommendations not less than once a year.

COMPANY SECRETARY

Mr. Yu Tat Fung (余達峯) was appointed as the company secretary of the Company on 8 February 2021. He is responsible for company secretarial matters of the Group.

Mr. Yu has been the company secretary of Yuexiu Property and Yuexiu Transport Infrastructure Limited (listed on the Stock Exchange with stock code: 1052) since October 2004. He has been the company secretary and compliance manager of Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (listed on the Stock Exchange with stock code: 405), since October 2005 and March 2010, respectively. Mr. Yu has also been the company secretary and group general counsel of Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團)有限公司) ("**YXE**"), a controlling Shareholder, since January 2014 and February 2017, respectively. Throughout the said positions, Mr. Yu has been responsible for advising respective board of directors on, among others, corporate governance and compliance matters.

Mr. Yu obtained a bachelor's degree in social sciences from The University of Hong Kong in November 1981. He attained the Solicitors' Final Examination in England in November 1983. Mr. Yu was admitted as a solicitor of the Supreme Court of Hong Kong in April 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in February 1995.

Mr. Yu confirmed that he had taken no less than 15 hours of relevant professional training during the Year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and investors' understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable Shareholders and investors to make informed investment decisions. The Company has adopted a Shareholders' communication policy with the objective of ensuring that appropriate steps are taken to provide effective communication with the Shareholders. The Company will review the Shareholders' communication policy on a regular basis to ensure its effectiveness.

The general meetings of the Company provide a forum for communication between the Shareholders and the Board. The chairman of the Board as well as chairman of the Board Committees (as appropriate) are available to answer questions at the general meetings. Separate resolutions are proposed at general meetings on each substantial issue.

The Company continues to enhance communications and relationships with its Shareholders and investors. Designated senior management maintain regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiuservices.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the Shareholders at the commencement of each general meeting, and questions from Shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Company and the Stock Exchange respectively on the same day as the poll.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING AND PUT FORWARD PROPOSALS THEREAT

Pursuant to section 566 of the Companies Ordinance, Shareholders may request the Board to convene a general meeting of the Company. The Directors are required to call a general meeting if the Company has received requests to do so from Shareholders representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings. The request must state the general nature of the business to be handled at the meeting, and may contain the text of a resolution that may be properly proposed and intended to be proposed at the meeting. The request can be sent to the Company in hard copy or electronic form and must be authenticated by the person(s) making it.

Pursuant to section 567 of the Companies Ordinance, the Board shall convene a general meeting within 21 days after the date on which it becomes subject to under this requirement. The meeting must be held within 28 days after the date of the notice convening the general meeting. If the Board fails to convene a meeting in accordance with the requirements, the Shareholders who request for the convening of the general meeting or members who account for over half of the total voting rights of all Shareholders may convene a general meeting on their own. The general meeting shall be held within three months after the date on which the Directors become subject to the requirement to convene a meeting.

Pursuant to section 568 of the Companies Ordinance, if the Shareholders who request for the convening of the general meeting have any reasonable expenses incurred by reason of the failure of the Board to properly convene the general meeting, such expenses are repayable by the Company.

PROPOSE RESOLUTIONS AT THE ANNUAL GENERAL MEETING OF THE COMPANY

Pursuant to section 615 of the Companies Ordinance, (a) at least 2.5% of the total voting rights of all Shareholders entitled to vote on the resolution at the annual general meeting of the Company to which the requests relate; or (b) at least 50 Shareholders entitled to vote on the resolution at the annual general meeting of the Company to which the requests relate may make written requests for the purpose of circulating the resolutions of the annual general meeting of the Company. The written request must: (a) be sent to the Company in hard copy or electronic form; (b) indicate the resolution to which the pending notice relates; (c) be authenticated by the person(s) making the request; and (d) be delivered to the Company no later than six weeks before the annual general meeting of the Company to which the request relates; or, should it be delivered to the Company after the above time, the time at which the notice of the annual general meeting of the Company is issued. For further details, please refer to sections 580 and 615 of the Companies Ordinance.

CONSTITUTIONAL DOCUMENTS

The Articles of Association are available on both the websites of the Company and the Stock Exchange. There had been no amendment made to the constitutional documents of the Company during the Relevant Period.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Mr. Lin Feng (林峰), aged 51, was appointed as a Director on 27 January 2021 and was redesignated as a non-executive Director and appointed as the chairman of the Board on 1 February 2021. He is responsible for providing strategic advice and making recommendations on business plans, strategic developments and management decisions to our Board.

Mr. Lin has over 27 years' experience in overall strategic planning and corporate operations, investment and financial decisions and financial management relating to real estate development industry. Mr. Lin has served Guangzhou City Construction & Development Co., Ltd.* (廣州市城市建設開發有限公司) ("**GCCD**"), an indirectly non-wholly owned subsidiary of Yuexiu Property, (including Guangzhou City Construction & Development Holding Company* (廣州市城市建設開發總公司)) since July 1994 and currently is its director and general manager, mainly responsible for financial management, making investment decisions and financing management. His previous positions in GCCD included deputy general manager of the finance department and corporate management department, general manager of the finance department and general manager of the investment department. He has also served Yuexiu Property since January 2012 and currently is the vice chairman of the board of directors, executive director and general manager of Yuexiu Property, mainly responsible for overall strategic planning and corporate operations and facilitating the achievement of operational targets. His previous positions in Yuexiu Property included assistant to general manager and deputy general manager.

Mr. Lin has obtained the qualification of an accountant of the PRC Ministry of Finance* (中華人民共和國財政部) in May 1998.

Mr. Lin obtained a bachelor's degree in economics from Guangdong Commercial College* (廣東商學院) (now known as Guangdong University of Finance & Economics* (廣東財經大學)) in the PRC in June 1994.

Mr. Zhang Jianguo (張建国), aged 46, was appointed as an executive Director and the Chief Executive Officer on 23 February 2022. He is responsible for overseeing the overall management, formulation and implementation of business strategies (including acquisition plans) of the Group.

Mr. Zhang has over 15 years of senior management experience in human resources, internal control and corporate culture development in the group of GZYX and Yuexiu Property prior to joining the Company. From July 2016 to January 2022, he served in GCCD and held the last position as the secretary of Commission for Discipline Inspection. Since July 2016, Mr. Zhang serves in GCCD as a director. Since January 2022, he serves as the deputy general manager of Yuexiu Property and since February 2022, he also serves as the deputy general manager of GCCD.

Mr. Zhang obtained a bachelor's degree in laws majoring in administrative management from Sun Yat-Sen University in the PRC in June 1998.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Mao Liangmin (毛良敏), aged 41, was appointed as a Director on 27 January 2021 and was redesignated as an executive Director and appointed as the vice president (Standing) (常務副總裁) of the Company on 1 February 2021. He is responsible for the overall management and property management business of the Group. Mr. Mao currently serves as a director of certain members of the Group.

Mr. Mao has over 20 years' experience in property management. Prior to joining the Group, Mr. Mao gained experiences in relation to business operation, overall management and operation, strategic planning, improvement of business objectives etc. from certain companies in property management industry. He served as the group vice president of Shenzhen Zhiping Property Development Co., Ltd.* (深圳市之平物業發展有限公司) from August 2013 to August 2018, the group deputy general manager in Chongqing Tianjiao Aishenghuo Service Co., Ltd.* (重慶天驕愛生活服務股份有限公司) from September 2018 to January 2019, and the assistant to the chief officer in Kaisa Prosperity Holdings Limited, a company listed on the Stock Exchange (stock code: 2168), from February 2019 to February 2020. Since February 2020, Mr. Mao has served as the general manager of Guangzhou Yuexiu Property Development Co., Ltd.* (廣州越秀物業發展有限公司), a subsidiary of the Company, and has been in charge of overall operation, management strategy making and business decision making.

Mr. Mao obtained the qualification of a registered property management specialist (註冊物業管理師) granted by the PRC Ministry of Housing and City & Villages Construction* (中華人民共和國住房和城鄉建設部) in October 2014.

Mr. Mao completed the Chinese Real Estate International EMBA programme organised by the National University of Singapore Business School in Singapore and Faculty of Construction Management and Real Estate of Chongqing University* (重慶大學) in the PRC in December 2013. He completed the specialist course in land and real estate development management (property management) at Zhongkai Technical College of Agriculture and Technology* (仲愷農業技術學院) in the PRC in June 2001.

Mr. Zhang Jin (張勁), aged 50, was appointed as a Director on 27 January 2021 and was redesignated as an executive Director and appointed as a vice president of the Company on 1 February 2021. He is responsible for the overall management and commercial operations of our Group. Mr. Zhang currently serves as a director of certain members of the Group.

Mr. Zhang has over 24 years' experience in property management and commercial operations. He served in Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd.* (廣州越秀怡城商業運營管理有限公司) (formerly known as Guangzhou Yicheng Property Management Co., Ltd.* (廣州怡城物業管理有限公司)) ("**Yuexiu Yicheng**") from November 1997 to January 2017, with his last position as the deputy general manager, served as the general manager of Guangzhou Baima Business Operation Management Co., Ltd.* (廣州白馬商業經營管理有限公司) from January 2017 to October 2018, and the vice chairman of board of directors in Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd.* (廣州越秀城建仲量聯行物業服務有限公司) ("**Guangzhou Yuexiu JLL**") from October 2018 to June 2020. Mr. Zhang has served as the chairman of board of directors in Yuexiu Yicheng and Guangzhou Yuexiu JLL since March 2020 and June 2020, respectively, and has been responsible for providing opinion and judgement to the board of directors.

Mr. Zhang obtained the qualification of a property management specialist granted by the Guangdong Provincial Office for Human Resources and Social Security* (廣東省人力資源和社會保障廳) in the PRC in February 2012.

Mr. Zhang completed the specialist course in marketing sales at Guangzhou Municipal Broadcasting Television University* (廣州市廣播電視大學) in the PRC in March 2005.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yao Xiaosheng (姚曉生), aged 43, was appointed as a Director on 27 January 2021 and was redesignated as a non-executive Director on 1 February 2021. He is responsible for providing guidance and formulating business strategies on the overall development of our Group.

Mr. Yao has over 16 years' experience in corporate management. Since July 2005, Mr. Yao has served various positions in GZYX for operations analysis and management, administrative management and financial capital management. Mr. Yao served as the deputy general manager of the general office in GZYX and YXE from November 2011 to January 2016; the deputy general manager of the finance department in GZYX and YXE from January 2016 to July 2020; and the business director of the finance department in GZYX and YXE from July 2020 to February 2021. Since February 2021, he has acted as the general manager of the capital operations department in GZYX and YXE, and has been responsible for the coordination of capital operations of subordinate sectors.

Mr. Yao has been a holder of the designation Chartered Global Management Accountant issued by The Chartered Institute of Management Accountants in the United Kingdom since August 2018. He also obtained the qualification of business administration economist (工商管理經濟師) granted by the Guangzhou Municipal Human Resources Bureau* (廣州市人事局) in January 2009.

Mr. Yao obtained a master's degree in industrial economics (產業經濟學) from Jinan University* (暨南大學) in the PRC in June 2005.

Mr. Yang Zhaoxuan (楊昭煊), aged 44, was appointed as a non-executive Director on 9 February 2021. He is responsible for providing guidance and formulating business strategies on the overall development of our Group.

Mr. Yang has over 16 years' experience in accounting and finance industries. From August 2005 to May 2017, Mr. Yang served in Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司) ("**GZ Metro**") in certain positions for budget planning, financial strategies, financial analysis and financing and capital management, with the last position as capital management manager. From May 2017 to April 2020, Mr. Yang served as the deputy general manager of financial planning department in Guangzhou Railways Investment Construction Group Co., Ltd.* (廣州鐵路投資建設集團有限公司). Since April 2020, Mr. Yang has served as the deputy general manager of operation business department in GZ Metro, and has been in charge of strategic planning, financial management, efficiency examination, resources operations and overall management.

Mr. Yang has been registered as a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since November 2003.

Mr. Yang obtained a master's degree in business administration from the South China University of Technology* (華南理工大學) in the PRC in June 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hui Lai Kwan (許麗君), aged 51, was appointed as an independent non-executive Director on 1 February 2021. Ms. Hui is responsible for providing independent advice and judgement to the Board.

Ms. Hui has over 21 years of experience in the accounting, finance and advisory areas. From August 1992 to December 2010, Ms. Hui served in KPMG and her past position therein was the senior manager of capital markets group, and was responsible for provision of technical support services to audit team on listing matters and review of prospectuses. From December 2014 to November 2015, Ms. Hui was a director in regional controllers department in Manulife Financial Asia Limited, and was responsible for provision of regional management information reporting and budgeting for Manulife Asia business units. From May 2016 to February 2018, Ms. Hui was the head of finance in finance department in Aviva Life Insurance Company Limited, and was responsible for accounting and financial management, investment reporting and fund operations. From February 2018 to August 2018, Ms. Hui acted as the chief financial officer in Asana (Hong Kong) Limited, and was responsible for accounting and financial management and securing strategic investments. Since September 2018, Ms. Hui has acted as a consultant for Golden Advice Enterprises Limited, and was responsible for financial and operational review and provision of corporate governance process improvements advice. Since October 2021, Ms Hui has also acted as the transformation lead in i-CABLE Communications Limited, a company listed on the Stock Exchange (stock code: 1097), and was responsible for process re-engineering to improve management and operational efficiency.

Ms. Hui has been a member of the Hong Kong Institute of Certified Public Accountants since January 1996. She has also been registered as a teacher under Section 45(1) of the Education Ordinance (Chapter 279 of the laws of Hong Kong) and has been included in the Register of Child Care Workers and the Register of Supervisors under Regulation 4(2)(a) of the Child Care Services Regulations since December 2012.

Ms. Hui obtained a bachelor of social science degree in economics from The University of Hong Kong in Hong Kong in December 1992. She also completed the postgraduate diploma in early childhood education and the certification course for kindergarten principals at the Hong Kong Baptist University and the School of Continuing Education of the Hong Kong Baptist University in November 2012 and June 2013, respectively.

Mr. Hung Shing Ming (洪誠明), aged 45, was appointed as an independent non-executive Director on 1 February 2021. Mr. Hung is responsible for providing independent advice and judgement to the Board.

Mr. Hung has approximately 19 years' experience in the investment and commercial banking industry with a focus on the real estate sector. From March 2007 to December 2014, Mr. Hung acted as the executive director of investment banking of Morgan Stanley Asia Limited, and was responsible for provision of corporate finance advisory services. From December 2014 to September 2018, Mr. Hung acted as the managing director and head of real estate and strategic coverage of institutional banking group in DBS Bank Ltd., Hong Kong Branch, and was responsible for provision of commercial banking and corporate finance advisory services. Since September 2018, Mr. Hung has acted as the assistant chief executive officer and chief financial officer in Kidsland International Holdings Limited, a company listed on the Stock Exchange (stock code: 2122) ("**KIHL**"), and was responsible for the strategic planning, overall management and operations and corporate finance management; and since January 2019, he has been an executive director in KIHL, and has been responsible for strategic development and corporate finance management.

Mr. Hung obtained a master of philosophy degree from the University of Cambridge in the United Kingdom in May 2002. He obtained a bachelor of science degree in economics from University College London in the United Kingdom in August 1999.

Mr. Chan Yuen Hang Kenneth (陳元亨), aged 48, was appointed as an independent non-executive Director on 1 February 2021. Mr. Chan is responsible for providing independent advice and judgement to the Board.

Mr. Chan has approximately 15 years experiences in legal practice. Before Mr. Chan was admitted as a solicitor, he served in consulting firms, including PricewaterhouseCoopers, Accenture (previously known as Andersen Consulting (Hong Kong) Limited) and McKinsey & Company, to provide business consulting services. Since September 2007, he has served in law firms and corporations and his main role is to provide legal advice. He served as a solicitor in Freshfields Bruckhaus Deringer from September 2007 to April 2009 and Mayer Brown JSM from June 2009 to March 2011, the group legal adviser in HKT Services Limited from February 2012 to June 2015, the senior legal counsel in CBA International Financial Services Limited from June 2015 to February 2017, and has served as the legal counsel in The Hong Kong Jockey Club since March 2017.

