HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 6093

2021
ANNUAL REPORT

A Happy Life With Hevol

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Corporate Information

BOARD OF DIRECTORS

Executive Directors
Mr. Wang Wenhao *(Chief Executive Officer)*
Ms. Hu Hongfang

Non-executive Directors
Mr. Liu Jiang *(Chairman)*
Mr. Zhou Wei

Independent Non-executive Directors
Mr. Qian Hongji
Dr. Li Yongrui
Mr. Fan Chi Chiu
Dr. Chen Lei

AUDIT COMMITTEE

Mr. Fan Chi Chiu *(Chairman)*
Mr. Qian Hongji
Dr. Chen Lei

REMUNERATION COMMITTEE

Dr. Li Yongrui *(Chairman)*
Mr. Qian Hongji
Dr. Chen Lei

NOMINATION COMMITTEE

Mr. Liu Jiang *(Chairman)*
Mr. Qian Hongji
Dr. Li Yongrui

COMPANY SECRETARY

Mr. Lee Lap Keung
(Hong Kong Certified Public Accountant)

AUTHORISED REPRESENTATIVES

Mr. Wang Wenhao
Mr. Lee Lap Keung

REGISTERED OFFICE

PO Box 309
Ugland House
Grand Cayman, KY1-1104
Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG REGISTERED UNDER PART 16 OF THE COMPANIES ORDINANCE

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26 Harbour Road,
Wanchai, Hong Kong

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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People's Republic of China

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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PO Box 1093, Boundary Hall
Cricket Square
Grand Cayman KY1-1102
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

AUDITOR

BDO Limited
Certified Public Accountants
25th Floor, Wing On Centre
111 Connaught Road Central
Hong Kong

LEGAL ADVISERS

As to Hong Kong law:
Miao & Co
(in Association with Han Kun Law Offices)
Rooms 3901-05
39/F Edinburgh Tower
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15 Queen's Road Central
Central, Hong Kong

PRINCIPAL BANKERS

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Zhongguancun South Avenue Sub-branch,
China Construction Bank Beijing,
Gucheng Sub-branch

COMPANY WEBSITE

www.hevolwy.com.cn

STOCK CODE

6093

DATE OF LISTING

12 July 2019

Chairman's Statement

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hevol Services Group Co. Limited (the "**Company**"), I am pleased to present the annual report of the Company for the year ended 31 December 2021 (the "**Reporting Period**").

The year 2021 was a milestone year in the historical process of national development and the first year of the 14th Five-Year Plan for the National Economic and Social Development of the PRC ("**14th Five-Year Plan**"). The policies promulgated in the year were favorable for property management industry development, and the state and society attached great importance to the industry's positive role in ensuring social stability and promoting social employment. A number of measures from the Notice on Strengthening and Improving Residential Property Management issued by ten departments including the Ministry of Housing and Urban-Rural Development on 5 January 2021 to the 14th Five-Year Plan on Construction of Urban and Rural Community Service System issued by the General Office of the State Council at the beginning of 2022, in which the plan on the construction of urban and rural community service system was listed as one of the key special plans during the 14th Five-Year Plan period for the first time, have promoted and supported the sound development of property enterprises. Property management services are closest to residents and play an important role in meeting people's needs for a better life. With the advancement of the urbanization process in the PRC, the property management industry and the Company will still gain a broad scope for development.

BUSINESS REVIEW

For the twelve months ended 31 December 2021, Hevol Services Group Co., Limited and its subsidiaries (together, the "**Group**") achieved revenue of of approximately RMB766.8 million, an increase of approximately 84.4% over the same period in 2020; in particular, the revenue from property management services amounted to approximately RMB528.5 million, representing a year-on-year increase of approximately 103.8%; the revenue from community value-added services amounted to approximately RMB138.1 million, representing a year-on-year increase of approximately 79.2%; the revenue from value-added services to non-property owners amounted to approximately RMB100.2 million, representing a year-on-year increase of approximately 26.1%; gross profit was approximately RMB264.2 million, an increase of approximately 77.4% over the same period in 2020.

The Group's profit for the year amounted to approximately RMB108.6 million, an increase of approximately 81.0% over the same period in 2020. Earnings per share attributable to shareholders amounted to approximately RMB15.60 cents, compared to approximately RMB12.76 cents over the same period in 2020. The Group's profitability continued to improve.

Prominent focus of scale growth with the size ranking among large and medium-sized enterprises

As of 31 December 2021, the Group managed 195 property management projects across 35 cities in 16 provinces and municipalities in China with a total contracted GFA of approximately 46.1 million sq.m., representing an increase of approximately 104.9% as compared to approximately 22.5 million sq.m. in the same period in 2020. The total GFA under management reached approximately 34.0 million sq.m., representing an increase of approximately 89.9% as compared to approximately 17.9 million sq.m. in the same period in 2020.

In 2021, the Group made key breakthroughs in the Guizhou market. In August 2021, the Group successfully acquired the 70% equity interests of Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司) ("**Guiyang Xinglong**") which ranked 83rd among the 2021 Top 100 Property Management Enterprises in China and is one of the most important industry leading brands in the property market of Guiyang. On 25 December 2021, the Group entered into a sale and purchase agreement to acquire the 68.75% equity interests of Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") which is the professional property management enterprise with the largest scale in the property market of Zunyi in Guizhou province. Once the acquisition completed, the Group's total contracted GFA will reach approximately 53.7 million sq.m. and the total GFA under management will reach 40.1 million sq.m., of which the GFA under management in the market in Southwest China will reach 45.9% of the Group's overall GFA under management. In other regional markets, the Group strengthened external expansion efforts and continued to expand market share through project bidding, management consulting, technology empowerment and other various means. Through the efforts of more than two years since listing, the Company's total contracted GFA has increased by over 5 times, and exceeded 50 million sq.m. for the first time. It has achieved a historical leap from a small property enterprise with an area of 8.16 million sq.m. at the beginning of its listing in July 2019 to a large and medium-sized property enterprise, which is a rare example of leapfrog development in the industry. More importantly, through the realization of leapfrog development, a group of elite business teams who understand the market and business and strive for progress have been cultivated. In addition, the Group attaches great importance to merger, acquisition and integration and has established specialized management departments and professional teams, striving to achieve business synergy, tap growth potential and create greater value.

Intensified improvement of operation quality, brand building to a new level

During the Reporting Period, the Company comprehensively strengthened the construction of operation system. On the basis of the "five enjoyment" products and services, the operation system documents were comprehensively optimized and improved, including revision of 5 original standards and preparation of 36 new standards. Through technological means, the Company created a digital display board for project operation, to realize real-time data capture, plan early warning management, and achieve the combination of online quality inspection and on-site quality inspection. With the support of background big data, the Company comprehensively supervises the implementation of quality inspection in various regions. During the year, the headquarters developed 23 pieces of professional courseware and organized 32 on-site special trainings, to summarize and promote advanced experience in respect of quality improvement in various regions. The Group's third-party customer satisfaction level exceeded the industry average by more than 10%.

The Company has built a "big customer" system, to realize the intelligent operation of the 400 customer service system and integrate customer information and project information into the online platform, to improve the business processing efficiency of 400 operators, thus to provide customers with precise services in a more professional way. It reached property owners through the robot voice of call center and multiple-scenarios of Wechat ecosystem. The integration of intelligent management and intelligent services brought better service experience to the property owners. In respect of the value-added business, real estate brokers, housekeeping services, and community e-commerce competed for development. In particular, the lease and sales business of Beijing He Zhong Property performed well, and it successively established He Zhong Property second-hand housing brokerage companies in Beijing, Tianjin, Tangshan and Zhongshan. The annual growth rate of community value-added business reached 79.2%, maintaining a rapid growth trend.

In 2021, the Company won a number of awards, which enhanced the popularity and reputation of Hevol Services and also increased the Company's industry influence. The Company's brand building has reached a new level. Hevol Services has won the honor of "Top 100 Property Management Enterprises in China", ranking 38th, and won 22 awards from authoritative industry organizations such as China Property Management Association, China Index Academy, CRIC, and Leju Finance and Economics. It has successively won the Top 100 Growth Leading Companies in Property Service Companies of China, the Top 100 Property Service Companies Brand Value in China, the Property Growth Brand Companies of China, the Property Service Market-Oriented Operation Leading Brand Companies of China, and the Leading Company in Property Service Market of Guiyang City. In the typical sample projects and benchmarking enterprises of the 2021 China Real Estate Index System, four projects under management of Hevol Services: Chengdu Lujiangfu, Kunshan Tongjin Junwangting, Neijiang Wanshengcheng·Huafu, and Sanya Holiday Sunshine won the honorary titles of "2021 Chengdu Property Management Service Benchmark Project", "2021 Suzhou Property Service Benchmark Project", "2021 Neijiang Property Service Benchmark Project" and "2021 Sanya Property Service Benchmark Project".

Distinctive features of technology-based property management, acceleration of digital transformation

The Group pays attention to the important role of technology-based property management in creating high-quality community life, and is committed to building information-based, digital and intelligent communities. Technological construction and promotion of digital transformation is the only way for quality improvement, cost reduction and efficiency enhancement, and business innovation. In respect of construction of an operation platform for community management, the Group has built an intelligent IoT management system to continuously upgrade and improve house files, customer portraits, intelligent traffic, intelligent access control, security monitoring, AI elevator control, intelligent order dispatch and inspection functions, and realized the information and data interconnection between business modules. In terms of construction of a service platform for property owners, the Group deployed and promoted smart community APP and applet, and launched many functions including opening door with mobile phone, reporting for repairs, smart payments, online housekeeping and convenient services, which facilitated the contact between property owners and property management personnel, deepened the communication and interaction between property owners and property management personnel and among property owners, and created rooms for the development of value-added services with the technology platform. For the digital internal management of the middle and back offices of Group, a system covering all business scenarios of internal management including business operation, customer relationship, financial charging, human resources, asset management, and OA system has been established. The digital transformation of the Group has been accelerated through the establishment of a platform for data exchange, analysis and visual management. The above measures will not only reduce the costs and increase the efficiency of the Group, but also improve the quality of services and enhance property owner's experience.

PROSPECT

The year of 2022 is the 20th anniversary of the establishment of the Group. Over the past 20 years, the Group has worked hard to forge ahead. The Group's original aspiration remains unchanged and the Group will continue to adhere to the core value of "Serving people with a shared passion" and the "Living a happy life with Hevol" service concept. Standing at a new historical starting point, the Group will seize the precious opportunities arising from the current industry development and strive to build a third-party property service cooperation platform in the PRC with stable operation and distinctive features. In terms of market expansion, more attention will be paid to the development of third-party entrustment business and equity cooperation with key high-quality property companies to appropriately extend the Company's upstream and downstream industry chains, so as to maintain further growth in scale and broader types of business. The "Six Requirements and Six Feelings" will be subject to in-depth implementation to achieve orderly expansion of scale and steady improvement of service quality. More investments will be made in technology business and more community value-added services will be provided to achieve faster growth and higher quality development of the Group.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to take this opportunity to express my gratitude to all shareholders, business partners, customers and suppliers for their strong support and trust, as well as to the management and all employees for their contributions and efforts in the past year.

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 31 March 2022

Management Discussion and Analysis

SUMMARY OF PERFORMANCE

Total revenue of the Group in 2021 increased by approximately RMB350.9 million, or 84.4% to approximately RMB766.8 million from approximately RMB415.9 million in 2020. Revenue from property management services significantly increased by approximately RMB269.2 million, or 103.8% from approximately RMB259.3 million in 2020 to approximately RMB528.5 million in 2021. Revenue from community value-added services increased by approximately RMB61.0 million, or 79.2% from approximately RMB77.1 million in 2020 to approximately RMB138.1 million in 2021. Revenue from value-added services to non-property owners increased by approximately RMB20.7 million, or 26.1% from approximately RMB79.5 million in 2020 to approximately RMB100.2 million in 2021.

Gross profit of the Group in 2021 increased by approximately RMB115.3 million, or 77.4% to approximately RMB264.2 million from approximately RMB148.9 million in 2020. Gross profit margin slightly decreased to 34.5% in 2021 from 35.8% in 2020.