Mr. Chan has been admitted as a solicitor of The High Court of Hong Kong in November 2007 and admitted as a solicitor of The Supreme Court of England and Wales in May 2008.

Mr. Chan obtained a bachelor of engineering degree with first class honours in electrical and electronic engineering from Imperial College of Science, Technology and Medicine in the United Kingdom in August 1996, as well as a master of philosophy degree from the University of Cambridge in the United Kingdom in November 1998, after being awarded the British Chevening Scholarship by the Foreign and Commonwealth Office of the British Government. Mr. Chan also obtained a bachelor of laws degree from the University of London through long distance learning in August 2002.

SENIOR MANAGEMENT

Ms. Cheng Ru (成茹), aged 44, was appointed as a vice president of the Company on 1 February 2021. She is responsible for community businesses and diversified businesses, and for providing assistance to the Chief Executive Officer in relation to operational management.

Ms. Cheng has over 13 years' experience in corporate management of property management businesses. From May 2008 to July 2017, Ms. Cheng served in Guangzhou Urban Construction Property Development Co., Ltd.* (廣州城建開發物業有限公司) ("**GUCPD**") by starting as supervisor for corporate management of composite department (綜合部) with her last position being the manager of development operations division of property services business department in GUCPD where she was in charge of overall management and operation of the relevant departments. From August 2017 to June 2019, Ms. Cheng acted as the assistant to general manager of property services business department in GCCD. Since June 2019, Ms. Cheng has acted as the deputy general manager of property services business department in GCCD, and was in charge of strategic planning, overall management and operation, and improvement of business objectives.

Ms. Cheng has been registered as a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since January 2010. She also obtained the qualification certificate for intermediate level of speciality in real estate economics (房地產經濟) issued by the Guangzhou Municipal Human Resources Office* (廣州市人事局) in the PRC in February 2010. Ms. Cheng also obtained the qualification of a property management specialist granted by the Guangdong Provincial Office for Human Resources and Social Security* (廣東省人力資源和社會保障廳) in the PRC in January 2013.

Ms. Cheng obtained a bachelor's degree in monetary banking studies (貨幣銀行學) from Wuhan University* (武漢大學) in the PRC in July 2000.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chen Dongpeng (陳冬鵬), aged 37, was appointed as the chief financial officer of the Company on 1 February 2021. He is responsible for financial and budget management and capital operations.

Mr. Chen has over 14 years' experience in the accounting and finance industries. Mr. Chen served in Deloitte, Guangzhou branch from July 2007 to June 2015 and his last position therein was audit manager. Mr. Chen served as the senior supervisor of finance department in GZYX from July 2015 to April 2017, a secondee in the finance department of GCCD from January 2017 to May 2017, and deputy general manager of Guangzhou Yuexiu Real Estate Commercial Division, Wuhan Company* (廣州越秀地產商業板塊武漢公司) from June 2019 to June 2020. Mr. Chen served as an assistant to general manager of finance department of Guangzhou Yuexiu Real Estate Commercial Division (廣州越秀地產商業板塊) in Guangzhou Yuexiu Commercial Real Estate Investment Management Co., Ltd.* (廣州越秀商業地產投資管理有限公司) from 2017 to 2021, where he was responsible for assisting general manager in strategic planning, overall management and operation and developing new business objectives.

Mr. Chen has been registered as a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 2014. He obtained the qualification certificate for intermediate level of speciality in audit issued by the Guangdong Provincial Office for Human Resources and Social Security* (廣東省人力資源和社會保障廳) in the PRC in March 2016. Mr. Chen also obtained the qualification to practise in the securities industries in the PRC in May 2016.

Mr. Chen obtained a master's degree in business administration from Sun Yat-sen University* (中山大學) in the PRC in December 2020. He was awarded the certificate for completing the international module on sustainability and crisis management programme by Antwerp Management School in Belgium in July 2019. Mr. Chen obtained a bachelor's degree in Japanese literature from Jinan University* (暨南大學) in the PRC in June 2007.

DIRECTORS' REPORT

The Board presents the annual report with the audited consolidated financial statements of the Group for the Year.

GLOBAL OFFERING

The Company was incorporated in Hong Kong on 8 October 2020 as a limited liability company. Pursuant to the Global Offering, 369,660,000 Shares were issued on the Listing Date and 43,410,500 additional Shares were issued on 26 July 2021 according to the partial exercise of the Over-allotment Option at the issue price of HKD4.88 per Share. All the Shares were listed on the Main Board of the Stock Exchange. For details of the proceeds from the Listing and their uses, please refer to the paragraphs headed "Management Discussion and Analysis – Proceeds from the Listing" on page 33.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is primarily engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services in the PRC. An analysis of the Group's revenue for the Year by principal activities is set out in note 5 to the consolidated financial statements of the Group.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

A review of the Group's business during the Year, an analysis of the Group's performance using financial key performance indicators, a description of the Group's relationships with its employees, customers and suppliers and an indication of likely future development in the Group's business as required by Schedule 5 to the Companies Ordinance are set out in "Chairman's Statement" on pages 12 to 19 and in "Management Discussion and Analysis" on pages 20 to 35.

ENVIRONMENTAL POLICIES AND PERFORMANCE

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

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group. Further details of the Group's compliance with relevant laws and regulations which have a significant impact on the Group will be disclosed in the environmental, social and governance report of the Company to be published in due course.

SEGMENT INFORMATION

Management considers there to be two business segments under the requirements of HKFRS 8.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 83.

Profit attributable to owners of the Company, before dividends, of RMB359.5 million have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 86.

The Board has proposed to declare a final dividend for the Year of HKD0.102 per Share, which is equivalent to RMB0.083 per Share, payable to Shareholders whose names appear on the register of members of the Company at the close of business on Tuesday, 7 June 2022. Subject to the approval of Shareholders at the forthcoming AGM, the final dividend will be paid on or about Wednesday, 6 July 2022. Dividends payable to Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration. The Board did not declare any interim dividend for the six months ended 30 June 2021.

ANNUAL GENERAL MEETING

The AGM will be held on Thursday, 26 May 2022. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and despatched to the Shareholders in accordance with the requirements of the Listing Rules and Articles of Association in due course.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining Shareholders' eligibility to attend and vote at the AGM on Thursday, 26 May 2022, the register of members of the Company will be closed from Monday, 23 May 2022 to Thursday, 26 May 2022 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 20 May 2022, for registration.

For the purpose of determining the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Monday, 6 June 2022 to Tuesday, 7 June 2022 which no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 2 June 2022, for registration.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 30 and note 23 to the consolidated financial statements, respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2021, the Company's reserves available for distribution calculated under Part 6 of the Companies Ordinance amounted to RMB126.2 million.

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, purchases from the Group's five largest suppliers accounted for 16.1% of the Group's total purchases and purchases from the largest supplier amounted to 4.5% of the Group's total purchases.

For the Year, revenue derived from the Group's five largest customers accounted for 44.8% of the Group's total revenue and revenue derived from the largest customer amounted to 41.8% of the Group's total revenue.

To the best knowledge of the Directors, other than GZYX and its subsidiaries, joint ventures, associates or other related parties, none of the Directors, their close associates or any Shareholder which to the knowledge of the Directors owns more than 5% of the number of total issued Shares had any interest in the Group's five largest customers or five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

LOANS AND BORROWINGS

The Group did not have bank loans or other borrowings as at 31 December 2021.

DIRECTORS

The Directors in office during the Year and up to the date of this report are as follows:

Directors

Mr. Luo Ruidong (resigned on 27 January 2021)
Mr. Chen Kebin (resigned on 27 January 2021)
Ms. Xie Bin (resigned on 27 January 2021)

Non-executive Directors

Mr. Lin Feng (Chairman of the Board) (appointed as a Director on 27 January 2021 and redesignated as a non-executive Director and chairman of the Board on 1 February 2021)
Mr. Yao Xiaosheng (appointed as a Director on 27 January 2021 and redesignated as a non-executive Director on 1 February 2021)
Mr. Yang Zhaoxuan (appointed on 8 February 2021)

Executive Directors

Mr. Wu Wei (appointed as a Director on 27 January 2021, redesignated as an executive Director on 1 February 2021 and resigned on 23 February 2022)
Mr. Zhang Jianguo (appointed on 23 February 2022)
Mr. Mao Liangmin (appointed as a Director on 27 January 2021 and redesignated as an executive Director on 1 February 2021)
Mr. Zhang Jin (appointed as a Director on 27 January 2021 and redesignated as an executive Director on 1 February 2021)

Independent Non-executive Directors

Ms. Hui Lai Kwan (appointed on 1 February 2021)
Mr. Hung Shing Ming (appointed on 1 February 2021)
Mr. Chan Yuen Hang Kenneth (appointed on 1 February 2021)

The then Directors Mr. Luo Ruidong, Mr. Chen Kebin and Ms. Xie Bin each tendered their resignation on 27 January 2021 as a Director with effect from 27 January 2021. Such resignation forms part of the preparation for the Company's application to list on the Stock Exchange.

Rotation and Re-election of Directors

Pursuant to article 110 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at the annual general meeting.

Pursuant to article 111(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation; subject to the provisions of the Companies Ordinance, the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless they otherwise agree between themselves) be determined by lot; and every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Therefore, in accordance with the Articles of Association, (i) Mr. Lin Feng, Mr. Zhang Jin and Mr. Yao Xiaosheng will retire by rotation and, being eligible, offer themselves for re-election at the AGM; and (ii) Mr. Zhang Jianguo will only hold office until the AGM and being eligible, offer himself for re-election at the AGM.

The Board recommends the re-appointment of all Directors for re-election at forthcoming AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 51 to 55.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Since October 2021, Ms. Hui Lai Kwan, being an independent non-executive Director, has acted as the transformation lead in i-CABLE Communications Limited, a company listed on the Stock Exchange (stock code: 1097).

Save as disclosed in this report, there is no other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Details of the Directors' service contracts and letters of appointment are set out in the paragraph headed "Board of Directors – Appointments and Re-election of Directors" in the Corporate Governance Report on pages 39 to 40.

No Directors proposed for re-election at the forthcoming AGM has an unexpired service contract/letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensations.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of all the directors who have served on the boards of the Company's subsidiaries during the Year and up to the date of this report are available on the Company's website (www.yuexiuservices.com).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or subsisting at the end of the Year, nor any transaction, arrangement or contract of significance has been entered into during the Year between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

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 and up to the date of this report.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Relevant Period, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in notes 31(a) and 7(c) to the consolidated financial statements, respectively.

Directors and senior management of the Company may receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of the Group. No Director is involved in deciding his or her own remuneration.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or any of five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

The remuneration paid or payable to the members of senior management (other than Directors) by band for the Year is set out below:

Remuneration bands	Number of individuals
Nil – RMB1,000,000	1
RMB1,000,001 – RMB1,500,000	–
RMB1,500,001 – RMB2,000,000	1

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware, at 31 December 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code, were as follows:

Long position in the associated corporation of the Company

Name of shareholder	Name of associated corporation	Capacity and nature of interest	Number of associated corporation's issued shares held	Approximate percentage of shareholding in the associated corporation
Mr. Lin Feng(1)	Yuexiu Property	Beneficial owner/beneficiary of a trust/spouse interest	2,557,626	0.08%
Mr. Wu Wei(2)	Yuexiu Property	Beneficial owner/beneficiary of a trust	1,177,149	0.04%
Mr. Zhang Jin(3)	Yuexiu Property	Beneficial owner/beneficiary of a trust	391,654	0.01%

Notes:

(1) Mr. Lin Feng is interested in 2,557,626 shares, out of which 1,308,520 shares are owned by him as beneficial owner, 1,229,106 shares are held for him as a beneficiary under the Yuexiu Property Company Limited Share Incentive Scheme Trust for Directors and Senior Management (the "**Yuexiu Property DSM Trust**") and 20,000 shares are held by his spouse.

(2) Mr. Wu Wei is interested in 1,177,149 shares, out of which 335,227 shares are owned by him as beneficial owner and 841,922 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

(3) Mr. Zhang Jin is interested in 391,654 shares, out of which 111,872 shares are owned by him as beneficial owner and 279,782 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial Shareholders' Interests in the Share Capital of the Company

So far as the Directors are aware, as at 31 December 2021, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity and nature of interest	Shares held[(1)]	Approximate shareholding percentage
GZYX	Interest in a controlled corporation[(2)]	1,018,600,000 (L)	66.92%
YXE	Interest in a controlled corporation[(2)]	1,018,600,000 (L)	66.92%
Yuexiu Property	Interest in a controlled corporation[(2)]	1,018,600,000 (L)	66.92%
Guangzhou Construction & Development Holdings (China) Limited ("**GCD China**")	Beneficial owner[(2)]	1,018,600,000 (L)	66.92%
GZ Metro	Interested in a controlled corporation[(3)]	90,359,677 (L)	5.94%
Guangzhou Metro Investment Finance (HK) Limited (廣州地鐵投融資（香港）有限公司) ("**GMIF**")	Beneficial owner[(3)]	90,359,677 (L)	5.94%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Given that (i) GCD China is wholly-owned by Yuexiu Property; (ii) Yuexiu Property is indirectly owned by YXE as to approximately 39.78%; and (iii) YXE is wholly-owned by GZYX, by virtue of the SFO, each of GZYX, YXE and Yuexiu Property is deemed to be interested in the Shares held by GCD China.

(3) Given that GMIF is directly wholly-owned by GZ Metro, by virtue of the SFO, GZ Metro is deemed to be interested in the Shares held by GMIF.

Save as disclosed above, as at 31 December 2021, there was no other person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties facing the Group are set out in the Risk Management Report on pages 72 to 77. Principal financial risks are set out in note 3 to the consolidated financial statements.

CHARITY DONATION

The Group did not make any charitable donations during the Year.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Year or subsisted as at 31 December 2021.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there was no restriction against such rights under the Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Relevant Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

NON-COMPETITION UNDERTAKINGS

To safeguard the Group from any potential competition, each of the controlling Shareholders has entered into a non-competition undertaking in favour of the Group on 11 June 2021. For details of the non-competition undertakings, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertakings" in the Prospectus.

Based on the information and confirmation provided by the controlling Shareholders, the independent non-executive Directors have reviewed the implementation of the non-competition undertakings during the Relevant Period, and confirmed that the controlling Shareholders have complied with the non-competition undertakings.

PERMITTED INDEMNITY PROVISIONS

Pursuant to article 166 of the Articles of Association, subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his office or otherwise in relation thereto.

The Company has subscribed appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

CONTINUING CONNECTED TRANSACTIONS

GZYX, YXE, Yuexiu Property and GCD China are controlling Shareholders, and hence, connected persons of the Company under Chapter 14A of the Listing Rules.

GZ Metro is a substantial shareholder of Guangzhou Metro Environmental Engineering Co., Ltd.* (廣州地鐵環境工程有限公司) which is a subsidiary of the Company, and hence, a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules.

Chong Hing Bank Limited ("**CHB**") is a subsidiary of YXE, a controlling Shareholder, and hence, a connected person of the Company under Chapter 14A of the Listing Rules.

For the Year, the Group has entered into the following non-exempted continuing connected transactions:

1. Property Lease

On 7 June 2021, the Company entered into a property lease framework agreement with Yuexiu Property (the "**Property Lease Framework Agreement**") with a term commencing from the Listing Date up to and including 31 December 2023 to govern the short-term leases of properties from Yuexiu Property and its associates which are exempt from recognition as right-of-use assets under HKFRS 16. Pursuant to the Property Lease Framework Agreement, the Group will lease certain car parking spaces for providing carpark space management and operation services and other office premises for self-use from Yuexiu Property and its associates. The specific rent concerned and other relevant matters will be negotiated by the relevant parties to the specific transaction with reference to the then prevailing market rates and in good faith which will be set out in separate lease agreements in accordance with the principles set out in the Property Lease Framework Agreement.

The annual caps for the Property Lease Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB25,400,000, RMB27,940,000 and RMB30,734,000 respectively.

For the Year the rental paid by the Group under the Property Lease Framework Agreement amounted to approximately RMB24,525,000.

2. Property Management Services

On 7 June 2021, the Company entered into a property management services framework agreement with GZYX and Yuexiu Property (the "**Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates property management services on non-commercial properties, for a term commencing from the Listing Date up to and including 31 December 2023.

The annual caps of the Property Management Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB12,889,000, RMB15,703,000 and RMB18,833,000, respectively.

For the Year, the service fees paid to the Group under the Property Management Services Framework Agreement amounted to approximately RMB11,394,000.

3. Commercial Operation and Management Services

On 7 June 2021, the Company entered into a commercial operation and management services framework agreement (the "**Commercial Operation and Management Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates commercial operation and management services on commercial properties, including but not limited to, (i) commercial property management services; and (ii) carpark space management and operation services, for a term commencing from the Listing Date up to and including 31 December 2023.

The annual caps for the Commercial Operation and Management Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB38,652,000, RMB41,665,000 and RMB52,803,000 respectively.

For the Year, the service fees paid to the Group under the Commercial Operation and Management Services Framework Agreement amounted to approximately RMB35,695,000.

4. GZ Metro Property Management and Related Services

On 23 November 2020, the Group entered into a property management and related services framework agreement (the "**GZ Metro Property Management and Related Services Framework Agreement**") with GZ Metro, pursuant to which the Group agreed to provide the following services to properties owned, operated and used by GZ Metro and its associates, including (i) property management services (including sanitary services) for train stations, train depots, residential properties and commercial properties; (ii) the upkeeping and placing of greeneries in train depots and other commercial properties; (iii) other ancillary services; and (iv) other value-added services, for a term commencing from 30 November 2020 up to and including 31 December 2022.

The annual caps for the GZ Metro Property Management and Related Services Framework Agreement for the years ending 31 December 2021 and 2022 are RMB264,000,000 an RMB316,800,000, respectively.

For the Year, the service fees paid to the Group under the GZ Metro Property Management and Related Services Framework Agreement amounted to approximately RMB207,690,000.

5. Value-Added Services (including non-property owner value added services and community value-added services)

On 7 June 2021, the Company entered into a value-added services framework agreement (the "**Value-Added Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates value-added services, including (i) non-property owner value-added services (such as preliminary planning and design consultancy services, sales office and display unit management and pre-delivery support services, carpark space sales assistance services and ancillary property leasing services); and (ii) community value-added services (such as home-living services), for a term commencing from the Listing Date up to and including 31 December 2023.

The annual caps for the Value-Added Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB461,125,000, RMB569,599,000 and RMB711,999,000 respectively.

For the Year, the service fees paid to the Group under the Value-Added Services Framework Agreement amounted to approximately RMB437,515,000.

6. Market Positioning Consultancy and Tenant Sourcing Services

On 7 June 2021, the Company entered into a market positioning consultancy and tenant sourcing services framework agreement (the "**Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates market positioning consultancy and tenant sourcing services on commercial properties, including but not limited to, market research and positioning services where the Group conducts market research and feasibility analysis and advise on how to position and manage the relevant properties with regards to the property nature, target tenants mix and property management etc., tenant sourcing, tenant management and rent collection services, for a term commencing from the Listing Date up to and including 31 December 2023.

The annual caps for the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB116,880,000, RMB166,379,000 and RMB207,973,000 respectively.

For the Year, the service fees paid to the Group under the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement amounted to approximately RMB110,538,000.

7. Bank Deposits

On 11 June 2021, the Company entered into a bank deposits agreement with CHB pursuant to which the Group may, in its ordinary and usual course of business, place and maintain bank deposits (the "**Bank Deposits**") with CHB and its subsidiaries ("**CHB Group**") on normal commercial terms from time to time for a term commencing from the Listing Date up to and including 31 December 2022, and the placing and maintenance of any such bank deposits shall be subject to the terms and conditions of CHB Group applicable to independent customers of similar size to the Group from time to time.

The daily caps for the Bank Deposits for the years ending 31 December 2021 and 2022 are RMB2,515,000,000 and RMB2,085,000,000 respectively.

For the Year, the highest daily outstanding balance (including accrued interests) of the Bank Deposits placed by the Group with CHB Group on any given day amounted to approximately RMB586,576,000.

For details of the above continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the relevant framework agreements and confirmed that the framework agreements have been entered into:

a) in the ordinary and usual course of business of the Group;

b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions for the Year in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the continuing connected transactions of the Group: (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the annual cap in respect of the continuing connected transactions of the Group. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The Company confirmed that it has complied with the relevant requirements in accordance with Chapter 14A of the Listing Rules in relation to all continuing connected transactions to which the Group was a party for the Year.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken during the Year are set out in note 29 to the consolidated financial statements. Save as disclosed in the paragraph headed "Continuing Connected Transactions" above, none of those related party transactions set out in note 29 to the consolidated financial statements constitutes continuing connected transaction not being exempted from independent Shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING YEAR

There were no significant events subsequent to 31 December 2021 which would materially affect the Group's operating and financial performance as of the date of this report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the Relevant Period and as at the latest practicable date prior to the issue of this report.

MATERIAL LITIGATIONS AND ARBITRATION

For the Relevant Period, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code as its own code of corporate governance. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 36 to 50.

AUDIT COMMITTEE

The Company's audit committee, comprising Ms. Hui Lai Kwan (chairlady), Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth, has discussed with the Group's management and external auditor the accounting principles and policies adopted by the Group as well as the procedures adopted by the auditor in reviewing all continuing connected transactions and connected transactions, and has reviewed the Group's audited consolidated financial statements for the Year.

AUDITOR

PricewaterhouseCoopers will retire and, being eligible, will offer themselves for reappointment. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Mr. Lin Feng
Chairman
Hong Kong, 3 March 2022

RISK MANAGEMENT REPORT

I. DUTIES OF THE BOARD AND THE MANAGEMENT

The Board believes that effective risk management and internal control are necessary for the long-term business growth and sustainability of the Group. The Board is responsible for assessing and determining the nature and extent of risks to which the Group is willing to expose itself in meeting its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control system to safeguard the Company's assets and the interests of its Shareholders.

The management of the Group is responsible for the design, implementation and monitoring of the risk management and internal control system and for confirming to the Board the effectiveness of the risk management and internal control system.

Risk management and internal control system is established to mitigate, to the extent acceptable, each of the Group's business risks, rather than to eliminate the risk of failure to achieve business objectives, and only to provide reasonable but not absolute assurance that there will be no material misstatement or loss.

The comprehensive risk management is managed by the Group on a hierarchical basis and this framework includes the Board, the Audit Committee, the operational management of the Group, management at the headquarters of the Group and its subsidiaries, and the Audit and Legal Department.

II. RESPONSIBILITY FOR RISK MANAGEMENT

The Group has established a two-way interactive risk management infrastructure to define direct management obligations for risk management and procedures for reporting risk information, clarified risk management processes and responsibilities, and adopted proactive and structured approaches to promote the internal culture of risk management.

The responsibilities and key obligations under the risk management structure at different levels of the Group are set out in the table below:

Function duties	Major responsibilities
The Board (level of decision making)	Evaluate and determine the nature and extent of the risks that the Group is willing to expose to for achieving its strategic objectives;
	Ensure that the Group establishes and maintains suitable and effective risk management and internal control system;
	Oversee design, implementation and monitoring of the risk management and internal control system by the management.
The Audit Committee (level of decision making)	Review and determine the risk management framework;
	Regular review and assessment of the effectiveness of the risk management framework;
	Coordinate with and assist the senior management of the Group to propel risk management;
	Report to the Board any material risk management issue and suggested resolution.
Senior management of the Group (level of leadership organization)	Conduct regular risk assessment and establish risk management measures based on the Company's strategic targets from the prospective of the Group as a whole;
	Design, implement and monitor the risk management and internal control system;
	Confirm to the Board the effectiveness of the risk management and internal control system.
Management at the headquarters of the Group and its subsidiaries (level of implementation organization)	Establish and implement the risk response plans for their respective business;
	Promote and implement the specific risk management initiatives;
	Monitor the respective risks of the businesses they are responsible for, and report relevant risk information to senior management.
The Audit and Legal Department (level of supervision)	Coordinate and promote establishment of risk management system;
	Coordinate and promote risk assessment by the respective business units;
	Supervise the respective business units to carry out risk response and monitoring;
	Conduct independence assessment on the risk management and internal control system through internal audit.

III. RISK MANAGEMENT PROCEDURE

The Group has developed various policies relating to risk management and internal control with the aim to further standardise the procedures for risk management and internal control and make constant risk supervision and management. The main step s of the risk management procedure is as follows:

- Risk identification
- Risk analysis
- Risk response
- Risk assessment
- Risk tracking

Risk management is mainly driven by, among others, the nature of the industry in which the Group operates business, its strategy and business objectives. By identify the risk factors that affect the achievement of objectives, analysing the causes leading to specific risk events, assessing the likelihood of occurrence of any particular risk and the potential impact thereof, confirming and recording the specific responsive measures for identified risks, constantly monitoring and assessing change of risks, and adjusting the risk countermeasures in a timely manner, the Group is able to obtain such risk assessment results as conformed to the actual conditions of the Group.

IV. RISK MANAGEMENT CONDUCTED BY THE GROUP IN 2021

Through the aforesaid existing risk management system, the Group continues to operate the three-line-backed risk management regime to effectively perform the duties of respective departments in risk prevention and control.

As the first line of defence, each department/project identifies and assesses the risk factors that may affect or continue to affect the Company's development objectives, and develops corresponding internal control measures to deal with such risks in order to prevent, alleviate or reduce the possible impact of the risks. The main operations of the specific risk management and internal control system are as follows:

1. In order to cope with the risks arising from the COVID-19 epidemic, the Group has established emergency response teams at all levels for epidemic prevention and control, improved the epidemic prevention mechanism and formulated the Guidelines for Epidemic Prevention and Control in Medium and High Risk Areas to properly guide the projects and employees in such areas to properly prevent and control epidemics. We actively promoted vaccination among our people and facilitated over 8,000 staff vaccinations in 2021, with no confirmed cases reported on domestic staff during the entire year.

2. In order to strengthen the control of human resources risks, the Human Resources Department has issued, in compliance with the relevant laws and regulations in Guangzhou, a number of guiding policies in relation to protection of employees' occupational health to ensure that the occupational health of employees is protected. In respect of talent cultivation, the Human Resources Department has built a diversified talent training system oriented for multiple levels. In particular, it established the "Ivy League" intensive training project to promote the all-round improvement of the management mindset of the senior management, continued to carry out the "Fresh Graduates" special training programme to select young talents with high potential to carry out rotational training and reserve young elites with high-quality suitable for comprehensive development, established the "Cotton Tree" programme to continuously strengthen the professional capability of outstanding project managers and enhance their project management capability, and insisted on implementation of daily training covering the front-line works, developing a systematic learning program for grass-roots staff and constructing a standardized curriculum system to enhance the efficiency of front-line works.

3. In order to cope with community safety related risks, the Group strictly implemented the policy of "prevention prevails supplemented with combination of prevention and elimination" in respect of fire safety. In particular, it established the safety management accountability system to designate specific officers in charge of fire safety, set up volunteer firefighting teams, signed safety management responsibility statement, and conducted regular fire safety drills and safety education in all projects across the nation. The relevant government authorities and some property owners were invited to participate in the whole process to enhance the ability of the general staff and property owners of our projects to deal with fire emergencies. The Company insisted on the bottom line for safety that "development must be not made at the expense of safety", optimised its safety management system, completed the revision and rectification of 13 safety management systems, issued the Compilation of Typical Cases of Safety Production, and achieved standardised safety production management.

RISK MANAGEMENT REPORT

4. To address customer relationship risks and enhance customer satisfaction, the Group made a lot of efforts to improve projects quality based on the keynote of "attentive customer service, satisfying security service, relying engineering construction, comfortable environment and pleasing site-work", focusing on the quality of basic property services and attaching great importance to customer experience. The Group has also integrated the "National 400 Integrated Command Centre" to provide 24-hour attention to customers' needs and handle their requests in a timely manner. The Group also launched the "Spring Breeze Initiative" in all projects across the country to renovate old facilities and equipment for the projects under management based on the customers' needs, including renewal of environment, garage and public facilities, etc. At the same time, in respect of community activities, the Group has organised 1,444 community cultural activities across the nation under the core subject of "Happy Yuexiu" to enrich the spare time of property owners, increase communication between neighbours and build a warm and beautiful community.

5. In order to further strengthen collection and clearing of property management fees, the Group issued two charging management systems, namely the Management Measures for Property Fee Collection and the Property Fee Collection Operation Guideline, and conducted an overall governance in respect of the basic data of its projects by capitalising on the replacement and release of new charging system, which enabled the front line staff to be empowered with the function of payment management. The weight of performance assessment was adjusted upward at all levels, with the performance related salary of individual management members of various regions linked to the achievement rate of the quarterly collection targets. Besides, an incentive mechanism was established for recovery of historical defaults to motivate general staff to carry out recovery efforts, thus realising a balance between positive incentive and negative penalties.

6. To address the risks arising from market expansion, the Group revised the Investment and M&A System, the Market Expansion System and the Guidelines for Establishment of Joint Ventures, setting thresholds in the project estimation for the profit margin upon establishment. Multiple departments cooperated with each other to form a project review regime, under which the Group was able to exclude the risk of acquiring projects with low profit margin or even loss-making. Furthermore, the post-evaluation mechanism is set up to focus on monitoring the achievement of business objectives of various projects and taking timely rectification.

7. In order to enhance the ability to prevent legal risks, the Audit and Legal Department organised the compilation of the Guidelines for the Prevention of Legal Risks in Property Management to identify any matter in its management service that may trigger legal risk to the Group and enhance the ability to identify, analyse, prevent and respond to legal risks in the course of property services. The Group continued to strengthen the legal awareness of its employees, conduct regular training on the laws and regulations relating to property management, carry out analysis of litigation cases and strengthen conclusion of previous experiences and lessons, so as to promise legal and regulated operation of the Group.

The second line of defence for risk management focuses on risk identification and response for the Group as a whole, in order to achieve the preventive objective of preliminary risk management. The Group has established a system for collection of and response to those events resulting in risks, which requires the respective entity to carry out risk assessment and regularly report on such events as bring to the Group direct or potential financial losses or non-financial losses. Once the corresponding risk events are identified, the risk management function will review the relevant risks and initiate rectification and tracking to ensure the events are effectively addressed.

The Audit and Legal Department, as the third line of defence for risk management, actively carries out subsequent supervision and evaluation. In order to standardise the internal operation and prevent any operational risk, the Group has made clear the core business processes and corresponding control systems with reference to the requirements of the Basic Standard for Business Internal Control and its supporting guidelines. Based on the existing system, a panel was established to conduct annual compliance review to review specifically the design and operation of systems of the 10 members of the Group. The review, which took the form of sample sampling and on-site review, represented a comprehensive inspection of the overall internal control conditions of the Group's member companies. Risks found in the course of business are identified and rectified accordingly, and the specific rectification would be materialized by the respective front line staff, ensuring effective rectification shall take place from design to implementation lastly. At the same time, the Audit and Legal Department has performed its duties of independent monitoring and evaluation. Based on the annual audit plan, the department has completed a special audit on the parking business, an audit on the settlement of the "Spring Breeze Initiative", a special audit on the renovation works of the shops leased and sold, and an audit on business integration of some minor projects to promote the rectification of the concerned events and improve the level of business compliance.

V. INTERNAL CONTROL

The Board is responsible for developing an adequate internal control system for the Group to safeguard the assets of the Group and the interests of shareholders. The Audit Committee shall review the internal control system for the current financial year every half year to ensure the system is adequate.

Reporting directly to the Audit Committee on internal control matters, the Audit and Legal Department is responsible for continuously monitoring the workflow and risk assessment of the Group's respective departments to assist the Board and senior management in complying with regulatory requirements and guidelines, thereby improving the efficiency of the internal control system. Through ongoing internal audits from time to time, the Audit and Legal Department will ensure that the internal control system is operating effectively.

During the Year, the internal audit function was performed under the leadership of the Board and the Audit Committee. The Audit Committee has reviewed the effectiveness of the Group's internal control system on financial, operational, compliance and business matters and reported the results to the Board. If the Audit and Legal Department identifies any material negligence or significant deficiencies in controls, it will make prompt report to the Audit Committee.