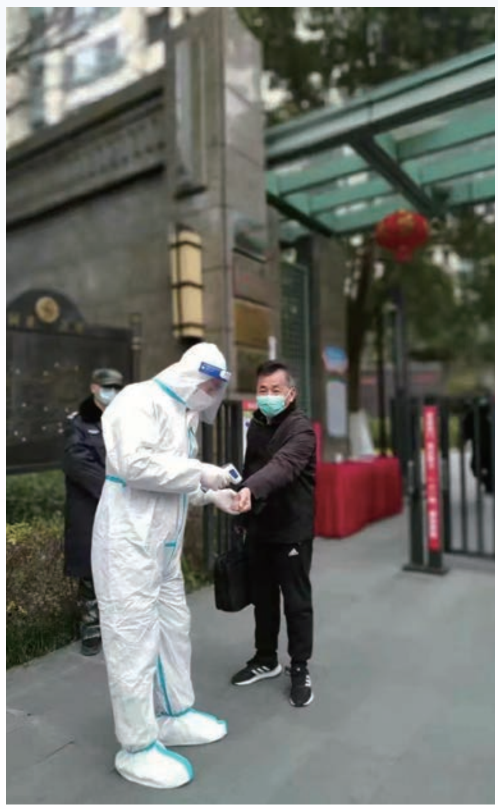
Profit after income tax in 2021 increased by approximately RMB48.6 million, or approximately 81.0% to approximately RMB108.6 million compared to approximately RMB60.0 million in 2020. Total comprehensive income for the year attributable to equity shareholders of the Company amounted to approximately RMB85.2 million compared to approximately RMB50.8 million in 2020.

Earnings per share attributable to equity holders of the Company amounted to RMB15.60 cents for the year ended 31 December 2021 (2020: RMB12.76 cents).

	Year ended 31 December			
	2021	2020	**Change**	
	RMB'000	*RMB'000*	*RMB'000*	%
Revenue	**766,791**	415,870	350,921	84.4
Gross Profit	**264,193**	148,905	115,288	77.4
Gross Profit Margin	**34.5%**	35.8%		
Net Profit	**108,636**	59,977	48,659	81.1
Net Profit Margin *(%)*	**14.2%**	14.4%		
Profit and Total Comprehensive Income Attributable to Shareholders	**85,213**	50,784	34,429	67.8
Earnings Per Share *(RMB cents per share)*	**15.60**	12.76	2.84	22.3

INDUSTRY REVIEW

The year of 2021 was the opening year of the national 14th Five-Year Plan. The country and society attached great importance to the positive role of property management companies in safeguarding social stability and promoting social employment. Various policies at all levels and localities have been introduced to constantly mention properties and communities. "Property + living services", "property + elderly care services" and the renovation of old communities are becoming trends. With the development of society and economy, the needs of property owners are also changing, and more and more services will be moved to community scenarios in the future. Overall, the property management industry will continue to develop in a positive manner, especially in the current situation where epidemic prevention and control is facing complexity and recurrence. Prevention and control of the epidemic is still testing property management companies and property service providers all the time. It is also the guarding of all property service providers on the front line of the epidemic that ensures the safety and daily needs of community residents. As one of the important participants in community governance, property management companies will undertake more social responsibilities in the future with the support of policies.



At the same time, in the second half of 2021, the capital market valuation level of the property industry was significantly adjusted due to the impact of numerous factors such as the economic downturn in the real estate industry. Changes in the capital market and the real estate industry helped accelerate the consolidation of the property management industry. The industry's leading companies have carried out mergers, acquisitions and integration of listed and quasi-listed property companies, and market concentration has been increasing, and it further intensifying the degree of competition in the industry. Seizing the opportunities of industry development and actively responding to market challenges, the Group will actively respond to national policies, based on the present and look to the future, explore and innovate around community services, and build the Group into a third-party property service cooperation platform with sound operation and distinctive features in China.

BUSINESS REVIEW

The Group is a reputable market player in the property management industry in China and has been providing property management services, community value-added services and value-added services to non-property owners in the PRC for more than 20 years. According to the China Index Academy, the Group ranked 38th among the "2021 Top 100 Property Management Enterprises", and the Group was considered as a fast-growing China Top 100 Property Management Company from 2015 to 2021 in terms of overall strength of property management based on certain key factors such as property management scale, business performance, service quality, development potential and social responsibility. As at 31 December 2021, the Group managed 195 property management projects, across 35 cities in the PRC with a total contracted gross floor area ("**GFA**") of approximately 46.1 million sq.m. (2020: 22.5 million sq.m.) and total GFA under management of approximately 34.0 million sq.m. (2020: 17.9 million sq.m.).

In 2021, the Group achieved relatively fast growth in management scale, with total revenue increased by 84.4% to approximately RMB766.8 million in 2021 compared to approximately RMB415.9 million in 2020. The Group's total GFA under management reached approximately 34.0 million sq.m. in 2021 from approximately 17.9 million sq.m. in 2020. During the year, the Group has completed several material equity acquisitions, including (i) 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd.* ("**Zhongshan Zhongzheng**") with a consideration of RMB15.4 million, (ii) 60% equity interests of Sichuan Wansheng Property Service Co., Ltd.* ("**Sichuan Wansheng**") with a consideration of RMB42.9 million, (iii) 51% equity interests of Jiangsu Shenhua Times Property Group Co., Ltd.* ("**Jiangsu Shenhua**") with a consideration of RMB40.8 million, (iv) 51% equity interests of Panjin Four Seasons City Property Management Co., Ltd.* ("**Panjin Four Seasons**") with a consideration of RMB18.4 million, (v) 70% equity interests of Guiyang Xinglong Property Management Co., Ltd. ("**Guiyang Xinglong**") with a consideration of RMB156.8 million and (vi) 51% equity interests of Beijing He Zhong Zhidi Property Agency Co., Ltd.* ("**Beijing He Zhong**") with a consideration of RMB2.0 million. All of the above acquisitions were completed in 2021. As a result, the Group's GFA under management has increased rapidly. Together with external expansion projects by bidding, projects co-operation with other third party property developers and property management projects developed by Hevol Real Estate Group Limited (和泓置地集團有限公司) and its subsidiaries ("**Hevol Real Estate Group**"), the Group's aggregate GFA under management reached approximately 34.0 million sq.m. as at 31 December 2021. Furthermore, the Group entered into a sale and purchase agreement to acquire 68.75% equity interests of Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") with a consideration of RMB91.5 million and the acquisition is complete the once the conditions stated in the sale and purchase agreement are fulfilled. After this acquisition, the Group's total GFA under management has further increased by approximately 6.1 million sq.m. and exceeded 40.1 million sq.m.. The Group's geographical coverage in China has expanded to 35 cities and its coverage of geographical regions in China now include the northern region, southwestern region, northeastern region, southern region and eastern region.

* The English names of the PRC companies represent managements best effort in translating the Chinese names of those companies as no English names have been registered or available.

PROPERTY MANAGEMENT SERVICES

Property Management Services

The Group provides a range of property management services to property owners and residents, as well as property developers, including security, cleaning, greening, gardening services as well as repair and maintenance services, with a focus on residential communities. The Group's property management portfolio also covers other types of properties such as commercial properties. As at 31 December 2021, the Group managed 195 property management projects with a total GFA under management of 34.0 million sq.m., covering 35 cities in the PRC across five geographical regions in China, including northern region, southwestern region, northeastern region, southern region and eastern region.

Geographical Coverage

The table below sets out the breakdowns of: (i) revenue from property management services; and (ii) GFA under management by geographic regions which the Group has property management operation, for the year ended 31 December 2021:

	31 December 2021				31 December 2020			
	Revenue		GFA under management		Revenue		GFA under management	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Northern China[1]	116,861	22.1	6,181	18.2	79,817	30.8	5,460	30.6
Northeastern China[2]	31,949	6.1	2,551	7.5	14,437	5.6	894	5.0
Southwestern China[3]	180,823	34.2	12,802	37.7	70,594	27.2	5,911	33.1
Southern China[4]	81,373	15.4	4,050	11.9	27,759	10.7	2,175	12.2
Eastern China[5]	117,504	22.2	8,392	24.7	66,707	25.7	3,416	19.1
Total	528,510	100.0	33,976	100.0	259,314	100.0	17,856	100.0

Notes:

(1) "Northern China" includes Beijing, Tianjin, Tangshan, Qinhuangdao and Hohhot.

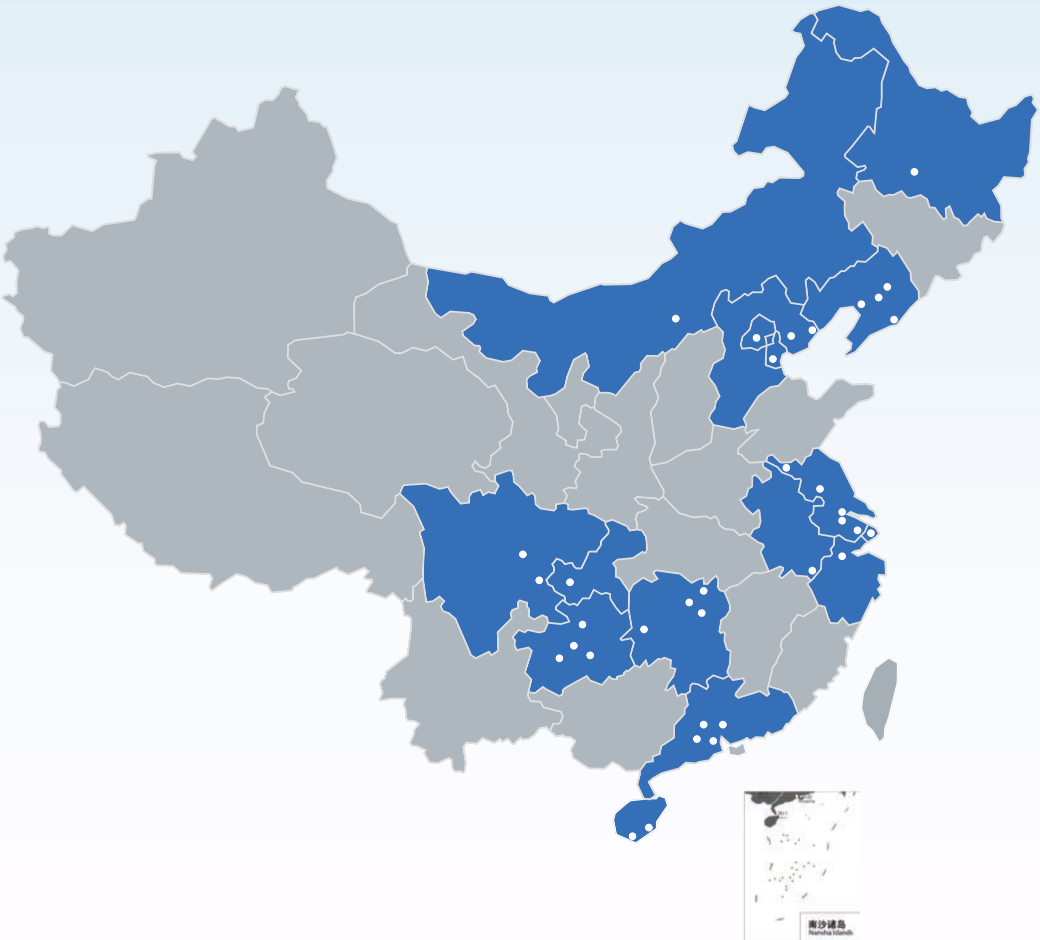
(2) "Northeastern China" includes Harbin, Shenyang, Panjin, Fushun and Dandong.

(3) "Southwestern China" includes Chongqing, Chengdu, Neijiang, Guiyang, Zunyi, Anshun and Qiannanzhou.

(4) "Southern China" includes Changsha, Yiyang, Yueyang, Huaihua, Dongguan, Zhongshan, Foshan, Jiangmen, Sanya and Lingshui.

(5) "Eastern China" includes Shanghai, Hangzhou, Kunshan, Wuxi, Xuzhou, Jingjiang, Huaian and Huangshan.