VI. REVIEW ON RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND STATEMENT OF EFFECTIVENESS THEREOF

During the Year, the Audit and Legal Department submitted to the Audit Committee for review the Risk Management and Internal Control Report on a half-yearly basis. The Board has reviewed, through the Audit Committee, the various reports on the risk management and internal control system and conducted a comprehensive review of the Group's risk management and internal control system, and agreed that the Group's risk management and internal control system for the year ended 31 December 2021 is adequate and effective and it will continue to enhance the implementation of the corporate risk management framework and risk control procedures.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Members of Yuexiu Services Group Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yuexiu Services Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 83 to 168, comprise:

- the consolidated balance sheet as at 31 December 2021;
- 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 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.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, 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 matters identified in our audit are summarised as follows:

- Estimation of goodwill impairment
- Assessment of the expected credit losses of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of goodwill impairment Refer to note 4(c) "Critical accounting estimates and judgements" and note 17 "Intangible assets" to the consolidated financial statements. As at 31 December 2021, the Group had goodwill of approximately RMB253,332,000 which is arisen from the Group's acquisition of two subsidiaries (the "Acquired Group") in 2020. For the purposes of goodwill impairment assessment, management of the Company ("management") considered the Acquired Group as one cash-generating-unit (the "CGU"). With the assistance of an independent external valuer (the "External Valuer"), management has determined the recoverable amount of the CGU based on value-in-use ("VIU") calculation which required management to forecast the future cash flows of the Acquired Group based on the approved financial budgets. The key assumptions as adopted in the VIU calculation primarily include (1) annual growth rate of revenue, (2) gross margin, (3) long-term growth rate, and (4) pre-tax discount rate.	• Understood, evaluated and tested the key internal controls over the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as estimation complexity, subjectivity, changes and susceptibility to management bias or fraud; • Assessed the appropriateness of the management's identification of the cash-generating-units based on the Group's accounting policies and our understanding of the Group's business; • Evaluated the competency, capabilities and objectivity of the External Valuer; • Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process; • Involved our internal valuation experts to evaluate the appropriateness of the methodology applied in the impairment assessment and assess the reasonableness of the pre-tax discount rate with reference to those as adopted by comparable listed companies; • Assessed the reasonableness of the key assumptions adopted by management as below: (i) evaluated the reasonableness of the key assumptions used in the cash flow forecast (including annual growth rate of revenue and gross margin) by comparing them with historical financial data, approved budgets and industry data, and by referencing to the business plan of the Acquired Group; (ii) assessed long-term growth rate with reference to the long-term expected inflation rate based on our independent research;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on auditing the estimation of goodwill impairment because the balance of goodwill is significant and the estimation of VIU is subject to high degree of estimation uncertainty. The inherent risk in relation to the estimation of goodwill impairment is considered significant due to the subjectivity of significant assumptions used.	• Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions adopted in the impairment assessment to assess the potential implication of reasonable changes in key assumptions on the results of the impairment assessment and whether there were any indicators of management bias; and • Assessed the adequacy of the disclosures related to impairment assessment of goodwill. Based on the above, we found that the significant management's judgements and the key assumptions adopted in the goodwill impairment assessment are supportable by the evidence obtained and procedures performed.
Assessment of the expected credit losses of trade receivables Refer to note 3.1(b) "Credit risks", note 4(a) "Critical accounting estimates and judgements" and note 20 "Trade and other receivables and prepayments" to the consolidated financial statements. As at 31 December 2021, the gross amount of trade receivables amounted to approximately RMB546,532,000. Management has assessed the expected credit losses ("ECL") of trade receivables and the provision for loss allowance as recognised on trade receivables amounted to RMB29,488,000 as of 31 December 2021. The Group has applied the permitted simplified approach to measure the lifetime ECL for its trade receivables. To measure the ECL, trade receivables were grouped based on shared credit risk characteristics. Management assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the historical settlement records, aging profiles, credit ratings, financial positions of the customers and other factors that impacted their ability of repayment. Management also took into account of the current market conditions and forward-looking factors. We focused on auditing the assessment of ECL of trade receivables because the balances of trade receivables is significant and the estimation of ECL is subject to high degree of estimation uncertainty. The inherent risk of ECL is considered significant due to the significant management's judgement and estimates involved.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested the key internal controls over management's assessment of ECL of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity of model and subjectivity of significant assumptions and data used; • Assessed the appropriateness of the grouping of trade receivables based on shared credit risk characteristics and aging periods, and the credit loss provisioning model adopted by management; • Assessed the reasonableness of management's estimates on expected credit loss rates by reference to the supporting information in relation to the debtors' subsequent settlement, financial position and debt repayment ability etc. and compared management's assessment of the debtors' financial position and debt repayment ability with publicly available information and supporting evidence (e.g. credit rating and industry data etc.); • Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management to the underlying supporting documents; • Assessed, with the involvement of our internal valuation experts, the reasonableness of management's assessment of forward-looking factors based on our industry knowledge and external macroeconomic data as obtained from our independent research; and • Assessed the adequacy of the disclosures related to ECL of trade receivables. Based on the above, we found that the key judgements and estimates made by management in relation to the assessment of ECL of trade receivables are 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 THE 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 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 405 of the Hong Kong Companies Ordinance 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.

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

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, Owens.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 3 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2021 RMB'000	2020 RMB'000
Revenue	5	**1,918,378**	1,168,048
Cost of sales	6	**(1,247,545)**	(764,757)
Gross profit		**670,833**	403,291
Administrative expenses	6	**(161,454)**	(143,919)
Net impairment losses on financial assets	3.1(b)	**(3,692)**	(2,563)
Other income	8	**14,011**	45,166
Other (losses)/gains-net	9	**(16,025)**	488
Operating profit		**503,673**	302,463
Finance income		**23,817**	6,973
Finance costs		**(3,421)**	(29,225)
Finance income/(costs)-net	10	**20,396**	(22,252)
Share of profit of a joint venture accounted for using the equity method		**188**	–
Profit before income tax		**524,257**	280,211
Income tax expense	12	**(154,521)**	(76,501)
Profit for the year		**369,736**	203,710
Profit attributable to:			
– Owners of the Company		**359,536**	199,131
– Non-controlling interests		**10,200**	4,579
		369,736	203,710
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign operations		**(2,450)**	(1,749)
Items that will not be reclassified to profit or loss			
– Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		**(1,972)**	(662)
Other comprehensive loss for the year, net of tax		**(4,422)**	(2,411)
Total comprehensive income for the year		**365,314**	201,299
Total comprehensive income attributable to:			
– Owners of the Company		**355,114**	196,720
– Non-controlling interests		**10,200**	4,579
		365,314	201,299
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	**0.27**	0.20

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

CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2021 RMB'000	2020 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	39,437	41,084
Right-of-use assets	16	53,807	100,017
Intangible assets	17	345,883	343,908
Interest in a joint venture		817	–
Financial assets at fair value through other comprehensive income	19	32,202	34,784
Deferred income tax assets	25	10,051	8,635
Restricted cash	21	8,127	6,536
		490,324	534,964
Current assets			
Inventories		1,017	899
Trade and other receivables and prepayments	20	795,342	861,963
Prepaid income taxes		30,587	11,191
Cash and cash equivalents	21	3,803,434	994,629
Restricted cash	21	10,744	7,061
		4,641,124	1,875,743
Total assets		5,131,448	2,410,707
Equity			
Equity attributable to owners of the Company			
Share capital	22	2,543,048	581,017
Other reserves	23	(366,854)	(366,346)
Retained earnings	23	755,575	399,953
		2,931,769	614,624
Non-controlling interests		158,687	146,056
Total equity		3,090,456	760,680

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2021 RMB'000	2020 RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities	5	**425,357**	–
Deferred income tax liabilities	25	**53,018**	35,765
Lease liabilities	16	**19,529**	52,323
Other payables	24	**–**	6,144
		497,904	94,232
Current liabilities			
Trade and other payables	24	**1,301,938**	1,272,335
Contract liabilities	5	**159,240**	163,183
Lease liabilities	16	**35,494**	56,929
Current income tax liabilities		**46,416**	63,348
		1,543,088	1,555,795
Total liabilities		**2,040,992**	1,650,027
Total equity and liabilities		**5,131,448**	2,410,707

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 83 to 168 were approved by the Board of Directors on 3 March 2022 and were signed on its behalf

Lin Feng **Zhang Jianguo**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company				Non-controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000 (Note 23)	Total RMB'000		
Balance at 1 January 2020		–	359	258,547	258,906	9,389	268,295
Comprehensive income							
Profit for the year		–	–	199,131	199,131	4,579	203,710
Other comprehensive losses		–	(2,411)	–	(2,411)	–	(2,411)
		–	(2,411)	199,131	196,720	4,579	201,299
Transactions with owners of the Company							
Appropriation of statutory reserves	23	–	14,371	(14,371)	–	–	–
Acquisition of subsidiaries	11	–	–	–	–	136,305	136,305
Transaction with non-controlling interests ("NCI")		–	(5,583)	–	(5,583)	(2,039)	(7,622)
Issuance of ordinary shares	23	581,017	(581,016)	–	1	–	1
Deemed contributions from intermediate holding company, net	23	–	207,934	–	207,934	–	207,934
Contribution from NCI for establishment of a subsidiary		–	–	–	–	330	330
Dividend declared or paid by the companies comprising the Group	14	–	–	(43,354)	(43,354)	(2,508)	(45,862)
		581,017	(364,294)	(57,725)	158,998	132,088	291,086
Balance at 31 December 2020		581,017	(366,346)	399,953	614,624	146,056	760,680
Balance at 1 January 2021		**581,017**	**(366,346)**	**399,953**	**614,624**	**146,056**	**760,680**
Comprehensive income							
Profit for the year		**–**	**–**	**359,536**	**359,536**	**10,200**	**369,736**
Other comprehensive losses		**–**	**(4,422)**	**–**	**(4,422)**	**–**	**(4,422)**
		–	**(4,422)**	**359,536**	**355,114**	**10,200**	**365,314**
Transactions with owners of the Company							
Appropriation of statutory reserves	23	**–**	**3,914**	**(3,914)**	**–**	**–**	**–**
Issuance of ordinary shares	22	**1,962,031**	**–**	**–**	**1,962,031**	**–**	**1,962,031**
Contribution from NCI for establishment of a subsidiary		**–**	**–**	**–**	**–**	**3,991**	**3,991**
Dividend declared or paid by the companies comprising the Group	14	**–**	**–**	**–**	**–**	**(1,560)**	**(1,560)**
		1,962,031	**3,914**	**(3,914)**	**1,962,031**	**2,431**	**1,964,462**
Balance at 31 December 2021		**2,543,048**	**(366,854)**	**755,575**	**2,931,769**	**158,687**	**3,090,456**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December	
		2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	26(a)	1,172,524	496,400
Income tax paid		(174,402)	(46,129)
Net cash generated from operating activities		998,122	450,271
Cash flows from investing activities			
Purchases of property, plant and equipment		(14,248)	(14,111)
Purchases of intangible assets		(13,935)	(960)
Proceeds from disposal of property, plant and equipment		852	399
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	11	–	(275,486)
Increase in amounts due from related parties		–	(25,758)
Decrease in amounts due from related parties		164,907	1,316,308
Interest received from a loan to a related party		–	26,091
Net cash generated from investing activities		137,576	1,026,483
Cash flows from financing activities			
Proceeds from issues of shares	22	330,000	–
Transaction with NCI		–	(7,622)
Contributions from NCI for establishment of a subsidiary		3,991	330
Initial public offering ("IPO") proceeds		1,676,702	–
Payments of listing expenses deducted against equity		(44,365)	–
Deemed distributions to intermediate holding company, net		–	(44,723)
Decrease in amounts due to related parties	26(c)	(130,667)	(216,696)
Increase in amounts due to related parties	26(c)	3,321	96,254
Repayments of borrowings	26(c)	–	(981,000)
Dividends paid to shareholders and NCI	14	(90,203)	(3,851)
Principal elements and interest elements of lease payments	26(c)	(59,752)	(68,376)
Interest paid	26(c)	(81)	(27,920)
Net cash generated from/(used in) financing activities		1,688,946	(1,253,604)
Net increase in cash and cash equivalents		2,824,644	223,150
Cash and cash equivalents at beginning of year		994,629	773,689
Effect of exchange rate changes on cash and cash equivalents		(15,839)	(2,210)
Cash and cash equivalents at end of year	21	3,803,434	994,629
Non-cash investing activities	26(b)		

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Yuexiu Services Group Limited (the "Company") and its subsidiaries (together, the "Group") are primarily engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Hong Kong on 8 October 2020. The address of its registered office is 26/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Group was spun off from Yuexiu Property Company limited ("Yuexiu Property") and separately listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2021. After the listing of the Company, Yuexiu Property remains the controlling shareholder of the Group.

These financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 3 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of 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 consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2021:

HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 (Amendments)	Interest Rate Benchmark Reform – Phase 2
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions

The Group has assessed the impact of the adoption of these amended standards and interpretation that are effective for the first time for this year. The adoption of these amended standards and interpretation did not result in any significant impact on the results and financial portion of the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

(iv) New standards and interpretations not yet adopted by the Group

The following new standards and amendments to existing standards have been issued but are not effective for the financial year beginning 1 January 2021 and have not been early adopted:

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before Intended Use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 4 (Amendments)	Intension of the Temporary Exception from Applying HKFRS 9	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 17 (Amendments)	Amendments to HKFRS 17	1 January 2023
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41	1 January 2022
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination	1 January 2022
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

The above new standards and amendments to existing standards are effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group.

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity where 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized 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 comprehensive income, consolidated statement of changes in equity and consolidated balance sheets, respectively.

(ii) Joint arrangements

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. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Interest in the joint venture is accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet.

(iii) 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 joint venture are recognised as a reduction in the carrying amount of the investment.

Where 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 joint venture 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 2.10.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Principles of consolidation and equity accounting (Continued)

(iv) Changes in ownership interests in subsidiaries

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 recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized 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 recognized 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 recognized 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 is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 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:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations (Continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- 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.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. 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.

2.4 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 a dividend 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.

2.5 Segment reporting

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

2.6 Foreign currency translation

(i) 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 RMB, which is the Company's functional currency and the Group's presentation currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Foreign currency translation (Continued)

(ii) 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 generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated statement of comprehensive income within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated statement of comprehensive income on a net basis within other gains or losses.

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 and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (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:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. 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 recognized 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 the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	25-40 years
– Furniture, fixtures and equipment	3-5 years
– Leasehold improvements	3-5 years
– 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 2.9).

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

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalized during the period of construction and installation. Capitalization of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized 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 for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Intangible assets (Continued)

(ii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. They have finite useful life of 7 years and 10 years and are subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 2 to 5 years.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized 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 flows which are largely independent of the cash flows 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.

2.10 Investments and other financial assets

(i) 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 ("OCI"), or through profit or loss), and
- those to be measured at amortized 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 OCI. 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 ("FVOCI").

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Investments and other financial assets (Continued)

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized 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.

(iii) 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 ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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 recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments and deposits carried at amortized cost and FVOCI. 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.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized 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.

Impairment of other receivables and deposits are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets 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.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or 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 its business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity (Note 22).

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

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.17 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.

(i) 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 and its subsidiaries operate and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

(ii) 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, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for 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 and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

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

Deferred income tax liabilities and assets are not recognized 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 income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income 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 income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Employee benefits

(i) 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 recognized 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 balance sheet.

(ii) Pension obligations

The Group participates in various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions calculated as a percentage of the employees' salaries into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(iii) 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.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when 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 terminations 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 present value.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Provisions

Provisions are recognized 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 can be reliably estimated. Provisions are not recognized 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 recognized 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 expenditure 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 recognized as interest expense.

2.20 Revenue recognition

The Group provides non-commercial property management and value-added services and commercial property management and operational services. Revenue is recognized in the accounting period in which the services are rendered. Depending on the terms of the contracts and the laws that apply to the contract, control of services may be transferred over time or at a point in time. Except for commission income from carpark space sales assistance services and revenue from consultancy services which are recognized at a point in time, the Group's revenue is mainly recognized over time.

The Group distinguishes whether the Group is a principal or an agent in the transactions with its customers. When the Group is acting as a principal, the associated revenue is recognized in gross amount and when the Group is acting as an agent, the associated revenue is recognized in net amount.

(i) Non-commercial property management and value-added services

The Group provides non-commercial property management services and value-added services in the PRC and Hong Kong, including property management services in respect of residential properties, public premises and industrial parks, value-added services to non-property owners and community value-added services.

For non-commercial property management services, the Group bills a fixed amount for services provided on a monthly/quarterly basis and recognizes 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 non-commercial property management service income provided under lump sum basis, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Group recognizes the fees received or receivable from property owners as its revenue and all related property management costs as its cost of services.

- For non-commercial property management service income provided under commission basis, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by other suppliers to the property owners. The Group recognizes the commission, which is calculated by certain fixed amount or percentage of the total property management fees received or receivable from the property units.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

(i) Non-commercial property management and value-added services (Continued)

Value-added services to non-property owners mainly include (i) provision of sales office and display unit management and pre-delivery support services which are billed on a monthly basis and are recognized as revenue over time when such services are rendered; (ii) carpark space sales assistance services which are recognized as revenue on a net basis when the underlying sales contracts are signed; and (iii) preliminary planning and design consultancy services which are recognized as revenue when such services are rendered and accepted by the customer.

Community value-added services revenue mainly include (i) revenue from home-living services which is charged for each service provided and recognized when the relevant services are rendered; (ii) revenue from space operation services which is recognized over time when the services are rendered; (iii) revenue from contract consulting service which is recognized a point in time when the services are rendered;(iv) revenue from decoration services which is recognized over time when the services are rendered; and (v) revenue from other community value-added services which is charged for each service provided and recognized when the relevant services are rendered.

(ii) Commercial property management and operational services

The Group enters into commercial property management and operational service contracts with property developers or owners of office buildings, shopping malls and wholesale markets, pursuant to which the Group provides the following services:

- commercial operation and management services provided to property owners, developers and tenants, including commercial property management services and other value-added services; and

- market positioning consultancy and tenant sourcing services to property developers and property owners, including market positioning and management consultancy services and tenant sourcing services.

Commercial property management services provided to property owners, developers and tenants are provided under lump sum basis or commission basis. When the Group acts as principal, revenue is recognized on a gross basis when the related services are rendered and all the related management costs are recognized as its cost of services. When the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by other suppliers to the property owners, developers and tenants, the Group recognizes the commission, which is calculated by certain fixed amount or percentage of the total commercial property management fees received or receivable from the property units.

Revenue from market positioning and management consultancy services is recognized when relevant market positioning reports and management consultancy services are delivered and accepted by property developers or owners.

For tenant sourcing services and other value-added services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.20 Revenue recognition (Continued)

(ii) Commercial property management and operational services (Continued)

If a contract contains multiple services, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

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

(iii) Contract asset and contract liabilities

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.

2.21 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year ended 31 December 2021 and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

2.23 Leases

The Group as a lessee

The Group leases certain properties and car parks. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

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, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Leases (Continued)

The Group as a lessee (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.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of properties and all leases of low-value assets are recognized 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.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a 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 recognized in the 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 profit or loss on a straight-line basis over the expected lives of the related assets. Note 8 provides further information on how the Group accounts for government grants.

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since most of the operating entities are based in the PRC. The foreign exchange risk mainly arises from monetary assets and liabilities of certain subsidiaries denominated in foreign currencies other than their functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follow:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Monetary assets		
– Trade and other receivables and prepayments	**169**	–
– Cash and cash equivalents	**990,390**	35,156
	990,559	35,156

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
5% increase in RMB against HKD	**(41,356)**	(1,468)
5% decrease in RMB against HKD	**41,356**	1,468

(ii) Price risk

The Group is exposed to equity securities price risk in its financial assets at FVOCI. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The financial assets at FVOCI are mainly unlisted equity instruments in the PRC and at 31 December 2021, if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB3,164,000 (31 December 2020: RMB3,368,000).

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk

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

To manage this risk, cash at banks are placed with highly reputable financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade and other receivables, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

(ii) *Trade receivables*

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. Future cash flows for each group of receivables are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments.

Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(ii) Trade receivables (Continued)

The Group has assessed that the expected loss rate for trade receivables from related parties as at 31 December 2021 was immaterial considering the finance position and credit history of the related parties. Thus no loss allowance provision for trade receivables from related parties was recognized.

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

	Up to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 31 December 2021					
Expected loss rate	**5%**	**30%**	**50%**	**100%**	
Gross carrying amount	**70,119**	**13,072**	**6,712**	**18,704**	**108,607**
Loss allowance provision	**3,506**	**3,922**	**3,356**	**18,704**	**29,488**
At 31 December 2020					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	54,159	12,743	6,261	17,800	90,963
Loss allowance provision	2,708	3,823	3,131	17,800	27,462

(iii) Other receivables

The Group has assessed that the expected loss rate for other receivables from related parties as at 31 December 2021 was immaterial considering the finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognized.

Other than other receivables from related parties, the Group uses the expected credit loss model in Note (i) to determine the expected loss provision for other receivables. As at 31 December 2021, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables, except for certain property management costs recoverable.

Other receivables due from third parties mainly comprise property management costs recoverable from property owners and tenants, payments on behalf of property owners and tenants for utility charges and guarantee deposits in connection with provision of property management services.

For guarantee deposits, the directors of the Company considered that there was no significant impairment risk as the deposits mainly represented performance guarantees for the property management projects and will be refunded according to the relevant contract terms.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

(iii) Other receivables (Continued)

For certain property management costs recoverable from property owners and tenants in the PRC, the loss allowance provision is determined as follows:

	Up to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 31 December 2021					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	39,969	3,902	1,894	3,162	48,927
Loss allowance provision	1,998	1,171	947	3,162	7,278
At 31 December 2020					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	22,731	3,336	1,560	2,976	30,603
Loss allowance provision	1,136	1,001	780	2,976	5,893

For the rest of other receivables, which mainly include payments on behalf of property owners and tenants for utility charges, the ageing was only up to 1 year and the loss allowance provision is determined as follows:

	RMB'000
At 31 December 2021	
Expected loss rate	1%
Gross carrying amount	119,281
Loss allowance provision	1,193
At 31 December 2020	
Expected loss rate	1%
Gross carrying amount	91,205
Loss allowance provision	912

As there were no significant changes in the customer base, historical credit loss rate of customers and forward-looking information throughout the year, the Group adopted the same expected credit loss rate for trade and other receivables during the year ended 31 December 2021.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) Credit risk (Continued)

As at 31 December 2021 and 2020, the loss allowance provision for trade and other receivables reconciles to opening loss allowance for that provision as follows:

	Trade receivables (excluding trade receivables from related parties) RMB'000	Other receivables (excluding other receivables from related parties and guarantee deposits) RMB'000	Total RMB'000
At 1 January 2021	**27,462**	**6,805**	**34,267**
Net impairment losses on financial assets	**2,026**	**1,666**	**3,692**
At 31 December 2021	**29,488**	**8,471**	**37,959**
At 1 January 2020	22,484	4,989	27,473
Acquisition of subsidiaries	4,205	26	4,231
Net impairment losses on financial assets	773	1,790	2,563
At 31 December 2020	27,462	6,805	34,267

As at 31 December 2021 and 2020, the gross carrying amount of trade and other receivables was RMB811,585,000 and RMB880,085,000 and thus the maximum exposure to loss was RMB773,626,000 and RMB845,818,000, respectively.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Trade and other payables (excluding accrued payroll liabilities and other tax payable)	1,144,706	–	–	–	1,144,706
Lease liabilities	41,480	13,624	2,236	4,226	61,566
	1,186,186	13,624	2,236	4,226	1,206,272

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2020					
Trade and other payables (excluding accrued payroll liabilities and other tax payable)	1,066,795	292	6,606	–	1,073,693
Lease liabilities	63,203	43,053	10,537	4,171	120,964
	1,129,998	43,345	17,143	4,171	1,194,657

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital management

Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and

- 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, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as other payables and lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet plus net debt.

As at 31 December 2021 and 2020, the Group maintained at net cash position.

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(i) Fair value hierarchy (Continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

	As at 31 December	
	2021 Level 3 RMB'000	2020 Level 3 RMB'000
Financial assets at FVOCI (Note 19)	**32,202**	34,784

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2021.

(ii) Valuation techniques used to determine fair values

Specific valuation techniques used to value financial instruments include:

- The fair value of financial assets at FVOCI is derived through either the Summation Method or the Guideline Public Company Method. The Summation Method is a method that calculates the value of an asset by the addition of the separate values of its component parts. The Guideline Public Company Method is a method that calculates the value of an asset by using the appropriate market multiples of comparable public company peers in the same or a similar industry.

(iii) Fair value measurements using significant unobservable inputs (level 3)

Refer to Note 19 for the changes in recurring fair value measurement of financial assets of FVOCI in level 3 for the years ended 31 December 2021 and 2020.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

(a) Financial assets and liabilities (Continued)

(iv) Valuation inputs and relationships to fair value

The Group measures its financial assets at FVOCI at fair value. Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 31 December 2021 RMB'000	Valuation technique	Unobservable inputs
– Unlisted equity security*	**29,942**	Summation Method	Value of each asset/liability
– Unlisted equity security**	**2,260**	Summation Method	Value of each asset/liability

Description	Fair value at 31 December 2020 RMB'000	Valuation technique	Unobservable inputs	Weighted average
– Unlisted equity security*	30,358	Summation Method	Value of each asset/liability	N/A
– Unlisted equity security***	4,426	Guideline Public Company Method	Discount of lack of marketability, Applicable P/E ratio	27.7%, 22.30

* The relationship of unobservable inputs to fair value of this equity investment is the higher value of each asset or the lower value of each liability, the higher fair value. If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB299,000 and RMB304,000 higher/lower at as 31 December 2021 and 2020, respectively.

** As at 31 December 2021, the valuation technique applied to this unlisted equity security has been changed from Guideline Public Company Method to Summation Method due to the change of business model.

If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB17,000 higher/lower at as 31 December 2021.

*** If the expected discount of lack of marketability of this equity investment had been 100 basis points higher/lower, the Group's equity would have been approximately RMB46,000 lower/higher as at 31 December 2020. If the expected applicable P/E ratio of this equity investment had been 10 percent higher/lower, the Group's equity would have been approximately RMB332,000 higher/lower as at 31 December 2020.

(v) Fair value of other financial assets and liabilities

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet.

For the trade and other receivables, cash and cash equivalents, restricted cash and trade and other payables, the fair values are not materially different from their carrying amounts since majority of these instruments are short-term in nature.

For the lease liabilities, the fair values are not materially different from their carrying amounts since the interest payables of these instruments are close to current market rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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 experience and other factors, including expectations of future events 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 and other receivables and impairment losses of financial assets in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1 (b) above.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the mainland China and Hong Kong. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact income tax and deferred tax provisions in the period in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax in the period in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2021 and 2020 reporting periods, the recoverable amount of cash-generating units ("CGUs") was determined based on value-in-use ("VIU") calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated growth rates stated in Note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry. Key assumptions on cash flow projections include sales volume, sales price, budgeted gross margin, other operating costs, long-term growth rate and pre-tax discount rate. The management also considers impact of possible changes in key assumptions on the results of goodwill impairment test.

The goodwill of the Group is arised from the business combination as completed in November 2020. As at 31 December 2021, the management considers that there is no goodwill impairment after assessment.

Details of impairment test, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

(d) Estimation of the useful life of customer relationships

The Group's customer relationships included in intangible assets (Note 2.8) were identified in the business combination that the Group acquired target companies from Guangzhou Metro Group Co., Ltd. ("GZ Metro"). As at the acquisition date, customer relationships from contracts from GZ Metro amounting to RMB88,273,000 have finite useful life of 10 years. Other than those contracts from GZ Metro, customer relationships amounting to RMB4,099,000 have finite useful life of 7 years.

The revenue of target companies mainly comes from non-commercial property management and value-added services, including metro property management and operational services. Based on the target companies' experience, for metro property management and operational service contacts from GZ Metro, contract termination rarely happened. It is expected that the target companies are likely to provide continuous service for certain projects over 10 years. For contacts from customers other than GZ Metro, taking into account historical attrition rate, the management expects that those contacts will make revenue contribution for at least 7 years. All of the property management and operational service contacts will form stable customer relationships and continue to contribute revenue in the future. The management considers that the estimated useful life of customer relationships of the target companies is consistent with the industry experience.

5 SEGMENT INFORMATION

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

The Group has two business segments:

– Non-commercial property management and value-added services

The Group provides non-commercial property management and value-added services, covering (a) non-commercial property management services including cleaning, security, gardening and repair and maintenance services; (b) value-added services to non-property owners, including sales office and display unit management and pre-delivery support services, carpark space sales assistance services, ancillary property leasing services and preliminary planning and design consultancy services; (c) community value-added services to meet the needs of property owners and residents of residential properties under the Group's management including decoration services, home-living services, space operation services, and other community value-added services.

– Commercial property management and operational services

The Group is engaged in (a) commercial operation and management services, covering commercial property management services and other value-added services; (b) market positioning consultancy and tenant sourcing services, including market positioning and management consultancy services and tenant sourcing services.

5 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results

Segment results represent the profit earned by each segment without other income, other gains or losses, finance costs – net and income tax expenses. Revenue recognized at a point in time from contracts with customers mainly represents commission income from carpark space sales assistance services and revenue from consultancy services. Other revenue from contracts with customers is recognized over time. The following is the analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2021

	Non-commercial property management and value-added services RMB'000	Commercial property management and operational services RMB'000	Group RMB'000
Gross segment revenue	1,425,142	493,236	1,918,378
Revenue from external customers	1,425,142	493,236	1,918,378
Revenue from contracts with customers recognized			
– At a point in time	286,854	18,376	305,230
– Over time	1,138,288	474,331	1,612,619
Revenue from other sources	–	529	529
	1,425,142	493,236	1,918,378
Segment results	377,080	153,759	530,839
Other income			14,011
Other losses – net			(16,025)
Unallocated operating costs			(24,964)
Finance income – net			20,396
Income tax expenses			(154,521)
Profit for the year			369,736
Segment results include:			
Depreciation	21,227	43,125	64,352
Amortization	10,927	1,033	11,960
Net impairment losses on financial assets	2,064	1,628	3,692
Share of profit of a joint venture accounted for using the equity method	188	–	188

5 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

For the year ended 31 December 2020

	Non-commercial property management and value-added services RMB'000	Commercial property management and operational services RMB'000	Group RMB'000
Gross segment revenue	811,168	356,880	1,168,048
Revenue from external customers	811,168	356,880	1,168,048
Revenue from contracts with customers recognized			
– At a point in time	165,944	3,214	169,158
– Over time	645,224	347,777	993,001
Revenue from other sources	–	5,889	5,889
	811,168	356,880	1,168,048
Segment results	197,484	64,986	262,470
Other income			45,166
Other gains – net			488
Unallocated operating costs			(5,661)
Finance cost – net			(22,252)
Income tax expenses			(76,501)
Profit for the year			203,710
Segment results include:			
Depreciation	11,412	61,566	72,978
Amortization	1,481	847	2,328
Net impairment losses on financial assets	2,415	148	2,563

5 SEGMENT INFORMATION (Continued)

(a) Segment revenue and results (Continued)

An analysis of the Group's revenue by category for the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Non-commercial property management and value-added services		
– Property management services	**642,525**	343,735
– Value-added services to non-property owners	**340,577**	332,988
– Community value-added services	**442,040**	134,445
Commercial property management and operational services		
– Commercial operation and management services	**382,672**	303,294
– Market positioning consultancy and tenant sourcing services	**110,564**	53,586
	1,918,378	1,168,048

Other than ultimate holding company, intermediate holding company, fellow subsidiaries, associates and joint ventures of Yuexiu Property and non-controlling interest of Yuexiu Property and its subsidiaries, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the years ended 31 December 2021 and 2020.