As at 31 December 2021, the Group's geographical coverage of property management projects has expanded to 35 cities across China. The following diagram illustrates the Group's geographical coverage of properties under management as at 31 December 2021:



The Group managed a diverse portfolio of properties, comprising primarily residential properties and to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of public facilities. During the year, the Group generated the majority of its property management services revenue from residential properties, which will continue to account for a significant portion of the Group's revenue stream in the near future. The table below sets out the breakdowns of its: (i) revenue generated from property management services by type of properties, and (ii) total GFA under management by type of properties for the periods indicated:

	31 December 2021				31 December 2020			
	Revenue generated from property management services		GFA under management		Revenue generated from property management services		GFA under management	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Residential properties	475,577	90.0	31,915	93.9	225,985	87.1	16,747	93.8
Non-residential properties	52,933	10.0	2,061	6.1	33,329	12.9	1,109	6.2
Total	528,510	100.0	33,976	100.0	259,314	100.0	17,856	100.0

The table below sets out the breakdowns of the Group's GFA under property management and the Group's revenue generated from property management services by property developer for the periods indicated:

	31 December							
	2021				2020			
	Revenue		GFA under management		Revenue		GFA under management	
	RMB'000	*%*	*'000 sq.m.*	*%*	*RMB'000*	*%*	*'000 sq.m.*	*%*
Hevol Real Estate Group	233,401	44.2	7,405	21.8	160,926	62.1	7,151	40.0
Other property developers	295,109	55.8	26,571	78.2	98,388	37.9	10,705	60.0
Total	528,510	100.0	33,976	100.0	259,314	100.0	17,856	100.0

Community value-added services

As an extension of the Group's property management services business, it provides community value-added services to property owners and residents for the property management projects under the Group's management. The Group's community value-added services help to address the lifestyle and daily needs of the property owners and residents, to enhance their customer experience, satisfaction and loyalty, as well as to create a healthier and more convenient living community. The community value-added services, mainly includes home-living services, real estate agent, leasing of car parking space, and leasing of common facilities.

The Group provides home-living services such as property repair and maintenance services, cleaning, interior decoration, collection of electricity tariffs, purchase assistance, as well as accommodation and catering services to property owners upon request. The Group also leases out common areas such as swimming pools, car parking spaces and advertising spaces to third party contractors to generate stable revenue stream for its business. The Group is devoted to cultivate a harmonious and closely-knitted community culture. The Group organises a wide range of community cultural activities on a regular basis, including community sports events, community carnivals, elderly care and community festival celebrations for residents in its property management projects.

As of 31 December 2021, the Group's revenue from community value-added services reached approximately RMB138.1 million, representing an increase of approximately RMB61.0 million, or approximately 79.2% as compared to approximately RMB77.1 million in the same period in 2020, mainly due to an increase in projects under management, resulting in an increase in revenue from home-living services, real estate agency services, leasing of car parking space, etc.

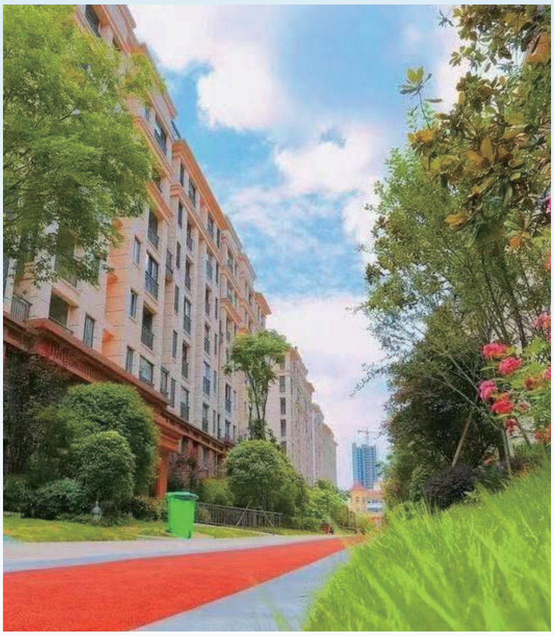
Value-added services to non-property owners

The Group is committed to expanding its value-added services to non-property owners and diversifying its sources of revenue. Centering to the needs of property developers, it mainly provides site services and diverse auxiliary property management services for property developers, and provides full-cycle and full-process services before property sales and delivery. Based on the professional service standards of the Group in the property management industry, it assists property developers to enhance brand value in an all-round way.

As of 31 December 2021, the Group's revenue from value-added services to non-property owners reached approximately RMB100.2 million, representing an increase of approximately RMB20.7 million, or approximately 26.1% as compared to approximately RMB79.5 million in the same period in 2020, mainly due to the fact that more properties under construction of the Hevol Real Estate Group and other property developers reached the sales stage in 2021 and required the Group's sales assistance services, as well as an increase in the ancillary property management services provided to the Hevol Real Estate Group and other property developers.

PROSPECT

Future Outlook



The year of 2022 is the 20th anniversary of the establishment of the Group. In the past two years since its listing, leveraging the power of the capital market, Hevol Services has developed from a small property management listed company to a medium and large-scale property management company with a scale and volume exceeding 50 million square meters, achieving leap-forward development and historical changes of the Group. Looking forward to the future from the new historical starting point of the development of the Group, the Group will continue to adhere to the core value and initial vision of "Serving people with a shared passion" and the service concept of "Living a happy life with Hevol" to build the Group into a third-party property service cooperation platform in China with sound operation and distinctive features.

In terms of scale expansion, the Group will adhere to the principles of "the centralization of investment and expansion areas, the integration of projects under management and seeking quality new projects" and persist with the combination of independent third-party market expansion and strategic equity cooperation for key projects. The Group will strengthen the construction of market expansion capacity in each region. By relying on existing projects under management, the Group will radiate to the surrounding areas in a concentrated and contiguous market. While expanding the scale of the market, the Group will explore the potential of synergy and give full play to the advantages of scale effect, so as to achieve a high speed of development and maintain high quality of operation.

In terms of digital construction, relying on the existing operation platform for community management, the service platform for owners and the digital middle and back office for the Group's management, the Group will further promote the digital transformation process of the Company. At the level of equity cooperation with enterprises, the Group is empowered by technologies to promote evolution and upgrading in business, management, branding and supply chain, etc. and to shape a new post-investment management system with the help of the technological system, thereby forming a higher level of business system integration and personnel culture integration.

In terms of community value-added services, the Group will take the direction of professional branding and industrialised operation to expand and strengthen the existing traditional community value-added business, such as the real estate agent business under the Hezhong brand and will rely on more projects under management in more cities to achieve scale expansion and business upgrading. For other value-added community businesses, taking into account social development trends and actual community needs, we will actively develop community elderly care and childcare, and build low-carbon green residential communities, etc.

FINANCIAL REVIEW

Revenue

The Group derived revenue from: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. Overall revenue increased by approximately RMB350.9 million, or approximately 84.4% from approximately RMB415.9 million in 2020 to approximately RMB766.8 million in 2021, such growth was primarily attributable to: (i) an increase in revenue resulted from financial effects of the acquisition of six major subsidiaries which contributed revenue in aggregate of approximately RMB239.8 million in 2021 (ii) an increase in revenue from home-living services and leasing of car parking space in the segment of community value-added services due to the growth in the number of property management projects from 121 in 2020 to 195 in 2021; and (iii) an increase in ancillary property management services to Hevol Real Estate Group and an increasing in revenue from provision of sales assistance services to other property developers.

The following table sets out a breakdown of the Group's total revenue by business segment for the years indicated:

	Year ended 31 December					
	2021		2020		**Change**	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**528,510**	**68.9**	259,314	62.4	269,196	103.8
Community value-added services (including leasing income)	**138,088**	**18.0**	77,076	18.5	61,012	79.2
Value-added services to non-property owners	**100,193**	**13.1**	79,480	19.1	20,713	26.1
Total	**766,791**	**100.0**	415,870	100.0	350,921	84.4

Property management services

Property management services primarily include property management fees paid for providing security, cleaning and gardening and property repair and maintenance services to residential communities, commercial properties and public facilities. Revenue increased by approximately RMB269.2 million, or 103.8%, from approximately RMB259.3 million in 2020 to approximately RMB528.5 million in 2021. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and acquisitions of six major subsidiaries which contributed approximately RMB162.2 million of revenue in aggregate from property management services in 2021. The Group's total GFA under management increased by approximately 89.9% from approximately 17.9 million sq.m. in 2020 to approximately 34.0 million sq.m. in 2021, and the number of property management projects increased from 121 to 195, respectively.

Community value-added services

Revenue from community value-added services increased by approximately RMB61.0 million or approximately 79.2% from approximately RMB77.1 million in 2020 to approximately RMB138.1 million in 2021. Such revenue is divided into three segments, including (i) home-living services, (ii) leasing of car parking space and (iii) leasing of common facilities, which amounted to approximately RMB68.2 million, RMB48.8 million and RMB21.1 million, respectively in 2021. Revenue from home-living services, leasing of car parking space and leasing of common facilities amounted to approximately RMB35.9 million, RMB21.8 million and RMB17.4 million, respectively, in 2020. Such increase was mainly due to an increase in the number of property management projects from 121 in 2020 to 195 in 2021 through bidding and acquisitions of six major subsidiaries during the year. In addition, the Group actively developed and expanded value-added services to the existing residential communities which also contributed to the increase.

Value-added services to non-property owners

The Group provides a wide range of value-added services to non-property owners including sales assistance services and management consultation services. Revenue from value-added services to non-property owners increased by approximately RMB20.7 million, or approximately 26.1% from approximately RMB79.5 million in 2020 to approximately RMB100.2 million in 2021. The increase in revenue was due to Hevol Real Estate Group and other property developers having more properties under development which reached the selling stages and required the Group's sales assistance services in 2021 compared to 2020 and an increase in ancillary property management services to Hevol Real Estate Group and other property developers.

Cost of Sales

Cost of sales of the Group primarily comprises staff costs, sub-contracting costs, utility expenses, repairs and maintenance costs, cost of providing ancillary property management services, material costs and sales taxes. Cost of sales increased by approximately RMB235.6 million or 88.3% from approximately RMB267.0 million in 2020 to approximately RMB502.6 million in 2021. Such increase was mainly attributable to: (i) increase of the Group's sub-contracting costs by approximately RMB54.3 million to approximately RMB156.3 million in 2021 compared to approximately RMB102.0 million in 2020, due to an increase in its total GFA under management resulting from the expansion of property management services, (ii) increase of the Group's staff costs by approximately RMB106.0 million from approximately RMB73.5 million in 2020 to approximately RMB179.5 million in 2021 due to the increasing number of service employee headcount as a result of business expansion and acquisition of subsidiaries, (iii) an increase of utilities and repairs and maintenance expenses of approximately RMB50.1 million resulted from an increase in the number of property management projects, and (iv) an increase of costs of ancillary property management services of approximately RMB11.4 million due to the increased frequency of ancillary services and sales assistance services provided to Hevol Real Estate Group and other property developers. The increase of cost of sales was substantially in line with the growth rate of revenue, primarily due to the parallel increase in the cost resulted from the Group's business expansion.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2021		2020			
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**152,759**	**28.9**	76,769	29.6	75,990	99.0
Community value-added services (including leasing income)	**72,644**	**52.6**	40,387	52.4	32,257	79.9
Value-added services to non-property owners	**38,790**	**38.7**	31,749	39.9	7,041	22.2
Total	**264,193**	**34.5**	148,905	35.8	115,288	77.4

Overall gross profit of the Group increased by approximately RMB115.3 million, or 77.4% from approximately RMB148.9 million in 2020 to approximately RMB264.2 million in 2021. The increase in gross profit of each segment is in line with the increase in revenue of each segment, primarily due to the increase in gross profit resulted from the expansion of the Group's business scale. Overall gross profit margin of the Group slightly decreased from approximately 35.8% in 2020 to approximately 34.5% in 2021. Such decrease was primarily attributable to: (i) an increase in staff costs resulted from an increasing salary rate; and (ii) newly acquired subsidiaries with lower gross profit margin in the segment of property management services.

Property management services

Gross profit for the Group's property management services increased by approximately RMB76.0 million, or 99.0% from approximately RMB76.8 million in 2020 to approximately RMB152.8 million in 2021. The increase of gross profit is primarily attributable to: (i) an increase in total GFA under management as a result of an increasing number of property management projects; and (ii) an increasing level of the average charging rate of the Group's property management services. Gross profit margin slightly decreased from 29.6% in 2020 to 28.9% in 2021 as a result of an increase in staff cost resulted from an increasing salary rate and the impact of lower gross profit margin on newly acquired subsidiaries.

Community value-added services

Gross profit for the Group's community value-added services increased by RMB32.2 million, or 79.9% from approximately RMB40.4 million in 2020 to approximately RMB72.6 million in 2021, The increase was mainly due to an increase of revenue from community value-added services such as home-living and other services, management and leasing of car parking spaces and leasing of common facilities etc., which in aggregate increased by approximately RMB61.0 million due to an increase in the number of property management projects from 121 in 2020 to 195 in 2021. Gross profit margin remains stable at 52.4% in 2020 to 52.6% in 2021.