5 SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the financial statements. These assets and liabilities are allocated based on the operations of the segment. The Group's financial assets at FVOCI, prepaid income taxation, deferred income tax assets, deferred income tax liabilities and current income tax liabilities and borrowings are not directly attributable to segments.

The segment assets and liabilities of the Group as at 31 December 2021 and 2020 are as follows:

As at 31 December 2021

	Non-commercial property management and value-added services RMB'000	Commercial property management and operational services RMB'000	Total RMB'000
Segment assets	2,318,404	877,304	3,195,708
Financial assets at FVOCI			32,202
Prepaid income taxes			30,587
Deferred income tax assets			10,051
Other corporate assets			1,862,900
Total assets			5,131,448
Segment liabilities	1,418,499	520,019	1,938,518
Deferred income tax liabilities			53,018
Current income tax liabilities			46,416
Other corporate liabilities			3,040
Total liabilities			2,040,992
Capital expenditure	26,708	14,618	41,326

5 SEGMENT INFORMATION (Continued)

(b) Segment assets and liabilities (Continued)

As at 31 December 2020

	Non-commercial property management and value-added services RMB'000	Commercial property management and operational services RMB'000	Total RMB'000
Segment assets	1,510,379	843,813	2,354,192
Financial assets at FVOCI			34,784
Prepaid income taxes			11,191
Deferred income tax assets			8,635
Other corporate assets			1,905
Total assets			2,410,707
Segment liabilities	897,280	646,069	1,543,349
Deferred income tax liabilities			35,765
Current income tax liabilities			63,348
Other corporate liabilities			7,565
Total liabilities			1,650,027
Capital expenditure	14,549	32,578	47,127

5 SEGMENT INFORMATION (Continued)

(c) Geographical distribution

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**1,850,641**	1,097,787
Hong Kong	**67,737**	70,261
	1,918,378	1,168,048

Non-current assets (other than financial assets at FVOCI and deferred income tax assets) located by geographical location are as follows:

	As at 31 December	
	2021	2020
	RMB'000	RMB'000
Mainland China	**418,511**	440,871
Hong Kong	**29,560**	50,674
	448,071	491,545

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (Continued)

(d) Contract liabilities

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

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Contract liabilities		
– Related parties (Note 29(d))	37,217	13,656
– Third parties	547,380	149,527
	584,597	163,183

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as at 31 December 2021 as a result of the growth of the Group's business.

(ii) Revenue recognized in relation to contract liabilities

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

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Non-commercial property management and value-added services	158,164	89,211
Commercial property management and operational services	5,019	3,824
	163,183	93,035

5 SEGMENT INFORMATION (Continued)

(e) Unsatisfied performance obligations

For non-commercial property management services, value-added services to non-property owners and commercial property management and operational services, the Group recognizes revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for those types of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts with non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services that are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(f) Assets recognized from incremental costs to obtain a contract

During the year ended 31 December 2021, there was no significant incremental costs to obtain a contract.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Employee benefit expenses (Note 7)	**698,346**	503,469
Gardening and cleaning	**124,198**	69,039
Decoration cost	**117,302**	17,568
Maintenance and upgrade costs	**87,486**	53,683
Depreciation and amortization charges	**76,312**	75,306
Commission fees	**71,612**	35,071
Utilities	**54,223**	46,501
Cost of goods sold	**32,167**	10,674
Short-term lease payments (Note 16)	**29,589**	27,031
Cost of consumables	**27,583**	18,267
Listing expenses	**19,766**	5,906
Promotion and advertising	**16,694**	12,888
Taxes and other levies expenses	**15,055**	9,795
Consultancy fees	**14,473**	7,103
Office expenses	**9,791**	6,760
Travelling and entertainment expenses	**7,103**	3,916
Auditors' remuneration	**2,900**	2,043
– Audit services	**1,800**	1,664
– Non-audit services	**1,100**	379
Bank charges	**4,030**	3,604
Others	**369**	52
	1,408,999	908,676

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	**547,196**	416,053
Pension costs-defined contribution plans (Note (a))	**46,440**	12,541
Social insurance expenses	**30,563**	20,117
Housing benefits	**28,875**	22,870
Other employee benefits (Note (b))	**45,272**	31,888
	698,346	503,469

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. Other than the monthly contributions, the Group pays contributions to privately administered pension insurance plans.

During the year ended 31 December 2021, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2020: Nil).

(b) Other employee benefits mainly represent employee welfare funds, staff education funds and staff union funds.

7 EMPLOYEE BENEFIT EXPENSES (Continued)

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year ended 31 December 2021 and 2020, whose emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining 3 individuals during the year ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Wages, salaries and bonuses	**4,786**	4,688
Pension costs, housing benefits and other social insurance expenses	**438**	420
	5,224	5,108

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2021	2020
Emolument bands (in Hong Kong Dollar ("HKD"))		
Nil – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**–**	–
HKD1,500,001 – HKD2,000,000	**1**	2
HKD2,000,001 – HKD2,500,000	**2**	1
	3	3

8 OTHER INCOME

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Additional input value-added tax deduction (Note (a))	**9,458**	8,924
Government grants (Note (b))	**3,056**	8,945
Penalty income	**1,497**	1,206
Interest income from a loan to a related party (Note 29(b))	**–**	26,091
	14,011	45,166

(a) The amounts represent additional deduction of value-added tax applicable to certain subsidiaries of the Group providing property management services and value-added services which are related to life services since April 2019.

(b) Government grants mainly contain subsidies granted for job stabilization to the Group and special funds for industrial development. There are no unfulfilled conditions or other contingencies attached to these grants.

9 OTHER (LOSSES)/GAINS – NET

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Net foreign exchange (losses)/gains	**(15,839)**	355
Losses on disposal of property, plant and equipment	**(140)**	(20)
Others	**(46)**	153
	(16,025)	488

10 FINANCE INCOME/(COSTS) – NET

	Year ended 31 December	
	2021 **RMB'000**	2020 RMB'000
Finance income		
Interests income from bank deposits	**23,817**	6,973
Finance costs		
Interest expense of a bank borrowing	**–**	(23,157)
Interest expense of lease liabilities (Note 16)	**(3,340)**	(5,501)
Interest expense of amount due to a related party (Note 29(b))	**(81)**	(567)
	(3,421)	(29,225)
Finance income/(costs) – net	**20,396**	(22,252)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES

(a) Subsidiaries

The principal subsidiaries of which the Company held direct or indirect interest as at 31 December 2021 are as follows:

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Directly held by the Company:							
Golden Estates Development Limited	The British Virgin Islands (the "BVI"), Limited liability company	United States Dollar ("USD")2	Investment holding in BVI	100%	100%	0%	0%
Zippenes Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Brander Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Richardland Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Greater Rich Group Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Digital Victor Holdings limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Smart Value Enterprises Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Major Benefit Management Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Ever Famous Investments Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Winner Zone Holding Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
All Plus Enterprises Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Guangzhou Yuexiu Services Co., Ltd. (i)	The PRC, Limited liability company	RMB850,000,000	Investment holding in Mainland of the PRC	100%	NA	0%	NA

11 SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Indirectly held by the Company:							
Guangzhou Yuexiu Property Development Co., Ltd. (i)	The PRC, Limited liability company	RMB100,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou City Construction & Development Weicheng Enterprise Ltd. (i)	The PRC, Limited liability company	RMB955,300	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yueguan Intelligent Technology Co., Ltd. (i)	The PRC, Limited liability company	RMB20,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuexiuhui Information Technology Co., Ltd. (i)	The PRC, Limited liability company	RMB500,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Weicheng Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB600,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Wanlian Property Management Operation Co., Ltd. (i)	The PRC, Limited liability company	RMB600,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou City Yuexiu Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Property management in Mainland of the PRC	60%	60%	40%	40%
Yuexiu Property (Shandong) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Zhongshan Yuexiu Real Estate Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Yuexiu Property (Jiangmen) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%

11 SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Indirectly held by the Company (Continued):							
Jiangmen Yuexiu Riverside Property Service Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	67%	67%	33%	33%
Wuhan Modern Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB500,000	Property management in Mainland of the PRC	70%	70%	30%	30%
Wuhan Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,010,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuexiu Commercial Management Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	80%	80%	20%	20%
Guangzhou Baima Business Operation Management Co.,Ltd. (i)	The PRC, Limited liability company	RMB19,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Zhonggang Leather Trading Centre Business Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Kangsai Economic Information Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Lexi Industrial Development Co., Ltd. (i)	The PRC, Limited liability company	RMB50,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yueting International Economic Information Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Lianxiu Economic Information Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%

11 SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Indirectly held by the Company (Continued):							
Guangzhou Metro Environmental Engineering Co., Ltd. ("GZMEE") (i)	The PRC, Limited liability company	RMB10,060,000	Property management in Mainland of the PRC	67%	67%	33%	33%
Guangzhou Metro Property Management Co., Ltd. ("GZMPM") (i), (ii)	The PRC, Limited liability company	RMB5,010,000	Property management in Mainland of the PRC	67%	67%	33%	33%
Guangyue Property Management (Guangzhou) Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Property management in Mainland of the PRC	60%	60%	40%	40%
Zhejiang Yuexiu Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Yuexiu (Wuhan) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Yuexiu Property (Shenyang) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Chengbin Property Management Co., Ltd (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guang Zhou Yue Meiju Industrial Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Interior decoration in Mainland of the PRC	100%	NA	0%	NA
Wuxi Yuexiu Property Development Co., Ltd. (i)	The PRC, Limited liability company	RMB2,000,000	Property management in Mainland of the PRC	51%	NA	49%	NA
Ningbo Yuexiu Property Service Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Haiyue Property Service Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Guangdong Yue zhi Dun Security Service Co., Ltd. (i)	The PRC, Limited liability company	RMB12,000,000	Security service in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Yueyun Wisdom Technology Co., Ltd. (i)	The PRC, Limited liability company	RMB8,000,000	Property management in Mainland of the PRC	100%	NA	0%	NA

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Indirectly held by the Company (Continued):							
Hubei Yuexiu Construction Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	51%	NA	49%	NA
Guangzhou Tianhe District Yuefu Real Estate Brokerage Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Hangzhou Yuefu Real Estate Brokerage Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Nansha District Yuefu Real Estate Brokerage Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Suzhou Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Yuexiu South Intelligence Media Commercial Operation Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	60%	NA	40%	NA
Guangzhou Yuexing Real estate Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Contract consulting Service in Mainland of the PRC	100%	NA	0%	NA
Jiangmen Yuefu Real Estate Agency Co., Ltd.(i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Zhongshan Yuefu Real Estate Agency Co., Ltd.(i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Link Access Limited	Hong Kong, Limited liability company	HKD10,868,175	Investment holding in Hong Kong	100%	100%	0%	0%
Fort Fortune Limited	Hong Kong, Limited liability company	HKD10,980,906	Investment holding in Hong Kong	100%	100%	0%	0%
Broadland International Limited	Hong Kong, Limited liability company	HKD21,299,853	Investment holding in Hong Kong	100%	100%	0%	0%
Fort Yield Limited	Hong Kong, Limited liability company	HKD1,604,782	Investment holding in Hong Kong	100%	100%	0%	0%
Health International Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2021	2020	2021	2020
Indirectly held by the Company (Continued):							
Affirm Greatest Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Tristate Investment Development Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Yue Xiu APT Parking Limited	Hong Kong, Limited liability company	HKD28,010,000	Property Management in Hong Kong	100%	100%	0%	0%
Yue Xiu Property Management Limited	Hong Kong, Limited liability company	HKD10,000	Property Management in Hong Kong	100%	100%	0%	0%
Pine Tech Corporation Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Tri-Full Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Fortune Choice (China) Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Shun Hing (China) Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%

* The English names of the subsidiaries in the PRC represent the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

11 SUBSIDIARIES (Continued)

(a) Subsidiaries (Continued)

(i) Significant restrictions

Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is RMB1,897,041,000 at 31 December 2021 (31 December 2020: RMB963,612,000).

(ii) GZMPM is a wholly-owned subsidiary of GZMEE (collectively, the "GZMEE Group").

(b) Subsidiary with material non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Balance Sheet	GZMEE Group		Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd.	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Current assets	184,338	157,894	295,124	212,079
Current liabilities	(58,824)	(62,705)	(254,927)	(179,692)
Current net assets	125,514	95,189	40,197	32,387
Non-current assets	86,521	97,631	1,969	1,994
Non-current liabilities	(20,572)	(23,473)	–	–
Non-current net assets	65,949	74,158	1,969	1,994
Net assets	191,463	169,347	42,166	34,381
Accumulated NCI	146,781	137,838	5,346	5,346

11 SUBSIDIARIES (Continued)

(b) Subsidiary with material non-controlling interests (Continued)

Statement of Comprehensive Income	GZMEE Group		Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd.	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	237,740	21,374	168,352	97,046
Profit for the year	27,100	4,645	30,383	20,705
Other comprehensive income	–	–	–	–
Total comprehensive income	27,100	4,645	30,383	20,705
Profit allocated to NCI	8,943	1,533	1,560	2,617
Dividends paid to NCI	–	–	–	–

Cash Flow	GZMEE Group		Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd.	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Cash flows from operating activities	26,902	11,843	74,287	51,619
Cash flows from investing activities	(827)	83,647	(1,220)	1,009
Cash flows from financing activities	(2,000)	(503)	(37)	(9,463)
Net increase in cash and cash equivalents	24,075	94,987	73,030	43,165

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSES

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Current taxation		
Current income tax	**138,074**	67,755
Corporate withholding income tax	**–**	7,833
Deferred taxation		
Deferred income tax	**(2,240)**	(392)
Corporate withholding income tax on undistributed profits	**18,687**	1,305
	154,521	76,501

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 profits of the Group entities as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	**524,257**	280,211
Tax calculated at applicable corporate income tax rate	**133,334**	70,238
– Effect of different tax rates applicable to certain subsidiaries	**(3,780)**	(2,239)
– Expenses not deductible for tax purposes	**1,120**	259
– Additional deduction for tax incentives	**(63)**	(282)
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	**5,331**	376
– Utilization of previously unrecognized tax losses	**(61)**	(989)
– Joint venture's result reported net of tax	**(47)**	–
– Corporate withholding income tax	**18,687**	9,138
Income tax expense	**154,521**	76,501

12 INCOME TAX EXPENSES (Continued)

Hong Kong profit tax

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax regime, the first HKD2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

The two-tiered profits tax regime was applicable to certain group companies incorporated in Hong Kong during the year ended 31 December 2021.

PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC were qualified as "Small Low-Profit Enterprise" and taxed at the reduced tax rate of 20% from 1 January 2008. During the year ended 31 December 2021, the "Small Low-Profit Enterprise" whose taxable income less than RMB3 million enjoy the preferential income tax treatment with the income tax rate of 20% and are eligible to have their tax calculated based on 12.5% or 50% of their taxable income.

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the Hong Kong holding companies satisfied the requirements of the tax treaty arrangements between the PRC and Hong Kong.

Guangzhou Yueguan Intelligent Technology Co., Ltd. is qualified as a "High and New Technology Enterprise" in 2019. It is subject to a reduced preferential enterprise income tax rate of 15% since 1 January 2019.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the years ended 31 December 2021 and 2020.

The Company did not have any potential dilutive ordinary shares outstanding during the years ended 31 December 2021 and 2020. Diluted earnings per share is equal to basic earnings per share.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit attributable to owners of the Company	**359,536**	199,131
Weighted average number of ordinary shares (in thousands)	**1,308,445**	1,018,600
Basic and diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	**0.27**	0.20

14 DIVIDENDS

No dividend had been paid or declared by the Company during the year ended 31 December 2021.