Value-added services to non-property owners

Gross profit of value-added services to non-property owners increased by approximately RMB7.1 million, or 22.2% from approximately RMB31.7 million in 2020 to approximately RMB38.8 million in 2021. Such changes were attributable to the increase in the number of property development projects under development by Hevol Real Estate Group and other property developers, which reached the selling phases and required the Group's sales assistance services during the year. In addition, an increase of ancillary property management services provided to Hevol Real Estate Group contributed revenue of approximately RMB37.8 million and considerable gross profit in 2021. Gross profit margin slightly decreased from approximately 39.9% in 2020 to approximately 38.7% in 2021, which was mainly attributable to an increase of cost of materials and manpower of ancillary property management services.

Other Income

Other income amounted to approximately RMB15.5 million in 2021, representing an increase of approximately RMB6.0 million, or approximately 63.2% compared to approximately RMB9.5 million in 2020. The increase was mainly due to an increase in income on investment, government grant received, recovery of bad debts, interest on deposits at banks and exchange gain.

Administrative Expenses

Administrative expenses of the Group mainly include staff costs, travelling and entertainment expenses, professional fees, conference and training costs for its employees, telecommunication and utilities expenses and depreciation and amortization. Administrative expenses of the Group increased by approximately RMB57.2 million, or approximately 74.0% from approximately RMB77.3 million in 2020 to approximately RMB134.5 million in 2021, primarily due to: (i) an increase in staff costs resulting from the expansion in the business scale of the Group; (ii) an increase in professional fees in relation to acquisition of subsidiaries, (iii) the inclusion of administrative expenses of newly acquires subsidiaries, and (iv) an increase of amortisation of intangible assets and depreciation of property, plant and equipment resulted from the acquisition of subsidiaries.

Income Tax Expenses

Income tax expenses of the Group increased by approximately RMB15.5 million, or 104.7% from approximately RMB14.8 million in 2020 to approximately RMB30.3 million in 2021, primarily due to the increase of the Group's taxable income resulted from an increase in operation profit and inclusion of income tax of newly acquired subsidiaries.

Profit for the Year

Profit for the year increased by approximately RMB48.6 million, or 81.1% from approximately RMB60.0 million in 2020 to approximately RMB108.6 million in 2021, primarily due to: (i) the expansion of business scale and an increasing number of property management projects; (ii) the inclusion of net profit of newly acquired subsidiaries, and (iii) an increase in ancillary services provided to Hevol Real Estate Group and other property developers.

Intangible Assets

Intangible assets increased from approximately RMB24.9 million in 2020 to approximately RMB85.2 million in 2021. The increase was mainly due to additions of intangible assets of approximately RMB67.0 million, which resulted from the acquisition of subsidiaries and the addition of computer software of approximately RMB1.6 million, offset by amortisation and depreciation for the year with aggregate amount of approximately RMB8.3 million.

Investment Properties

Investment properties which consisted of certain carparking spaces and shop premises, decreased from RMB29.8 million in 2020 to RMB28.8 million in 2021 mainly due to depreciation.

Goodwill

Goodwill increased from approximately RMB59.6 million as at 31 December 2020 to approximately RMB292.7 million as at 31 December 2021, due to the acquisitions of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong. Further details as to the goodwill arising from the acquisitions are set out in note 15 to the consolidated financial statements in this annual report.

Other Deposits

Other deposits represented deposits paid to property developers or owners' committee at the inception of entering into property management services contracts.

Deposits Paid for Acquisition of a Subsidiary

Deposits paid for acquisition of a subsidiary of approximately RMB50.7 million (original amount of RMB52.2 million, net of allowance of RMB1.5 million) as at 31 December 2021 mainly represented the deposit paid for acquisition of 68.75% equity interests of Zunyi Jinning. The acquisition will complete when the conditions stated in the sale and purchase agreement are fulfilled. Further details are set out in note 17 to the consolidated financial statements in this annual report.

Trade and Other Receivables

Trade and other receivables include trade receivables, prepayments and other receivables. Trade receivables are mainly related to property management services as well as value-added services. Trade receivables of the Group increased from approximately RMB104.3 million as at 31 December 2020 to approximately RMB217.4 million as at 31 December 2021, primarily due to the inclusion of trade receivables of newly acquired subsidiaries of approximately RMB90.0 million and organic growth of trade receivables after expansion of scale. Other receivables mainly consist of deposits, prepayment and other receivables and payment on behalf of property owners. Other receivables increased from approximately RMB63.2 million as at 31 December 2020 to approximately RMB66.8 million as at 31 December 2021, mainly due to an increase in other deposits resulted from deposits paid for entering into property management services contracts.

Contract Liabilities

The Group's contract liabilities mainly arise from advance payments made by customers while the underlying property management services are yet to be provided. Contract liabilities of the Group increased from approximately RMB80.4 million as at 31 December 2020 to approximately RMB182.7 million as at 31 December 2021, representing an increase of approximately RMB102.3 million, primarily due to: (i) the managing of an increasing number of property management projects, and (ii) the inclusion of contract liabilities of newly acquired subsidiaries which amounted to approximately RMB37.2 million.

Trade and Other Payables

Trade payables of the Group increased from approximately RMB35.9 million as at 31 December 2020 to approximately RMB53.5 million as at 31 December 2021, primarily due to an increase in purchase of subcontracting services, materials and utilities for the Group's business expansion and inclusion of trade payables of newly acquired subsidiaries of approximately RMB7.7 million. Other payables mainly consist of accrued staff costs, deposits received and amounts collected on behalf of property owners. The increase of other payables of the Group from approximately RMB142.2 million as at 31 December 2020 to approximately RMB279.1 million as at 31 December 2021 was primarily due to an increase of: (i) accrued charges and other payables of approximately RMB46.0 million resulting from an increasing number of property management projects; (ii) the net effect of litigation provisions of RMB19.0 million for financial guarantees provided to several third parties for borrowings from two banks in Guizhou province, as a result of acquisition of 70% equity interests of Guiyang Xinglong; (iii) amounts collected on behalf of property owners to pay utilities of approximately RMB17.5 million; (iv) renovation deposits collected from property owners of approximately RMB23.9 million; and (v) staff costs and welfare accruals of approximately RMB25.7 million, all of which were resulted from an increasing number of property management projects and inclusion of balances of newly acquired subsidiaries for the year ended 31 December 2021.

Liquidity, Capital Structure and Financial Resources

As at 31 December 2021, the Group's bank balances and cash increased by approximately RMB99.7 million from approximately RMB291.5 million as at 31 December 2020 to approximately RMB391.2 million as at 31 December 2021, primarily due to (i) the issuance of 80,000,000 ordinary shares on 5 February 2021 at an issue price of HK$2.0 per share with net proceeds amounted to approximately RMB133.4 million, and (ii) inclusion of bank balance of newly acquired subsidiaries. The Group's financial position remained solid. As at 31 December 2021, the Group's net current assets decreased from approximately RMB197.2 million as at 31 December 2020 to approximately RMB125.1 million as at 31 December 2021. As at 31 December 2021, the Group's current ratio was approximately 1.22 times compared to 1.72 times as at 31 December 2020. Such decrease was due to (i) payment for acquisition of subsidiaries resulted in an increase the amounts of goodwill and intangible assets in non-current assets, and (ii) inclusion of the balances of trade and other payables and contract liabilities of newly acquired subsidiaries. The Group has a borrowings of approximately RMB4.0 million as at 31 December 2021 which resulted from an acquisition of Jiangsu Shanhua and no assets were pledged for the borrowings.

Proceeds from the Listing

With the Shares of the Company listed on the Stock Exchange on 12 July 2019, the net proceeds from the Global Offering were approximately HK$75.8 million (equivalent to approximately RMB66.6 million), which were utilised for the purposes as set out in the Company's prospectus dated 27 June 2019 (the "**Prospectus**"). As at 31 December 2021, RMB59.8 million, or 89.8%, of the net proceeds from the listing have been utilised. As at the date of this annual report, the directors of the Company (the "**Directors**") anticipate that such proceeds will continue to be applied in the manner consistent with that in the Prospectus.

Set out below is the actual utilisation of net proceeds as at 31 December 2021:

Net proceeds (in RMB million)

Item	Percentage	Available	Utilised	Unutilised	Expected time of use of unutilised proceeds
1 Acquisition of other property management companies	51.8%	34.5	34.5	–	–
2 Bidding for new property management projects	7.7%	5.1	3.9	1.2	On or before 31 December 2022
3 Investment in advanced technologies and smart communities	23.1%	15.4	9.8	5.6	On or before 31 December 2022
4 Expansion of value-added services business segment	14.4%	9.6	9.6	–	–
5 Working capital and general corporate purpose	3.0%	2.0	2.0	–	–
	100.0%	66.6	59.8	6.8	

Proceeds from the placing of shares

On 24 June 2020, the Company issued 80,000,000 ordinary shares (the "**First Share Placing**") at an issue price of HK$1.28 per share. As a result, the Company received net proceeds of approximately HK$100.9 million (equivalent to RMB91.9 million) after deduction of the placing commission and other related expenses. As at 31 December 2021, all net proceeds from the First Share Placing have been utilised. Approximately HK$96.2 million (equivalent to RMB87.7 million), representing approximately 95.4% of the net proceeds from the First Share Placing, was utilised for the acquisition of other property management companies and the remaining amount of approximately HK$4.7 million (equivalent to RMB4.2 million), representing approximately 4.6% of the net proceeds from the First Share Placing, was utilised for the Group's general working capital.

On 5 February 2021, the Company issued 80,000,000 ordinary shares (the "**Second Share Placing**") at an issue price of HK$2.00 per share. As a result, the Company received net proceeds of approximately HK$157.6 million (equivalent to RMB131.4 million) after deduction of the placing commission and other related expenses. The proceeds from the Second Share Placing have been fully applied towards the acquisition of other property management companies. As at 31 December 2021, all net proceeds from the Second Share Placing have been utilised.

Asset Charges

As at 31 December 2021, none of the assets of the Group were pledged (2020: Nil).

Material Acquisitions and Disposals of Assets

The Group plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed several material equity acquisitions (details are set out in note 27 to the consolidated financial statements in this annual report). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries. On 25 December 2021, the Group entered into a sale and purchase agreement ("**S&P Agreement**") to acquire 68.75% equity interests in Zunyi Jinning with a consideration of approximately RMB91.5 million, a deposit of approximately RMB52.3 million was paid. The acquisition is complete once the conditions as stated in the S&P Agreement are fulfilled.

Significant Investment Held and Future Plans for Material Investment and Capital Assets

Save as disclosed elsewhere in this annual report, during the year 2021, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this annual report.

Gearing Ratio

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

Contingent Liabilities

As at 31 December 2021, the Group did not have any contingent liabilities (2020: Nil).

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign Exchange Risk

The Group's exposures to currency risk mainly arise from its bank balance of RMB359.7 million (2020: RMB242.9 million) denominated in RMB placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Benefits Policies

The Group had approximately 4,957 employees as at 31 December 2021 compared to 2,154 employees as at 31 December 2020. For the year ended 31 December 2021, the Group's total staff costs were approximately RMB277.2 million (2020: RMB116.5 million). The remuneration package of the employees included salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of the employees, a monthly social insurance fund covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, the housing provident fund, or other mandatory provident fund schemes on behalf of the employees. The Group hosted comprehensive internal staff training programmes for its staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. The Group provided orientation training to new hires and introduce them to the Group's corporate culture to understand its service standards and procedures. The Group also provided training courses and regular seminars on various aspects of its business operations, such as quality control and customer relationship management, to the Group's employees. The Group had also adopted a share option scheme, details of which are set out in note 25 to the consolidated financial statements in this annual report.

Biography of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Wang Wenhao (王文浩), aged 43, was appointed as executive Director, general manager and Chief Executive Officer of the Company on 13 February 2019. Mr. Wang is responsible for overseeing the daily operations of the Group.

Mr. Wang has over 19 years' of experience in property management. Prior to joining the Group, from May 2002 to May 2005, Mr. Wang served as assistant to the director of management department and customer service manager of Shenzhen Jindi Property Management Co., Ltd. (深圳市金地物業管理有限公司). From June 2005 to May 2007, Mr. Wang worked as a project manager of Beijing Angang Property Services Limited Company (北京安港物業服務有限公司) and was mainly responsible for providing pre-project property services as well as formulating project management plans and operation manuals. Mr. Wang was general manager of Beijing Hevol Property Services Company Limited (北京和泓物業服務有限公司) ("**Beijing Hevol Property Services**") from May 2007 to April 2018. From September 2015 to April 2018, Mr. Wang also served as a director and the director of the strategic development department of Beijing Hongsheng Investment Co., Ltd. (北京泓升投資有限 任公司).

Mr. Wang completed college-level studies in administrative management at The Open University of China (中央廣播電視大學) in China in July 2013. Mr. Wang was accredited by China State Construction Engineering Corporation (中國建築工程總公司) as an electrical engineer in June 2011.

Ms. Hu Hongfang (胡洪芳), aged 54, was appointed as Director on 9 August 2018 and was redesignated as executive Director and appointed as Chief Financial Officer of the Company on 13 February 2019. Ms. Hu is responsible for the overall strategic planning, business development and financial management of the Group.

Prior to joining the Group, Ms. Hu served as assistant accountant of the Xuzhou West Station of the Jinan Bureau of the Ministry of Railways (鐵道部濟南局徐州鐵路西站) from August 1992 to March 2003. She was the manager of the finance department and accountant of the Xuzhou Railway Advertisement and Decoration Information Networks Co. Ltd. (徐州鐵路廣告裝飾信息網絡有限公司) from April 2003 to November 2005. From December 2005 to May 2007, Ms. Hu served as the deputy general manager and chief financial officer of Chongqing Qishan Shiye Co., Ltd. (重慶祺山實業有限公司). Ms. Hu has been serving as the executive director and general manager of Chongqing Hevol Property Services Company Limited (重慶和泓物業服務有限公司) since June 2007. Ms. Hu has also served as the chairman of Guizhou Furuiying Information Consultancy Limited (貴州福瑞盈信息諮詢有限公司) ("**Guizhou WFOE**") since September 2018, as a director of Hevol Group Limited and as a director and chairman of the board of Guizhou Hevol Abundance Property Management Limited (貴州和泓豐盈物業管理有限公司) ("**Hevol Abundance**") since August 2018.

Ms. Hu obtained a bachelor's degree in accounting from East China Jiaotong University (華東交通大學) in China in July 1991. Ms. Hu was accredited as an accountant by Ministry of Finance of the PRC in May 1996.

NON-EXECUTIVE DIRECTORS

Mr. Liu Jiang (劉江), aged 54, is the founder of the Group. He was appointed as Director on 28 May 2018 and was redesignated as non-executive Director and the Chairman of the Board on 13 February 2019. Mr. Liu is responsible for the provision of guidance for the overall development of the Group. Mr. Liu is the Chairman of the nomination committee of the Board.

Mr. Liu has over 26 years' of experience in property development and management. From February 1995 to March 2001, Mr. Liu worked in Beijing Longyang Real Estate Development Co., Ltd. (北京龍洋房地產開發有限公司) as deputy general manager. Mr. Liu has been serving as the chairman of Hevol Holding Group Limited (和泓控股集團有限公司) ("**Hevol Investment**") since March 2001. Mr. Liu was the chairman of Beijing Hongsheng Investment Limited ("**Beijing Hongsheng**") from September 2015 to December 2017. Mr. Liu is also the founder and controlling shareholder of Hevol Real Estate Group.

Mr. Liu has been a non-executive director of Ourgame International Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 6899), since March 2015.

Mr. Liu obtained a bachelor's degree in accounting from East China Jiao Tong University (華東交通大學) in China in July 1991.

Mr. Zhou Wei (周煒), aged 48, was appointed as non-executive Director on 13 February 2019. Mr. Zhou is responsible for the provision of guidance for the overall development of the Group.

Prior to joining Hevol Real Estate Group in 2003, Mr. Zhou took up different positions in different design and architecture institution or companies. Mr. Zhou served as the general manager in the research and development centre of Hevol Real Estate Group Limited (和泓置地集團有限公司) ("**Hevol Real Estate**") from August 2003 to September 2015. Mr. Zhou served as the director of Beijing Hongsheng from September 2015 to April 2019 and has served as the vice president of Hevol Real Estate since April 2018. Mr. Zhou has served as director and general manager of Hevol Abundance since July 2018, and as director and general manager of Guizhou WFOE since September 2018.

Mr. Zhou obtained a bachelor's degree in architecture from the North China University of Technology (北方工業大學) in China in July 1995.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Qian Hongji (錢紅驥), aged 47, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is a member of the audit committee, nomination committee and remuneration committee of the Board.

From May 1999 to May 2004, Mr. Qian was a lawyer and a partner of Beijing Fenglian Licheng Law Firm (北京豐聯立成律師事務所). From May 2005 to present, Mr. Qian has worked at Beijing Dacheng Law Firm (北京大成律師事務所) as senior partner and global director.

Mr. Qian has been an independent non-executive director of China Biotech Services Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8037), since March 2018.

Mr. Qian obtained a bachelor's degree in law from China Youth University of Political Studies (中國青年政治學院) in China in July 1998 and a master's degree in law from Peking University in China in January 2009. Mr. Qian is a practising PRC lawyer.

Mr. Fan Chi Chiu (范智超), aged 36, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is the chairman of the audit committee.

Mr. Fan has over 13 years' of experience in accounting and corporate finance. Mr. Fan worked as a senior auditor of PricewaterhouseCoopers from October 2007 to June 2011 and an analyst in Barclays Investment Bank from July 2011 to February 2014. Mr. Fan was a finance director of Vantasia Holdings (H.K.) Limited from April 2014 to March 2015. Mr. Fan joined ELL Environment Holdings Limited, the shares of which are listed on the Stock Exchange (stock code 1395), in April 2015 as the financial controller and was the chief financial officer from June 2015 to September 2021. He was an executive director of Grace Wine Holdings Limited, the shares of which are listed on the Stock Exchange (stock code: 8146), from July 2017 to September 2021. He has been acting as a Chief Investment Officer of AB Builders Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1615), since November 2021. He has also been acting as an independent non-executive director of (a) Shinelong Automotive Lightweight Application Limited, the shares of which are listed on the Stock Exchange (stock code: 1930), since June 2019; and (b) Weihai City Commercial Bank Co., Ltd., the shares of which are listed on the Stock Exchange (stock code: 9677), since June 2020.

Mr. Fan obtained his bachelor's degree in professional accountancy from the Chinese University of Hong Kong in December 2007. Mr. Fan was accredited as a certified public accountant by the Hong Kong Institute of Certified Public Accountants in January 2011.

Dr. Chen Lei (陳磊), aged 49, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is a member of the audit committee and the remuneration committee.

Dr. Chen has over 12 years' of experience in accounting and management studies. He has been teaching at the Guanghua School of Management of Peking University since July 2008 and he is currently an associate professor of Accounting at the Guanghua School of Management, Peking University. Dr. Chen also serves as an associate editor for China Management Accounting Review (中國管理會計).

Dr. Chen had been an independent non-executive director of (a) Dawning Information Industry Co., Ltd. (曙光信息產業股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 603019), since May 2015; (b) Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601006), since May 2017; and (c) Dong Yi Ri Sheng Home Decoration Group Co.,Ltd. (東易日盛家居裝飾集團股份有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002713), since August 2017. He acted as an independent non-executive director of (a) Beijing Dabeinong Technology Group Co., Ltd. (北京大北農科技集團有限公司), the shares of which are listed on the Shenzhen Stock Exchange (stock code: 002385), from December 2013 to February 2020; and (b) HuaDian Heavy Industries Co., Ltd. (華電重工股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 601226), from June 2017 to February 2020.

Dr. Chen obtained his bachelor's degree in international finance from Tsinghua University in China in July 1996. He also obtained his master's degree in business from Indiana University in the United States in September 1999 and doctor of philosophy in management science from the University of Texas at Dallas in August 2004. He was awarded the completion certificate for training in senior management of listed companies by the Shenzhen Stock Exchange in May 2012.

Dr. Li Yongrui (李永瑞), aged 52, was appointed as an independent non-executive Director on 14 June 2019. He is responsible for supervising and providing independent judgement to the Board. He is the chairman of the remuneration committee and a member of the nomination committee of the Board.

Dr. Li is currently an associate professor in School of Government Management of Beijing Normal University (北京師範大學). Dr. Li has been a lecturer in management studies in Beijing Normal University (北京師範大學) since July 2003 and an associate professor of Beijing Normal University (北京師範大學) since June 2005.

Dr. Li obtained his bachelor's degree in science from Guizhou Normal University (貴州師範大學) in China in July 1991 and master's degree in sport pedagogy from Liaoning Normal University (遼寧師範大學) in China in July 1997. Dr. Li graduated from Beijing Sport University (北京體育大學) in China with a doctor's degree in education in July 2001 and he was a psychology postdoctoral researcher at Beijing Normal University (北京師範大學) in China from July 2001 to July 2003.

SENIOR MANAGEMENT

Mr. Li Pengfei (李鵬飛), aged 47, was appointed as deputy general manager of the Company on 13 July 2021. Mr. Li is responsible for the daily operation of the Group.

Prior to joining the Group, Mr. Li served as a director of marketing planning division of Hevol Real Estate Group from September 2003 to July 2015. From July 2015 to December 2019, Mr. Li worked as the President of Beijing Shequbanjing Information Technology Co., Ltd.* (北京社區半徑信息技術有限公司). Since January 2020, Mr. Li has served as the general manager of the Group's companies in Shanghai region.

Mr. Li obtained his Executive Master of Business Administration in Northwest University in China in December 2017.

COMPANY SECRETARY

Mr. Lee Lap Keung (李立強), aged 39, was appointed as company secretary of the Company on 13 February 2019.

Mr. Lee worked at BDO Limited from September 2008 to February 2011 and his last position was senior auditor. From February 2011 to January 2012, Mr. Lee worked at Ernst & Young and his last position was senior auditor. Mr. Lee worked as an auditor at Mazars CPA Limited from March 2012 to May 2015 and his last position was assistant manager. From February 2017 to May 2017, Mr. Lee served as a compliance officer at Jimei Securities Limited. From June 2015 to August 2017, Mr. Lee worked at Starlight Culture Entertainment Group Limited, the shares of which are listed on the Stock Exchange (stock code: 1159), as a senior internal audit manager. Mr. Lee has been serving as an independent non-executive director of Palinda Group Holdings Limited (百利達集團控股有限公司), the shares of which are listed on the Stock Exchange (Stock code: 8179), since 22 February 2019.

Mr. Lee obtained his bachelor's degree in accounting from the City University of Hong Kong in November 2008. Mr. Lee qualified as a Hong Kong Certified Public Accountant by the Hong Kong Institute of Certified Public Accountants in July 2012.

Corporate Governance Report

The board of directors (the "**Board**") of Hevol Services Group Co. Limited ("**Hevol Services**" or the "**Company**", together with its subsidiaries, the "**Group**") is committed to maintaining high corporate governance standards.

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

During the year ended 31 December 2021, the Company has adopted and complied with the principles and code provisions set out in the Corporate Governance Code ("**CG Code**") in Appendix 14 to the Listing Rules.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its codes of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**").

The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2021 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

BOARD OF DIRECTORS

The Board oversees the Group's businesses, strategic decisions and performance and should take decisions objectively in the best interests of the Company.

The Board should regularly review the contribution required from a Director to perform his/her responsibilities to the Company, and whether the Director is spending sufficient time performing them.

The Board assumes responsibility for leadership and control of the Company and is collectively responsible for directing and supervising the Company's affairs. The Board is fully responsible for the formulation of business policies and strategies in relation to the business operation of the Group, including dividend policy and risk management strategies. The management is delegated the authority and responsibilities by the Board for the day-to-day management and operation of the Group.

During the year ended 31 December 2021, the Company arranged for appropriate cover on Directors' and senior management' liability insurance policy to indemnify the Directors and senior management for liabilities arising from the corporate activities. The coverage and the amount insured under such policy are reviewed annually by the Company. No legal actions were made against any of the Directors in relation to their duties performed for the Company during the year.

BOARD COMPOSITION

As at 31 December 2021, the Board comprised eight Directors, consisting of two executive Directors, two non-executive Directors and four independent non-executive Directors.