The directors proposed a final dividend of HKD0.102 per ordinary share, totaling approximately RMB126 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 26 May 2022. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Final, proposed, of HKD0.102 equivalent to RMB0.083 (2020: Nil) per ordinary share	**125,838**	–
	125,838	–

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2020						
Opening net book amount	5,293	23,732	4,198	813	1,077	35,113
Additions	–	7,403	1,000	703	5,005	14,111
Acquisition of subsidiaries	–	2,443	–	–	–	2,443
Transfer	–	5,698	–	–	(5,698)	–
Disposals	–	(277)	–	(142)	–	(419)
Depreciation charge	(397)	(6,661)	(2,921)	(185)	–	(10,164)
Closing net book amount	4,896	32,338	2,277	1,189	384	41,084
As at 31 December 2020						
Cost	6,071	64,738	7,290	6,340	384	84,823
Accumulated depreciation	(1,175)	(32,400)	(5,013)	(5,151)	–	(43,739)
Net book amount	4,896	32,338	2,277	1,189	384	41,084

15 PROPERTY, PLANT AND EQUIPMENT (Continued)

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021						
Opening net book amount	4,896	32,338	2,277	1,189	384	41,084
Additions	–	5,378	1,137	228	7,505	14,248
Transfer	–	7,155	–	–	(7,155)	–
Disposals	–	(955)	–	(37)	–	(992)
Depreciation charge	(397)	(11,932)	(2,344)	(230)	–	(14,903)
Closing net book amount	4,499	31,984	1,070	1,150	734	39,437
As at 31 December 2021						
Cost	6,071	69,425	8,427	6,206	734	90,863
Accumulated depreciation	(1,572)	(37,441)	(7,357)	(5,056)	–	(51,426)
Net book amount	4,499	31,984	1,070	1,150	734	39,437

Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of sales	13,266	8,809
Administrative expenses	1,637	1,355
	14,903	10,164

(a) No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2021 and 2020.

16 LEASES

(i) Amounts recognized in the consolidated balance sheets are as follows:

Right-of-use assets

	Properties RMB'000
Year ended 31 December 2020	
Opening net book amount	128,243
Additions	32,056
Acquisition of subsidiaries	2,532
Depreciation charge	(62,814)
Closing net book amount	100,017
As at 31 December 2020	
Cost	250,934
Accumulated depreciation	(150,917)
Net book amount	100,017
Year ended 31 December 2021	
Opening net book amount	100,017
Additions	18,131
Termination	(14,892)
Depreciation charge	(49,449)
Closing net book amount	53,807
As at 31 December 2021	
Cost	212,164
Accumulated depreciation	(158,357)
Net book amount	53,807

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASES (Continued)

(i) Amounts recognized in the consolidated balance sheets are as follows: (Continued)

Lease liabilities

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Lease liabilities		
Current	35,494	56,929
Non-current	19,529	52,323
	55,023	109,252

(ii) Amounts recognized in the consolidated statement of comprehensive income are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	49,449	62,814
Interest expense (included in finance cost) (Note 10)	3,340	5,501
Expenses relating to short-term leases (included in cost of sales and administrative expenses) (Note 6)	29,589	27,031

The total cash outflow for leases for the years ended 31 December 2021 and 2020 was RMB89,341,000 and RMB95,407,000, respectively.

(iii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices, parking lots and dormitories. Rental contracts are typically made for fixed periods of 3 months to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2020				
Opening net book amount	–	–	4,420	4,420
Additions	–	–	960	960
Acquisition of subsidiaries	248,344	92,372	140	340,856
Amortization	–	(784)	(1,544)	(2,328)
Closing net book amount	248,344	91,588	3,976	343,908
As at 31 December 2020				
Cost	248,344	92,372	9,858	350,574
Accumulated amortization	–	(784)	(5,882)	(6,666)
Net book amount	248,344	91,588	3,976	343,908
Year ended 31 December 2021				
Opening net book amount	**248,344**	**91,588**	**3,976**	**343,908**
Additions	**4,988**	**–**	**8,947**	**13,935**
Amortization	**–**	**(9,413)**	**(2,547)**	**(11,960)**
Closing net book amount	**253,332**	**82,175**	**10,376**	**345,883**
As at 31 December 2021				
Cost	**253,332**	**92,372**	**18,805**	**364,509**
Accumulated amortization	**–**	**(10,197)**	**(8,429)**	**(18,626)**
Net book amount	**253,332**	**82,175**	**10,376**	**345,883**

Amortization of intangible assets has been charged to the following categories in the consolidated statement of comprehensive income:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Cost of sales	**11,960**	2,310
Administrative expenses	**–**	18
	11,960	2,328

17 INTANGIBLE ASSETS (Continued)

(i) No intangible asset was restricted or pledged as security for liabilities as at 31 December 2021 and 2020.

(ii) On 30 November 2020, the Group acquired 67% of the equity interest in the GZMEE Group at a total consideration of RMB281.74 million (including tax payable of RMB5 million) from GZ Metro.

In 2021, Guangzhou Metro applied for the exemption from the above tax obligation. The Group made a supplementary payment of RMB5 million to Guangzhou Metro, which resulted in an increase in the total consideration. Hence, the Group recognised an increase of goodwill.

(iii) Impairment test for goodwill

The goodwill arised as part of a business combination in 2020. Goodwill is monitored by the management at the level of non-commercial property management and value-added services CGU related to GZMEE and GZMPM. Goodwill has been assessed based on the related CGU for impairment testing.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2021 and 2020:

	As at 31 December	
	2021	2020
Revenue (% annual growth rate)	**10%-20%**	10% – 20%
Gross margin (% of revenue)	**21%-23%**	26%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**19.29%**	19.33%

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue	Annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant CGU.

17 INTANGIBLE ASSETS (Continued)

(iii) Impairment test for goodwill (Continued)

The goodwill of RMB253,332,000 represents the excess of the acquisition consideration transferred and amount of non-controlling interests in the GZMEE Group over the fair value of the net identifiable assets acquired as at the acquisition date, 30 November 2020. By reference to the recoverable amount assessed by the independent external valuer as at 31 December 2021, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2021 (31 December 2020: Nil). Such recoverable amount of the CGU is determined based on VIU calculations. The calculation requires the Group to estimate the future cash flows expected to arise from CGU and a suitable discount rate in order to calculate the present value.

Impact of possible changes in key assumptions

As at 31 December 2021, if the budgeted revenue used in the VIU calculation for the CGU had been decreased by 1.10% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated gross profit margins used in the VIU calculation for the CGU had been 0.22% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated long-term growth rate used in the VIU calculation for the CGU had been 0.41% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the pre-tax discount rate applied to the cash flow projections of the CGU had been 0.22% higher than management's estimates, the Group would have had to recognise an impairment against goodwill.

Except for the above changes, the management considers that there is no other reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount.

(iv) The customer relationships were acquired as part of a business combination. They are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives of 7 years and 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Financial asset at amortized costs		
Trade and other receivables and prepayments (excluding prepayments and other prepaid taxes) (Note 20)	**773,626**	845,818
Cash and cash equivalents (Note 21)	**3,803,434**	994,629
Restricted cash (Note 21)	**18,871**	13,597
	4,595,931	1,854,044
Financial assets at FVOCI (Note 19)	**32,202**	34,784
	4,628,133	1,888,828
Financial liabilities at amortized costs		
Trade and other payables (excluding accrued payroll liabilities and other taxes payables) (Note 24)	**1,144,706**	1,066,503
Lease liabilities (Note 16)	**55,023**	109,252
	1,199,729	1,175,755

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at FVOCI

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Non-current assets		
Unlisted equity instruments		
– Guangzhou Construction & Development Property Holdings Mingte Network Development Co., Ltd. ("Mingte")	**2,260**	4,426
– Guangzhou Yuetou Commercial Factoring Co., Ltd. ("Yuetou Commercial Factoring")	**29,942**	30,358
	32,202	34,784

As at 31 December 2021 and 2020, the unlisted equity instruments at FVOCI represent the Group's 5% and 10% equity interests in Mingte and Yuetou Commercial Factoring, respectively.

(iii) Movements in financial assets at FVOCI during the years ended 31 December 2021 and 2020 are as follows:

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Opening balance	**34,784**	35,558
Losses recognized in other comprehensive income	**(2,582)**	(774)
Closing balance	**32,202**	34,784

As at 31 December 2021, financial assets at FVOCI were all denominated in RMB.

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables (Note (a))		
– Related parties (Note 29(d))	**437,925**	383,350
– Third parties	**108,607**	90,963
	546,532	474,313
Less: allowance for impairment of trade receivables (Note 3.1(b))	**(29,488)**	(27,462)
	517,044	446,851
Other receivables		
– Amounts due from related parties	**–**	177,028
– Property management costs recoverable from third parties (Note (b))	**55,169**	48,360
– Property management costs recoverable from related parties (Note (b))	**26,583**	37,550
– Payments on behalf of residents and tenants for third parties (Note (c))	**73,773**	58,392
– Guarantee deposits paid to related parties (Note (d))	**21,553**	39,746
– Guarantee deposits paid to third parties (Note (d))	**23,349**	16,080
– Others		
– Related parties	**25,360**	13,560
– Third parties	**39,266**	15,056
	265,053	405,772
Less: allowance for impairment of other receivables (Note 3.1(b))	**(8,471)**	(6,805)
	256,582	398,967
Prepayments		
– Related parties (Note 29(d))	**–**	55
– Third parties	**7,236**	4,714
	7,236	4,769
Other prepaid taxes	**14,480**	9,471
Deferred listing expenses	**–**	1,905
Total	**795,342**	861,963

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (Continued)

(a) Trade receivables mainly arise from property management services.

Non-commercial property management and value-added services income and commercial property management and operational service income under lump sum basis are received in accordance with the terms of the relevant services agreements. Service income from property management services is due for payment by property owners and tenants upon the issuance of demand notes.

As at 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
0-30 days	221,317	337,572
31-180 days	205,092	64,106
181-365 days	70,471	17,734
1 to 2 years	17,808	20,011
2 to 3 years	9,643	13,684
Over 3 years	22,201	21,206
	546,532	474,313

As at 31 December 2021 and 2020, a provision of RMB29,488,000 and RMB27,462,000 was made against the gross amounts of trade receivables (Note 3.1(b)).

(b) The amounts mainly represent costs incurred in relation to property management service provided under commission basis which could be recovered from property owners and tenants.

(c) The amounts represent payments of utility charges on behalf of property owners and tenants.

(d) The amounts mainly represent performance guarantee deposits paid to property owners for the provision of property management services.

(e) As at 31 December 2021 and 2020, trade and other receivables were mainly denominated in RMB and the fair value of trade and other receivables approximated their carrying amounts.

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21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Cash at banks and on hand balances (Note a)	**3,822,305**	1,008,226
Less: restricted cash (Note b)	**(18,871)**	(13,597)
Cash and cash equivalents	**3,803,434**	994,629

(a) Cash at banks and on hand were denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	**2,770,817**	973,064
HKD	**1,051,488**	35,162
	3,822,305	1,008,226

(b) Restricted cash represents deposits for the provision of property management services according to the requests by property owners.

22 SHARE CAPITAL

	Number of shares	Share capital RMB'000
At 1 January 2021	**1,018,600,000**	581,017
Issued and allotted shares to Guangzhou Metro Investment Finance (HK) Limited ("GMIF") (Note (a))	**90,359,677**	330,000
Issued shares in connection with the Company's listing (Note (b))	**369,660,000**	1,455,988
Issued over-allotment Shares (Note (c))	**43,410,500**	176,043
At 31 December 2021	**1,522,030,177**	2,543,048

22 SHARE CAPITAL (Continued)

(a) On 8 February 2021, the Company issued and alloted 90,359,677 shares to GMIF, a wholly-owned subsidiary of Guangzhou Metro Group Co., Ltd. ("GZ Metro"), at a consideration of RMB330 million.

(b) On 28 June 2021, the Company issued a total of 369,660,000 ordinary shares at a price of HKD4.88 per share as a result of the completion of the listing. The amount of HKD1,750,235,000 (equivalent to RMB1,455,988,000) was credited to share capital based on the gross proceeds of HKD1,803,941,000 (equivalent to RMB1,500,659,000) after deduction of the capitalized listing expenses of HKD53,706,000 (equivalent to RMB44,671,000).

(c) On 21 July 2021, The Company announced that the over-allotment option described in the prospectus ("Over-allotment Option") had been partially exercised by the joint representatives (on behalf of the international underwriters) in respect of an aggregate of 43,410,500 additional shares ("Over-allotment Shares"). The Over-allotment Shares have been issued and allotted by the Company at HKD4.88 per share, being the offer price per share. The Over-allotment Shares were listed on the Main Board of the Stock Exchange on 26 July 2021.

23 RESERVES

	Statutory reserves RMB'000	Other reserves RMB'000	Total other reserves RMB'000	Retained earnings RMB'000	Total reserves RMB'000
As at 1 January 2020	9,591	(9,232)	359	258,547	258,906
Profit for the year	–	–	–	199,131	199,131
Appropriation of statutory reserves (Note (a))	14,371	–	14,371	(14,371)	–
Changes in fair value of financial assets at FVOCI, net of tax	–	(662)	(662)	–	(662)
Exchange differences on translation of foreign operations	–	(1,749)	(1,749)	–	(1,749)
Transaction with NCI	–	(5,583)	(5,583)	–	(5,583)
Issuance of ordinary shares pursuant to the Reorganization	–	(581,016)	(581,016)	–	(581,016)
Deemed contributions from intermediate holding company, net	–	207,934	207,934	–	207,934
Dividend declared or paid	–	–	–	(43,354)	(43,354)
As at 31 December 2020	23,962	(390,308)	(366,346)	399,953	33,607
As at 1 January 2021	**23,962**	**(390,308)**	**(366,346)**	**399,953**	**33,607**
Profit for the year	**–**	**–**	**–**	**359,536**	**359,536**
Appropriation of statutory reserves (Note (a))	**3,914**	**–**	**3,914**	**(3,914)**	**–**
Changes in fair value of financial assets at FVOCI, net of tax	**–**	**(1,972)**	**(1,972)**	**–**	**(1,972)**
Exchange differences on translation of foreign operations	**–**	**(2,450)**	**(2,450)**	**–**	**(2,450)**
As at 31 December 2021	**27,876**	**(394,730)**	**(366,854)**	**755,575**	**388,721**

23 RESERVES (Continued)

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, companies incorporated in the PRC are required to transfer no less than 10% of their profit after taxation calculated under the PRC accounting standards and regulations to the statutory reserve fund before distribution of profit after income tax, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

24 TRADE AND OTHER PAYABLES

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade payables (Note (a))		
– Related parties (Note 29(d))	**13,783**	8,760
– Third parties	**152,795**	72,190
	166,578	80,950
Other payables		
– Amounts due to related parties	**–**	127,346
– Advances for property management services from related parties (Note (c))	**62,378**	48,535
– Advances for property management services from third parties (Note (c))	**257,626**	191,204
– Guarantee deposits received from related parties (Note (d))	**61,142**	40,381
– Guarantee deposits received from third parties (Note (d))	**268,955**	230,273
– Receipts on behalf of residents or tenants from third parties (Note (e))	**155,823**	134,896
– Receipts on behalf of residents or tenants from related parties (Note (e))	**2,158**	2,990
– Dividend payables	**1,560**	90,203
– Accrued expenses to third parties	**72,374**	48,345
– Accrued expenses to related parties	**160**	5,121
– Others	**95,952**	66,259
	978,128	985,553
Accrued payroll liabilities	**148,245**	190,730
Other tax payables	**8,987**	21,246
	1,301,938	1,278,479
Less: non-current portion of trade and other payables		
– A loan from a related party (Note (b))	**–**	(6,144)
Current portion	**1,301,938**	1,272,335

24 TRADE AND OTHER PAYABLES (Continued)

(a) As at 31 December 2021 and 2020, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Up to 1 year	**146,473**	58,637
1 to 2 years	**4,389**	8,226
2 to 3 years	**4,511**	6,229
Over 3 years	**11,205**	7,858
	166,578	80,950

(b) On 18 July 2019, the Group entered into a loan agreement with Yuexiu Property (HK) Company Limited, a fellow subsidiary, for facility amount of HKD17,300,000. The loan is unsecured, interest bearing at fixed rate of 4% per annum. The loan was fully repaid before listing in 2021 (31 December 2020: RMB6,144,000).

(c) The amounts represent advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under commission basis.

(d) The amounts mainly represent performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants.

(e) The amounts mainly represent advances received from property owners and tenants for settlement of their utility charges.