During the year ended 31 December 2021, the Board comprises the following Directors:

Executive Directors

Mr. Wang Wenhao *(Chief Executive Officer)*
Ms. Hu Hongfang

Non-executive Director

Mr. Liu Jiang *(Chairman)*
Mr. Zhou Wei

Independent Non-executive Directors

Mr. Fan Chi Chiu
Mr. Qian Hongji
Dr. Chen Lei
Dr. Li Yongrui

Biographical details of the Directors and the senior management of the Company are disclosed in the section headed "Biography of Directors and Senior Management" of this annual report. Save as disclosed in such section, to the best knowledge of the Company, there are no other relationships (including financial, business, family or other material relationships) among the Directors and senior management of the Company.

During the year ended 31 December 2021, the Board had met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors (among which, at least one independent non-executive Director shall possess appropriate professional qualifications or accounting or related financial management expertise).

The Company has also met Rule 3.10A of the Listing Rules regarding the appointment of independent non-executive Directors representing at least one-third of the Board.

For the year ended 31 December 2021, the company secretary of the Company confirmed that he had received not less than 15 hours of relevant professional training to update his knowledge and skills.

Independent Non-Executive Directors

The independent non-executive Directors play a significant role in the Board by virtue of their independent judgement and their views carry significant weight in the Board's decision. They bring an impartial view on the Company's strategies, performance and control.

All independent non-executive Directors possess extensive academic, professional and industry expertise and management experience and have provided their professional advice to the Board.

The Board also considers that the independent non-executive Directors can provide independent advice on the Company's business strategies, results and management so as to safeguard the interests of the Company and the Shareholders.

The Company has received an annual confirmation of independence from each independent non-executive Director pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors to be independent in accordance with the independence guidelines set out in the Listing Rules.

TRAINING AND SUPPORT FOR DIRECTORS

The Company has established procedures for training and development of Directors. Newly appointed Directors will be provided with comprehensive, formal and tailored induction on the first occasion of his/her appointment and, subsequently, necessary briefing and professional development so as to ensure the Directors have adequate understanding and strengthen their awareness of the business and operation of the Group, their responsibilities and obligations under the statutory and common law, the Listing Rules, laws and other regulatory requirements and governance policies, enable the Directors to discharge their duties properly. The company secretary maintains proper records of training attended by the Directors.

During the year ended 31 December 2021, the summary of training received by the Directors is as follows:

Directors	Type of trainings(1)
Mr. Liu Jiang *(Chairman)*	A/B
Mr. Wang Wenhao *(Chief Executive Officer)*	A/B
Ms. Hu Hongfang	A/B
Mr. Zhou Wei	A/B
Dr. Chen Lei	A/B
Dr. Li Yongrui	A/B
Mr. Fan Chi Chiu	A/B
Mr. Qian Hongji	A/B

Notes:

(1) A: attending seminars and/or conferences relevant to the Directors' duties and responsibilities or corporate governance.

B: reading materials relating to Directors' duties and responsibilities or corporate governance or regulatory updates.

BOARD MEETINGS

The Board and board committees (the "**Board Committees**") meets regularly to discuss and formulate the overall strategy as well as the operation and financial performance of the Group. Directors may participate either in person or through electronic means of communications.

Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend regular meetings and discuss the matters on the agenda.

For other Board and Board Committees meetings, reasonable notices will be given. The agenda and accompanying Board papers are dispatched to the Directors or Board Committees members at least three days before the meetings to ensure that they have sufficient time to review the papers and be adequately prepared for the meetings. When any Directors or Board Committees 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 prior to the meeting. Minutes of meetings are kept by the company secretary with copies circulated to all Directors for information and records.

Minutes of the Board meetings and Board Committees meetings are recorded in sufficient detail including the matters considered by the Board and the Board Committees and the decisions reached, and any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committees meeting are sent to the Directors for consideration within a reasonable time after the date on which the meeting was held. The minutes of the Board meetings are open for inspection by Directors.

During the year ended 31 December 2021, the Directors have made active contribution to the affairs of the Group and six Board meetings were held to consider, among other things, various transactions contemplated by the Group and to review and approve the interim and annual results of the Group.

The Company's memorandum and articles of association contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at the meetings for approving transactions in which such Directors or any of their associates have a material interest.

As at the date of this annual report, it is considered that the Directors are well acknowledged to the business and the operation of the Group.

ATTENDANCE RECORDS OF THE DIRECTORS

During the year ended 31 December 2021, six Board meetings and one general meeting were held. Information regarding the attendance of Board meetings by individual Directors is as follows:

Name of members of the Board/ the Board Committees	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meetings
	Attendance/Number of meetings held				
Executive Directors:					
Mr. Wang Wenhao *(Chief Executive Officer)*	6/6	N/A	N/A	N/A	1/1
Ms. Hu Hongfang	6/6	N/A	N/A	N/A	1/1
Non-executive Directors:					
Mr. Liu Jiang *(Chairman)*	6/6	N/A	N/A	1/1	1/1
Mr. Zhou Wei	6/6	N/A	N/A	N/A	1/1
Independent Non-executive Directors:					
Dr. Chen Lei	6/6	3/3	1/1	N/A	1/1
Dr. Li Yongrui	6/6	N/A	1/1	1/1	1/1
Mr. Fan Chi Chiu	6/6	3/3	N/A	N/A	1/1
Mr. Qian Hongji	6/6	3/3	1/1	1/1	1/1

Other than regular meetings, the Chairman has also met with non-executive Directors (including independent non-executive Directors) without the presence of executive Directors, to facilitate an open discussion among the non-executive Directors on issues relating to the Group.

Independent non-executive Directors who have no material interest in the transaction would be present at such Board meeting. The Board procedures are in compliance with the articles of associations of the Company (the "**Articles**"), as well as relevant rules and regulations. For the year ended 31 December 2021, there were no significant changes to the Articles.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr. Liu Jiang ("**Mr. Liu**") is the Chairman and Mr. Wang Wenhao ("**Mr. Wang**") is the Chief Executive Officer of the Company. The roles of the Chairman and Chief Executive Officer are segregated. Mr. Liu and Mr. Wang are not connected in any respect. The Chairman provides leadership for the Board and ensures that there is clear division of responsibilities at the Board level. The Chief Executive Officer is responsible for overseeing the day-to-day management of the Company, supervising the businesses of the Group and ensuring that Board Committees work smoothly and effectively.

DELEGATION BY THE BOARD

The Board reserves its right to decide all major matters of the Company, including approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense and are encouraged to access and consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board recognises that corporate governance should be the collective responsibility of the Directors and their corporate governance functions include:

(a) to review and monitor the Company's policies and practices on compliance with laws and regulatory requirements;

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

(c) to develop, review and monitor the code of conduct and compliance manuals applicable to the employees and Directors;

(d) to develop and review the Company's policies and practices on corporate governance and offer proposals and report relevant matters to the Board;

(e) to review the Company's compliance with the corporate governance rules and disclosure in its corporate governance reports; and

(f) to review and monitor the Company's compliance with its whistle-blowing policy.

The corporate governance report has been reviewed by the Board in the discharge of its corporate governance function.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company with an initial term of three years effective from 12 July 2019 (the "**Listing Date**"). The respective executive Directors or the Company may terminate the contract by serving not less than three months' written notice to the other party.

Each of the non-executive Directors and independent non-executive Directors has signed a letter of appointment with the Company with a term of three years commencing from the Listing Date. In accordance with their respective letters of appointment, each of the independent non-executive Directors is entitled to receive a fixed amount of director's emoluments while the non-executive Directors shall not receive any remuneration.

Except for those disclosed above, none of the Directors has entered into any service contracts with any members of the Group, excluding the contracts expiring within a year or may be terminated by the employers without paying any compensation (legal compensations excluded).

In accordance with the Articles, one-third of the Directors (or the nearest number but no less than one-third of the Directors, if the number of Directors is not a multiple of three (3)) are subject to retirement by rotation at each annual general meeting and each Director shall retire by rotation at least once every three years at an annual general meeting. Any Director newly appointed by the Board to fill a causal vacancy of the Board or serve as a new Director shall submit himself/herself for election by Shareholders at the next general meeting after appointment.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles. The Nomination Committee is responsible for reviewing the Board composition and offering proposals regarding the appointment, re-election and succession plans of Directors to the Board

BOARD COMMITTEES

As part of good corporate governance, the Board has set up a Remuneration Committee, an Audit Committee and a Nomination Committee for overseeing particular aspects of the Company's affairs. Each Committee has its own specific delegated authorities and operates within defined written terms of reference, which are posted on the websites of the Stock Exchange and the Company. All the Board Committees should report to the Board on their decisions or recommendations made.

AUDIT COMMITTEE

The Audit Committee currently comprises three independent non-executive Directors, namely Mr. Fan Chi Chiu, who acts as the chairman, Dr. Chen Lei and Mr. Qian Hongji.

The duties of the Audit Committee include, inter alia, reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board in fulfilling its responsibility over the audit; making recommendations to the Board on the appointment, re-appointment and removal of the external auditor; and reviewing the Company's financial control, risk management and internal control systems. The Audit Committee should meet at least twice a year to discuss and review the financial information, the risk management and internal control systems and relevant matters. The proceedings of the Audit Committee meetings are the same as that of the Board meetings. The terms of reference of the Audit Committee are currently available on the websites of the Stock Exchange and the Company.

During the year ended 31 December 2021, the Audit Committee had reviewed the audit planning memorandums, the interim results as at 30 June 2021, financial reporting and compliance procedures, compliance and internal control report, risk management and internal control system, the remuneration of external auditors, the adequacy of resources, qualifications and experience of the employees of the Group's accounting and financial reporting function department, and their training plans and budget.

The Company's annual results announcement and annual report for the year ended 31 December 2021 have been reviewed by the Audit Committee.

The Audit Committee held three meetings for the year ended 31 December 2021 and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

AUDITOR'S REMUNERATION

During the year ended 31 December 2021, the total fee paid/payable in respect of audit and non-audit services provided by the Group's external auditor, is set out below:

Category of services	Fee paid/ payable *RMB'000*
Audit services	2,400
Non-audit services	1,602
Total	4,002

REMUNERATION COMMITTEE

The Remuneration Committee currently comprises three independent non-executive Directors, namely Dr. Li Yongrui, who acts as the chairman, Dr. Chen Lei and Mr. Qian Hongji.

The responsibilities and authorities of the Remuneration Committee are clearly defined by its terms of reference, the principal duties of which include:

(i) making recommendations to the Board on the Company's policy and structure for the remuneration of all the Directors and senior management of the Company and on the establishment of a formal and transparent procedure for developing remuneration policy;

(ii) reviewing and approving the management's remuneration proposals with reference to the corporate goals and objectives resolved by the Board from time to time;

(iii) making recommendations to the Board on the remuneration packages of executive Directors and senior management, including benefits in kind, pension rights compensation payments, including any compensation payable for loss or termination of their office or appointment;

(iv) making recommendations to the Board on the remuneration of non-executive Directors;

(v) considering factors such as the level of remuneration paid by comparable companies, the time commitment and responsibilities of directors and senior management, and the employment conditions of the Company and its subsidiaries and consolidated affiliated entities;

(vi) considering the level of remuneration required to attract and retain directors to manage the Company successfully;

(vii) ensuring that no Director or any of his or her associates is involved in deciding his or her own remuneration. For the avoidance of doubt, members of the Committee must not be involved in deciding his or her own remuneration;

(viii) reviewing and approving compensation payments and arrangements to Directors and senior management of the Company for loss or termination of their office or appointment, or dismissal or removal for misconduct and to assess whether the proposed payments or arrangements are fair, not excessive, reasonable, consistent with the relevant contractual terms, or otherwise appropriate; and

(ix) advising shareholders of the Company on how to vote in respect of any service contracts of directors that require shareholders' approval in accordance with the Listing Rules.

The Board together with the Remuneration Committee monitors the performance of the executive Directors and the senior management. Such division of responsibilities ensures a balance of power. The Remuneration Committee shall meet at any time when necessary. The terms of reference of the Remuneration Committee are currently available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held one meeting for the year ended 31 December 2021 and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has established a formal and transparent procedure for formulating policies on remuneration of Directors and senior management of the Group. Details of the remuneration of each of the Directors for the year ended 31 December 2021 are set out in note 11(a) to the consolidated financial statements in this annual report.

Details of the 5 individuals with the highest emoluments (including Directors, senior management and employees of the Group) are set out in note 11(b) to the consolidated financial statements in this annual report.

NOMINATION COMMITTEE

The Nomination Committee currently comprises three members, including one non-executive Director, namely Mr. Liu, who acts as the chairman, and two independent non-executive Directors, namely Dr. Li Yongrui and Mr. Qian Hongji.