(f) As at 31 December 2021 and 2020, trade payables and other payables were denominated in the following currencies:

	As at 31 December	
	2021 RMB'000	2020 RMB'000
RMB	**1,298,656**	1,269,201
HKD	**3,282**	9,278
	1,301,938	1,278,479

(g) As at 31 December 2021, the carrying amounts of trade and other payables approximated their fair values.

25 DEFERRED INCOME TAX

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Deferred income tax assets:		
– To be recovered within 12 months	10,051	8,635
Deferred income tax liabilities:		
– To be recovered within 12 months	2,353	–
– To be recovered after more than 12 months	50,665	35,765
	(42,967)	(27,130)

Movements in deferred income tax assets and liabilities during the years ended 31 December 2021 and 2020, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	Allowance for impairment of trade and other receivables RMB'000	Net impact of right-of-use assets and lease liabilities RMB'000	Total RMB'000
As at 1 January 2021	8,420	925	9,345
Credited to profit or loss	882	301	1,183
As at 31 December 2021	9,302	1,226	10,528
As at 1 January 2020	6,749	1,301	8,050
Credited/(charged) to profit or loss	582	(387)	195
Acquisition of subsidiaries	1,089	11	1,100
As at 31 December 2020	8,420	925	9,345

25 DEFERRED INCOME TAX (Continued)

Deferred income tax liabilities	Revaluation of financial assets at FVOCI RMB'000	Impact of withholding tax RMB'000	Customer relationships RMB'000	Deferred tax liability – net impact of right-of-use assets and lease liabilities RMB'000	Total RMB'000
As at 1 January 2021	**(790)**	**(12,789)**	**(22,896)**	**–**	**(36,475)**
(Charged)/credited to profit or loss	**–**	**(18,687)**	**2,352**	**(1,295)**	**(17,630)**
Credited to other comprehensive income	**610**	**–**	**–**	**–**	**610**
As at 31 December 2021	**(180)**	**(31,476)**	**(20,544)**	**(1,295)**	**(53,495)**
As at 1 January 2020	(902)	(11,484)	–	–	(12,386)
(Charged)/credited to profit or loss	–	(1,305)	197	–	(1,108)
Credited to other comprehensive income	112	–	–	–	112
Acquisition of subsidiaries	–	–	(23,093)	–	(23,093)
As at 31 December 2020	(790)	(12,789)	(22,896)	–	(36,475)

As at 31 December 2021 and 2020, in accordance with the accounting policy set out in Note 2.17(ii), the Group had not recognized deferred income tax assets in respect of cumulative tax losses of RMB68,228,000 and RMB36,289,000 as it is not probable that future taxable profits against which the losses can be utilized. As at 31 December 2021 and 2020, the unused tax losses amounting to RMB24,023,000 and RMB35,920,000 can be carried forward against future taxable income under the PRC enterprise income tax law and these tax losses will expire at various dates up to and including 2026 and 2025, respectively. The remaining tax losses have no expiry date.

As at 31 December 2021 and 2020, the Group has recognized deferred income tax liabilities arising from undistributed profits from the Group's subsidiaries in the PRC to their immediate holding companies in Hong Kong.

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26 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Profit before income tax	**524,257**	280,211
Adjustments for:		
– Depreciation of property, plant and equipment (Note 15)	**14,903**	10,164
– Depreciation of right-of-use assets (Note 16)	**49,449**	62,814
– Amortization of intangible assets (Note 17)	**11,960**	2,328
– Net impairment losses on financial assets	**3,692**	2,563
– Interests income from a loan to a related party (Note 29(b))	**–**	(26,091)
– Losses on disposal of property, plant and equipment (Note 9)	**140**	20
– Gains on disposal of right-of-use assets	**(1,056)**	–
– Share of profit of a joint venture accounted for using the equity method	**(188)**	–
– Net foreign exchange loss/(gains) (Note 9)	**15,839**	(355)
– Finance costs (Note 10)	**3,421**	29,225
	622,417	360,879
Changes in working capital:		
– Inventories	**(118)**	995
– Trade and other receivables and prepayments	**(105,057)**	(117,209)
– Contract liabilities	**421,414**	69,961
– Restricted cash	**(5,274)**	(6,852)
– Trade and other payables	**239,142**	188,626
	1,172,524	496,400

(b) Non-cash investing activities

(i) Non-cash investing activities of acquisition of right-of-use assets during the year ended 31 December 2021 is disclosed in Note 16.

26 CASH FLOW INFORMATION (Continued)

(c) Reconciliation of liabilities arising from financial activities is as follow:

	Borrowings due within 1 year RMB'000	Borrowings due after 1 year RMB'000	Other payables – amounts due to related parties RMB'000	Other payables – interest payables RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2020	106,000	875,000	574,891	4,196	137,496	48,695	1,746,278
Cash flows							
– Inflow from financing activities	–	–	96,254	–	–	–	96,254
– Outflow from financing activities	(106,000)	(875,000)	(219,587)	(27,920)	(68,376)	(3,851)	(1,300,734)
Non-cash changes							
– Addition – leases	–	–	–	–	32,056	–	32,056
– Acquisition of subsidiaries	–	–	–	–	2,575	–	2,575
– Finance expense recognized	–	–	–	23,724	5,501	–	29,225
– Offsetting other receivables	–	–	(74,447)	–	–	–	(74,447)
– Deemed contributions from intermediate holding company, net	–	–	(249,765)	–	–	–	(249,765)
– Dividend provided by the companies comprising the Group	–	–	–	–	–	45,359	45,359
As at 31 December 2020	–	–	127,346	–	109,252	90,203	326,801
As at 1 January 2021	–	–	127,346	–	109,252	90,203	326,801
Cash flows							
– Inflow from financing activities	–	–	3,321	–	–	–	3,321
– Outflow from financing activities	–	–	(130,667)	(81)	(59,752)	(90,203)	(280,703)
Non-cash changes							
– Addition – leases	–	–	–	–	18,131	–	18,131
– Termination – leases	–	–	–	–	(15,948)	–	(15,948)
– Finance expense recognized	–	–	–	81	3,340	–	3,421
– Dividend provided by the companies comprising the Group	–	–	–	–	–	1,560	1,560
As at 31 December 2021	–	–	–	–	55,023	1,560	56,583

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 NON-CANCELLABLE OPERATING LEASES

At 31 December 2021, the Group had future minimum rental payments receivable under certain non – cancellable leases as follows:

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
Not later than one year	**2,236**	7,484
Later than one year and not later than five years	**1,064**	3,300
	3,300	10,784

28 COMMITMENT

Operating lease commitments – as lessee

The Group leases offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between one month and 6 years.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

29 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited, which is a limited liability company incorporated in the PRC and whose place of operation is the mainland of the PRC. The table set below summarises the names of significant related parties, with whom the Group had significant transactions during the year ended 31 December 2021, and their relationship with the Company as at 31 December 2021:

Significant related parties	Relationship with the Group
Yuexiu Property	Intermediate holding company
Guangzhou Construction & Development Holdings (China) Limited ("GCD China")	Immediate holding company
GZ Metro	Non-controlling shareholder of Yuexiu Property

29 RELATED PARTY TRANSACTIONS (Continued)

(b) Transactions with related parties

The following is a summary of the significant transactions carried out between the Group and its related parties during the years ended 31 December 2021 and 2020.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Provision of services (Note (ii))		
– Ultimate holding company	**5**	–
– Intermediate holding company	**180**	–
– Fellow subsidiaries	**553,514**	386,710
– Non-controlling interests of Yuexiu Property and its subsidiaries	**207,690**	22,500
– Associates and joint ventures of Yuexiu Property	**41,443**	39,460
	802,832	448,670
Interest income on a loan to a related party		
– A fellow subsidiary	**–**	26,091
Purchase of goods and services		
– Fellow subsidiaries	**1,297**	1,334
– Non-controlling interests of Yuexiu Property and its subsidiaries	**–**	84
– Associates and joint ventures of Yuexiu Property	**–**	116
	1,297	1,534
Interest expense on loans from a related party		
– A fellow subsidiary	**81**	567
Addition of right-of-use assets		
– Fellow subsidiaries	**1,122**	1,814
– Non-controlling interests of Yuexiu Property and its subsidiaries	**–**	2,723
– Associates and joint ventures of Yuexiu Property	**–**	1,189
	1,122	5,726
Rental expenses (short-term leases)		
– Fellow subsidiaries	**7,835**	6,401
– Non-controlling interests of Yuexiu Property and its subsidiaries	**766**	133
– Associates and joint ventures of Yuexiu Property	**16,690**	16,690
	25,291	23,224

(i) All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(ii) The provision of services to related parties comprise the provision of non-commercial property management and value-added services and commercial property management and operational services.

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29 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 31 is set out below.

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000
Salaries and other short-term employee benefits	**2,621**	1,561

(d) Balances with related parties

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Trade receivables (Note (i))		
– Intermediate holding company	**135**	–
– Fellow subsidiaries	**329,864**	301,197
– Non-controlling interests of Yuexiu Property and its subsidiaries	**59,868**	58,103
– Associates and joint ventures of Yuexiu Property	**48,058**	24,050
	437,925	383,350
Other receivables (Note (ii))		
– Fellow subsidiaries	**24,172**	223,752
– Non-controlling interests of Yuexiu Property and its subsidiaries	**205**	25
– Associates and joint ventures of Yuexiu Property	**49,119**	44,107
	73,496	267,884
Prepayments (Note (i))		
– Fellow subsidiaries	**–**	55
Trade payables (Note (i))		
– Fellow subsidiaries	**4,409**	2,723
– Non-controlling interests of Yuexiu Property and its subsidiaries	**1,975**	2,132
– Associates and joint ventures of Yuexiu Property	**7,399**	3,905
	13,783	8,760

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29 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties (Continued)

	As at 31 December	
	2021 RMB'000	2020 RMB'000
Other payables (Note (iii))		
– Intermediate holding company	**245**	–
– Immediate holding company	**–**	21,368
– Fellow subsidiaries	**85,513**	241,235
– Non-controlling interests of Yuexiu Property and its subsidiaries	**1**	2,029
– Associates and joint ventures of Yuexiu Property	**56,527**	49,847
	142,286	314,479
Contract liabilities (Note (i))		
– Fellow subsidiaries	**36,731**	11,522
– Non-controlling interests of Yuexiu Property and its subsidiaries	**15**	22
– Associates and joint ventures of Yuexiu Property	**471**	2,112
	37,217	13,656
Bank deposits (Note (i))		
– A fellow subsidiary	**583,800**	11,786
Lease liabilities		
– Fellow subsidiaries	**–**	20,166
– Non-controlling interests of Yuexiu Property and its subsidiaries	**439**	2,275
– Associates and joint ventures of Yuexiu Property	**11,882**	19,310
	12,321	41,751

29 RELATED PARTY TRANSACTIONS (Continued)

(d) Balances with related parties (Continued)

(i) The balances of trade receivables, prepayments, trade payables and contract liabilities were unsecured and interest free. The balances of bank deposits were unsecured and with interest rate in accordance with normal commercial terms.

(ii) The balances due from related parties as at 31 December 2021 were mainly costs to be recovered from property owners incurred in relation to property management services provided under commission basis and guarantee deposits which were unsecured and interest free.

The outstanding balances amounts as at 31 December 2020 also included amounts due from related parties of RMB177,028,000, which were non-trade in nature, unsecured, interest free and were fully settled before listing.

(iii) The balances due to related parties as at 31 December 2021 were mainly costs prepaid by property owners incurred in relation to property management services provided under commission basis and guarantee deposits which were unsecured and interest free.

The outstanding balances as at 31 December 2020 also included a loan from a fellow subsidiary of RMB6,144,000, which was unsecured and interest bearing at 4% per annum, and amounts due to related parties and dividend payables of RMB121,202,000 and RMB90,106,000, respectively, which were non-trade in nature, unsecured and interest free. All of the balances were fully settled before listing.

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		601,016	581,016
Current assets			
Other receivable and prepayments		50,655	1,906
Dividend receivables		164,398	–
Cash and cash equivalents		1,862,731	–
Total assets		2,678,800	582,922
Equity			
Equity attributable to owners of the Company			
Share capital	22	2,543,048	581,017
Retained earnings/(accumulated losses)		126,168	(5,661)
Total equity		2,669,216	575,356
Liabilities			
Current liabilities			
Other payables		9,584	7,566
Total liabilities		9,584	7,566
Total equity and liabilities		2,678,800	582,922

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 83 to 168 were approved by the Board of Directors on 3 March 2022 and were signed on its behalf

Lin Feng **Zhang Jianguo**

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)

(a) Reserve movement of the Company

	Accumulated losses RMB'000
At 1 January 2020	–
Loss for the year	(5,661)
At 31 December 2020	(5,661)
At 1 January 2021	**(5,661)**
Profit for the year	**131,829**
At 31 December 2021	**126,168**

31 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' emoluments

The directors received emoluments from the Group for the year ended 31 December 2021 as follows:

Name	Fees RMB'000	Salaries and wages RMB'000	Discretionary bonuses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Housing fund, other allowance and benefits in kind RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	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 undertaking RMB'000	Total RMB'000
Executive Directors								
Mr. Wu Wei (Note (i))	-	-	-	-	-	-	-	-
Mr. Mao Liangmin (Note (iii))	-	600	1,700	-	114	-	-	2,414
Mr. Zhang Jin	-	570	721	50	114	-	-	1,455
Non-executive Directors								
Mr. Lin Feng (Note (i))	-	-	-	-	-	-	-	-
Mr. Yao Xiaosheng (Note (i))	-	-	-	-	-	-	-	-
Mr. Yang Zhaoxuan (Note (i), (iv))	-	-	-	-	-	-	-	-
Independent Non-executive Directors								
Ms. Hui Lai Kwan (Note (v))	198	-	-	-	-	-	-	198
Mr. Hung Shing Ming (Note (v))	198	-	-	-	-	-	-	198
Mr. Chan Yuen Hang Kenneth (Note (v))	198	-	-	-	-	-	-	198
	594	1,170	2,421	50	228	-	-	4,463

31 DIRECTORS' BENEFITS AND INTERESTS (Continued)

(a) Directors' emoluments (Continued)

The directors received emoluments from the Group (in their role as senior management and employee before their appointment as directors) for the year ended 31 December 2020 as follows:

Name	Fees RMB'000	Salaries and wages RMB'000	Discretionary bonuses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Housing fund, other allowance and benefits in kind RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	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 undertaking RMB'000	Total RMB'000
Executive Directors	–	–	–	–	–	–	–	–
Mr. Wu Wei (Note (ii))	–	–	–	–	–	–	–	–
Mr. Mao Liangmin (Note (iii))	–	511	1,268	–	92	–	–	1,871
Mr. Zhang Jin	–	525	564	50	96	–	–	1,235
Non-executive Directors								
Mr. Lin Feng (Note (ii))	–	–	–	–	–	–	–	–
Mr. Yao Xiaosheng (Note (ii))	–	–	–	–	–	–	–	–
Mr. Yang Zhaoxuan (Note (iv))	–	–	–	–	–	–	–	–
Independent Non-executive Directors								
Ms. Hui Lai Kwan (Note (v))	–	–	–	–	–	–	–	–
Mr. Hung Shing Ming (Note (v))	–	–	–	–	–	–	–	–
Mr. Chan Yuen Hang Kenneth (Note (v))	–	–	–	–	–	–	–	–
	–	1,036	1,832	50	188	–	–	3,106

(i) The emoluments of the Mr. Wu Wei, Mr. Lin Feng, Mr. Yao Xiaosheng and Mr. Yang Zhaoxuan, in relation to their services rendered for the Group for the year ended 31 December 2021 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) The emoluments of the Mr. Wu Wei, Mr. Lin Feng and Mr. Yao Xiaosheng in relation to their services rendered for the Group for the year ended 31 December 2020 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(iii) Mr. Mao Liangmin joined the Group in February 2020 and was appointed as the executive director of the Company on 1 February 2021.

(iv) Mr. Yang Zhaoxuan was appointed as the non-executive director of the Company in 9 February 2021.

(v) Ms. Hui Lai Kwan, Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth were appointed as independent non-executive directors of the Company on 1 February 2021.

越秀服務集團有限公司
YUEXIU SERVICES GROUP LIMITED