The main duties of the Nomination Committee include, inter alia, reviewing the structure, size and composition of the Board, identifying individuals suitably qualified to become Board members, assessing the independence of independent non-executive Directors and making recommendations to the Board on the appointment and removal of Directors. The terms of reference of the Nomination Committee are currently available on the websites of the Stock Exchange and the Company.

The Nomination Committee held one meeting for the year ended 31 December 2021 and the attendance of each member is listed under the section headed "Attendance Records of the Directors" above on a named basis.

The Nomination Committee was primarily responsible for the following duties:

(i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and to make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(ii) developing the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship;

(iii) identifying individuals who are suitably qualified to become a member of the Board and to select or make recommendations to the Board on the selection of individuals nominated for directorships;

(iv) assessing the independence of independent non-executive directors; and

(v) making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular, the Chairman and the chief executive of the Company.

BOARD DIVERSITY POLICY

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

Nominations and Appointments

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

Measurable Objectives

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

Policy Statement

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

Monitoring and Reporting

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

NOMINATION POLICY

The Nomination Committee has also adopted a nomination policy (the "**Nomination Policy**") which sets out the selection criteria and procedure of nominating, appointing and re-appointing a Director. The selection criteria used in assessing the suitability of a candidate include, inter alia, his/her academic background and professional qualifications, relevant industry experience, character and integrity and whether he/she can contribute to the diversity of the Board underpinned in the Board Diversity Policy. The procedure of appointing and re-appointing a Director is summarised as follows:

– nomination and invitation of suitable candidates by any member of the Nomination Committee or the Board;

– evaluation of the candidate by the Board based on all selection criteria as set out in the Nomination Policy and the Board Diversity Policy;

– performing due diligence in respect of each candidate and making recommendation for the Board's consideration and approval;

– in case of nomination of an independent non-executive Director, assessing the candidate's independence under the relevant Code Provisions and the Listing Rules;

– where nominating an independent non-executive Director for election at general meetings, having due consideration of matters under Code Provision A.5.5;

– in the context of re-appointment of retiring Directors, reviewing the candidate's overall contribution and performance and making recommendations to the Board and/or the shareholders for consideration in connection with his/her re-election at general meetings; and

– convening a meeting of the Board to consider the appointment or re-appointment of the candidate as a Director.

DIRECTORS' RESPONSIBILITY ON THE CONSOLIDATED FINANCIAL STATEMENTS

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

The Board is responsible for presenting a balanced, clear and understandable assessment of annual reports and other disclosures required under the Listing Rules and other regulatory requirements. The management has provided necessary explanation and information to the Board to enable it to make an informed assessment of the financial information and position of the Group presented the Board for approval.

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

DEED OF NON-COMPETITION

Mr. Liu, the ultimate controlling shareholder of the Company (the "**Controlling Shareholder(s)**"), has entered in the Deed of Non-Competition dated 14 June 2019 in favour of the Company to the effect that he will not, and will procure his respective close associates not to, directly or indirectly participate in, or hold any right or interest, or otherwise be involved in any business which may be in competition with the business of the Company, further details of which are set out in the paragraph entitled "Deed of Non-Competition" in the prospectus of the Company dated 27 June 2019.

The Company has received the confirmation from Mr. Liu in respect of his compliance with the terms of the non-competition undertaking for the year ended 31 December 2021. The independent non-executive Directors had reviewed the compliance with and enforcement of the terms of the non-competition undertaking by Mr. Liu for the year ended 31 December 2021.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the Company's risk management and internal control systems and for reviewing their effectiveness. The systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

Procedures have been designed for safeguarding assets against unauthorised use or disposition, the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publications and the compliance of applicable laws, rules and regulations.

Risk Management

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Company has developed and adopted risk management procedures and guidelines with defined authority for implementation by key business processes and office functions. The Board, together with the Audit Committee, should collect the information from the management system, include discussions of risk and oversight of the management of those risks into the agenda of Board meetings.

Internal Audit Function

During the year ended 31 December 2021, the Company has an internal control and compliance department to monitor the daily operation of the Group. The Group has also engaged an external internal control consultant to conduct independent review on specific areas of internal control system for the period from 1 January 2021 to 31 December 2021 on the Group and certain subsidiaries. The scope of review was previously determined and approved by the Audit Committee on behalf of the Board. The internal control consultant has submitted its report of findings and recommendations to the management of the Group. The management of the Group has responded and taken necessary actions and formulated plans to remedy the findings. The Audit Committee has reviewed the report prepared by the internal control consultant. In addition, the Company, through the Audit Committee, has also reviewed the adequacy of resources, qualifications and experience of staff of the accounting and finance department and internal audit department, and their training programmes and budget.

The Directors, through the Audit Committee, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group, at least annually, for the year ended 31 December 2021. After such review, the Board considered that the Company's risk management and internal control system were adequate and effective.

The Company has developed its disclosure policy which provides a general guide to the Company's Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorised access and use of inside information are strictly prohibited.

CHANGE IN CONSTITUTIONAL DOCUMENTS

During the period from 1 January 2021 to 31 December 2021, no amendment was made to the constitutional documents of the Company. A copy of the latest version is available on the websites of the Stock Exchange and the Company.

In order to (i) bring the existing amended and restated memorandum and articles of association of the Company (the "**Existing Articles of Association**") in line with relevant requirements of the Listing Rules (in particular the core standards set out in Appendix 3 thereto) and the laws of the Cayman Islands; and (ii) make other consequential and housekeeping amendments to the Existing Articles of Association, approval is sought from the shareholders of the Company at the forthcoming annual general meeting scheduled to be convened and held on 31 May 2022 to adopt a new amended and restated memorandum and articles of association of the Company (the "**New Articles of Association**"). The proposed adoption of the New Articles of Association is subject to the approval of the shareholders of the Company by way of a special resolution at the forthcoming AGM scheduled to be convened and held on 31 May 2022.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

Communications with Shareholders

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information, which will enable the Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides an opportunity for Shareholders to communicate directly with the Directors. The Chairman and Directors of the Company will attend the annual general meeting to answer Shareholders' questions. The auditor of the Company will also attend the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor independence.

The Company maintains a website at http://www.hevolwy.com.cn/ with information and updates on the Company's business developments and operations, list of Directors and their role and function, constitutional documents, terms of reference of the Board and its committees, procedures for nomination of Directors for election, Shareholder rights and communication policy, corporate governance practices, announcements, circulars and reports released to the Stock Exchange, and other information. Information on the Company's website http://www.hevolwy.com.cn/ will be updated from time to time.

Shareholders' Rights

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue (including election of individual Directors) at general meetings.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each Shareholders' meeting.

Convening of extraordinary general meetings and putting forward proposals

Shareholders may put forward proposals for consideration at the Company's general meetings according to the Articles. Any Shareholder or Shareholders with the right to vote on the Company's general meetings and a paid-up capital of no less than one-tenth of the total on the date of submitting a request shall have the right to call an extraordinary general meetings at any time with such a written request to the Board or the Company's company secretary to address any matters stated in such request. Such meetings shall be held within two months upon submission of such requests. If no such meetings are held by the Board within 21 days upon submission, the persons submitting such requests may convene a meeting according to normal procedures and all expenses reasonably incurred to the persons submitting such requests due to the Board's failure to convene such a general meeting shall be compensated by the Company.

As regards proposing a person for election as a Director, relevant procedures are available on the Company's website.

Inquiries to the Board

The Company has established various and a wide range of communication channels with Shareholders. These include general meetings, annual and interim results, annual reports and interim reports, notices, announcements and circulars. In addition, the Company updates its website from time to time to keep the shareholders updated of the Company's recent development. Shareholders may at any time send their enquiries and concerns to the Board in writing, the contact details of which are contained on the Company's website.

For the avoidance of doubt, Shareholder(s) must provide his/her/their full name(s), contact details and identifications, in the originally signed written requisition, notice or statement (as the case may be), in order to give effect thereto. Information of Shareholder(s) may be disclosed as required by law.

An up-to-date version of the Articles is available on the websites of the Company and the Stock Exchange (www.hkexnews.hk). Shareholders may refer to the Articles for further details of the rights of shareholders.

All resolutions put forward at Shareholders' meetings shall be voted by poll pursuant to the Listing Rules. The poll voting results will be posted on the websites of the Company and the Stock Exchange after each of Shareholders' meeting.

Environmental, Social and Governance Report

ABOUT THIS REPORT

Hevol Services Group Co. Limited ("**Hevol Services**", the "**Company**", together with its subsidiaries, collectively the "**Group**" or "**us**") is pleased to publish its third Environmental, Social and Governance Report ("**this Report**" or "**ESG Report**") to disclose to stakeholders its sustainability policy, management approaches, measures and performance over the past year.

REPORTING SCOPE AND PERIOD

The reporting period of this Report is from 1 January 2021 to 31 December 2021 (the "**Reporting Period**"), which is consistent with the financial year of the Group. Unless otherwise stated, the scope of disclosure in this Report covers our main businesses, i.e. property management services and related value-added services located in the People's Republic of China (the "**PRC**"), and the environmental key performance indicators cover the headquarter of the Group in Beijing, and 83 core property management projects managed by the Group, accounting for approximately 70% of the Group's total revenue. Compared with the scope of the report for the last year, during the Reporting Period, a project in Tianjin was excluded and 72 projects acquired by the Group through acquisition of other property management companies were included in the scope, in order to disclose the Group's key sustainability performance in a more comprehensive way.

BASIS OF PREPARATION

This Report is prepared in compliance with the Environmental, Social and Governance Reporting Guide of Appendix 27 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. According to the guide, the preparation of this Report follows the four principles of "materiality", "quantitative", "balance" and "consistency".

Principles	Definition	Our responses
Materiality	The issues covered in this Report should reflect the significant impacts of the Group on the economy, environment and society, or the scope of assessments and decisions of stakeholders being influenced.	Through engaging with stakeholders as well as considering the Group's business nature and development, material sustainability issues for the Group are identified.
Quantitative	This Report should disclose key performance indicators in a measurable way.	The Group discloses its key environmental and social performance indicators where appropriate.

Principles	Definition	Our responses
Balance	This Report should present all the information of the Group in an objective manner, to evaluate the comprehensive performance of the Group in a reasonable way.	The Group discloses achievements and challenges on identified material issues to fully reflect its sustainability performance.
Consistency	Preparation of this Report should be based on methods consistent with the one(s) used in previous year(s), or this Report should state the revised reporting methods, or illustrate other relevant factors that might affect meaningful comparison.	The reporting scope and reporting method are substantially consistent with those of the prior year(s), and this Report has also disclosed relevant comparative information.

LANGUAGE AND FORM OF THE REPORT

There are Chinese and English versions for this Report. If there is any discrepancy, the Chinese version prevails. An electronic version of this Report is available on the Stock Exchange website (http://www.hkexnews.hk) or our website (http://www.hevolwy.com.cn).

CONFIRMATION AND APPROVAL

This Report was approved by the Board of Directors on 31 March 2022.

FEEDBACK

Valuable opinions from stakeholders are very important for promoting the sustainable development of the Group. If you have any comments on this Report or the Group's sustainable development performance, please email to Hehongfuwu@hevol.com.cn.

ABOUT US

Founded in 2002 and listed on 12 July 2019, Hevol Services Group Co., Ltd. is a leading property service company in the PRC, providing all-round services including property management, consulting, professional training, home decoration, professional management of equipment and facilities, parking services, etc. It also serves as an executive director of China Property Management Institute and a director of Beijing Property Management Association and has the qualification of national first-class property service enterprise. As at 31 December 2021, we managed 195 property management projects in 35 cities in 16 provinces and municipalities with a total contracted GFA area and total GFA under management of approximately 46.1 million sq.m. and approximately 34.0 million sq.m., respectively.

Our Businesses

Property management services

The Group provides a range of property management services to property owners and residents as well as property developers, including security, cleaning, greening, gardening services as well as repair and maintenance services. The Group's property management portfolio focuses on serving residential communities and also involves other types of properties, such as commercial properties, authorities and school etc.

Community value-added services

The Group provides community value-added services to property owners and residents. The Group addresses the lifestyle and daily needs of the property owners and residents to enhance their customer experience, satisfaction and loyalty, as well as to create a healthier and more convenient living community. These services mainly include home-living services, leasing of car parking space and leasing of common facilities.

Value-added services to non-property owners

The Group provides site services, sales assistance services, consulting and planning services, property office set-up services, delivery inspection services, repair services, pre-move-in cleaning services and other services to property developers.

Corporate mission

Serving people with a shared passion

Corporate vision

To become the builder and leader of third-party property service platform in the PRC

Corporate tenet

Quality first, reputation as sincerity

Management-oriented, innovation as wisdom

Core values

Open, innovation and co-creation

Awards and honors in 2021

2021 Top 100 Chinese Property Service Enterprises in respect of Brand Value

2021 Top 20 Chinese Property Service Brand Enterprises in North China

Ranked the 38th among 2021 China Top 100 Property Service Enterprises

Growth Leading Enterprise of 2021 China Top 100 Property Service Enterprises

SUSTAINABILITY GOVERNANCE POLICY

As one of the fastest growing enterprises in the property management industry in the PRC, while promoting brand value and growing industry position, the Group regards sustainable development as our core value. Environmental, Social and Governance ("**ESG**") elements are integrated into our business development through responsible operations to create sustainable value for our stakeholders and contribute to the environment and communities we serve and the wider community.

Sustainability Governance and Supervision by the Board

The Board of the Group assumes full responsibility for the Group's environmental, social and governance strategies and reporting. In order to effectively implement the sustainable development governance, during the Reporting Period, we established a sustainability working group consisting of deputy general managers and representatives from the property management department, the quality management department and the audit and supervision department to effectively implement the sustainability strategy formulated by the Board and regularly report to the Board. The sustainability working group advises and reports to the Board on required matters, including:

- Formulating, implementing and reporting the Group's ESG strategy, management policy, ESG indicators and targets
- Identifying, assessing and managing material ESG related issues (including business risks) and reporting the same to the Board
- Reporting ESG strategies, performance and progress in relation to ESG related targets and indicators
- Supervising, implementing and evaluating ESG related policies, procedures and measures to promote sustainable development
- Inspecting the applicability of sustainability strategies in addressing stakeholders' concerns
- Examining any ESG related violations and non-compliance with applicable laws, rules and regulations
- Reviewing and approving the Group's public reporting/ESG report on its sustainability performance

Sustainability Risk Management

We have formulated a comprehensive Risk Management System to identify and mitigate identified risks, including environmental, social and governance risks, ensure the effectiveness of the Group's risk management and internal control system, inspect the applicability of sustainability strategies in response to corporate and stakeholders' concerns and regularly review the progress and performance of sustainability. In order to ensure the effective implementation of ESG related risk response measures, during the Reporting Period, we conducted ESG related risk assessment, including climate change risks and supply chain ESG risks. We identified the Group's potential ESG risks based on ESG megatrends and issues, peer analysis, collection of opinions from stakeholders and business nature, and prioritize them according to the degree of impact on the Group and possibility of each risk. Subsequently, we will formulate strategies and measures to deal with major ESG risks, regularly evaluate and supervise the effectiveness of the measures, and urge the Board regularly review the effectiveness of existing measures and propose improvement plans when necessary.

ENGAGEMENT OF STAKEHOLDERS

Building strong relationships with stakeholders is the keystone of our strategy for long-term business success. We are committed to maintaining two-way communication with our stakeholders, to constantly understand their opinions and expectations on the Group and help the Group continuously optimize our business and sustainable development policy. We have identified shareholders and investors, property owners and customers, employees, governments, subcontractors and suppliers and local communities as our key stakeholders, and have understood and responded to their concerns through a variety of formal and informal communication channels.

Stakeholder category	Communication methods	Major concerns	Our response channels
Shareholders and investors	– Convene general meeting – Release circulars, interim reports and annual reports – Disclose news of listed companies	– Investment returns and growth – Protect the interests of shareholders and investors – Realize information transparency and efficient communication	– Convene general meetings – Provide investors detailed information on the Group's website – Timely release of circulars, interim and annual reports and notices of meetings

Stakeholder category	Communication methods	Major concerns	Our response channels
Property owners and customers	– One-on-one meetings – Customer communication meetings – Collect feedback from property owners and customers	– High-quality services – Customer service and experience – Privacy – Handle opinions and complaints	– Regularize and standardize services – Set up property management offices with locational convenience – Actively respond to comments and complaints from property owners and customers – Take practical steps to protect customer privacy
Employees	– Various internal communication networks – Workshops	– Salary and benefits – Career development – Equal opportunity – Health and safety of employees	– Establish a sound performance appraisal and compensation and welfare system – Care and welfare activities for staff – Arrange training courses according to employees' professional development needs – Staff mailboxes
Government	– Tax declaration – Report on policy implementation	– Fulfil regulatory compliance requirement – Payment of taxes on time according to laws – Maintain good relationship with the government	– Strictly comply with national laws and regulations – Full payment of taxes on time according to laws – Maintain dialogue with provincial, municipal and district governments, and understand local practices

Stakeholder category	Communication methods	Major concerns	Our response channels
Sub-contractors and suppliers	– Review and evaluate performance of sub-contractors and suppliers – Communication meetings – Information sharing	– Transparent process in selecting sub-contractors and suppliers – Business integrity – Performance of contracts – Resources sharing	– Establish an open and transparent bidding and procurement policy – Regularly assess service quality of sub-contractors and suppliers – Convene meetings with qualified suppliers
Local community	– Organize/participate in community events – Promotional activities through media – Support local development	– Promote local employment development – Community culture and services – Community safety management – Environmental protection	– Organize ad hoc recreational activities in residential communities – Create career opportunities – Promote energy conservation and environmental protection

MATERIALITY ASSESSMENT

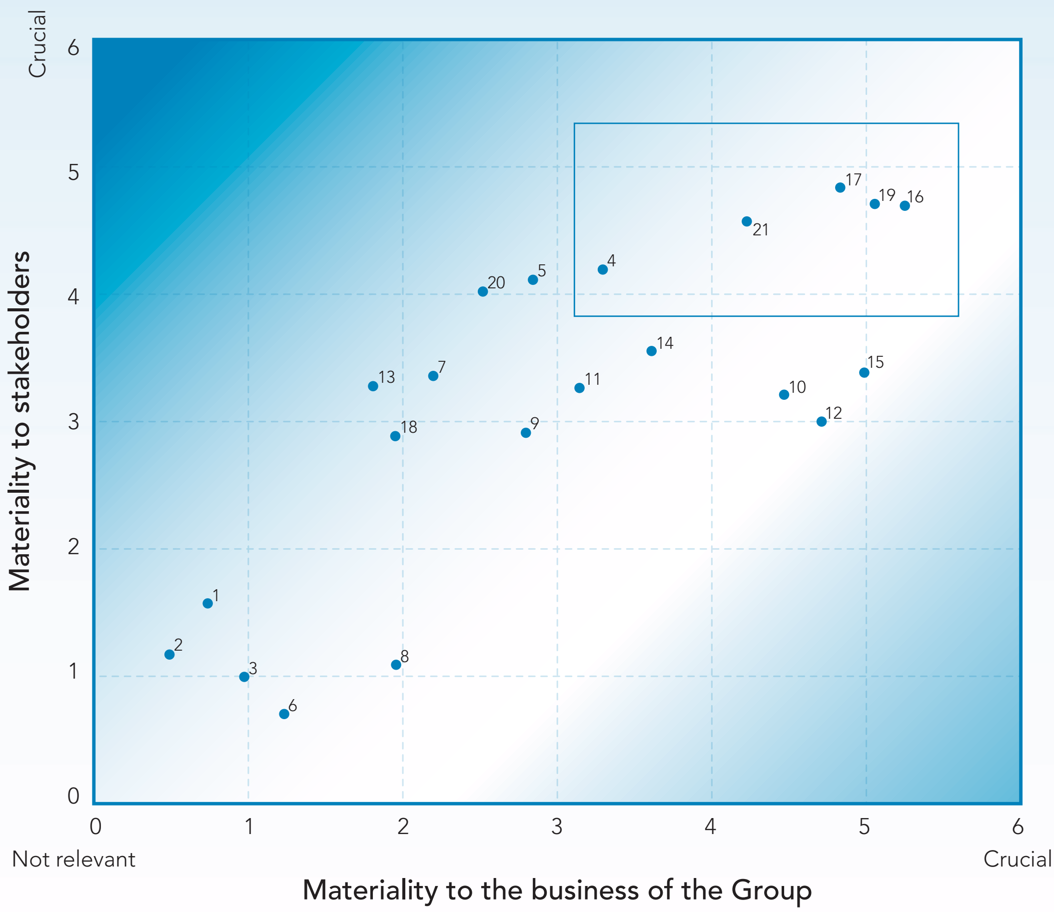
Apart from regular communications with stakeholders outlined above, we have also conducted materiality assessment, to collect opinions from stakeholders and identify environmental, social and governance issues that are material to the Group, so as to effectively manage and disclose material issues in this Report. During the Reporting Period, the process of the materiality assessment is as follows:

1. Identification of potential ESG issues: We have identified 21 ESG issues by integrating the business development strategy of Hevol Services and industry trends based on the disclosure requirements of the Environmental, Social and Governance Reporting Guide. The issues are considered to have an impact on the stakeholders and the business of the Group through our operations.

2. Materiality assessment: Stakeholders are invited for communication and collection of their views to determine the importance of issues to the Group. The management of the Group conducts internal assessment based on the opinions and feedback of stakeholders, and scores the relevance or materiality of each issue.

3. Prioritization: We use the above scoring to plot the materiality matrix to identify the materiality and impacts of the materiality issues on stakeholders and the business of the Group.

Materiality Matrix



No.	Issues	No.	Issues
1	Air pollutants emission	12	Employee development
2	Greenhouse gas emission	13	Prohibition of hiring child and forced labour
3	Waste treatment and recycling	14	Process of selecting and evaluating suppliers
4	Energy consumption	15	Environmental and social risk management of supply chain
5	Water consumption	16	Service quality and safety
6	Paper consumption	17	Customer service and satisfaction
7	Environmental risk management	18	Protection of intellectual property
8	Climate changes	19	Customer data privacy and data security
9	Equal opportunity	20	Anti-corruption and anti-money laundering
10	Employee benefits	21	Community response and public engagement
11	Occupational health and safety		

According to the above materiality matrix, we identified 5 issues, namely energy consumption, service quality and safety, customer service and satisfaction, customer data privacy and data security, and community response and public engagement as key issues, which will be highlighted in this Report.

ENVIRONMENTAL PROTECTION

We have obtained ISO14001:2015 Environmental Management System certification, and are committed to monitoring the environmental performance of our business through rigorous environmental management systems and measures, and identifying and implementing appropriate energy-saving and emission-reduction solutions, in order to minimize the impact of our business on the environment. Adhering to the sustainable development concept of "conservation creates value", we have formulated relevant systems including the Administrative Regulations on Domestic Waste Classification, the Administrative Regulations on Energy Conservation and Consumption Reduction and the Pollutant Control Procedures to guide employees to implement "green office" in daily operations.

The Group is committed to ensuring the environmental compliance of its business, and strictly abides by applicable laws and regulations related to the environment including the Law on the Prevention and Control of Air Pollution of PRC, the Environmental Protection laws of PRC, the Law on the Prevention and Control of Water Pollution of PRC, the Water Law of the PRC, the National List of Hazardous Wastes, the Administrative Measures for Transfer of Hazardous Wastes, and the Law of PRC on the Prevention and Control of Solid Waste Pollution. During the Reporting Period, the Group was not aware of any serious violations of relevant environmental laws and regulations.

Environmental Objectives

In order to effectively reduce emissions and optimize the use of resources, the Group has formulated a series of objectives in terms of greenhouse gas emissions, wastes, energy use and water consumption, and achieved these objectives through various measures.

Indicators	Objectives	Initiatives implemented	Progress during the Reporting Period
Greenhouse gas emissions	Reduce electricity consumption in offices and common areas of the projects	• Adopted zoning control for public lighting system and reduce consumption within reasonable range • Post electricity-saving labels in office areas to strengthen employees' awareness of saving electricity • Prioritized tools which facilitate energy saving and emission reduction in purchasing electronic equipment	In progress
Wastes	Improve measures of waste separation and recycling	• Disused computers, monitors, waste ink cartridges and other garbage are sorted for collection, and are handled by professional institutions for recycling • Office wastes are collected for centralized recycling to reduce the disposal rate of waste	Achieved
Energy use	Raise employees' awareness of energy conservation	• Encouraged employees to switch off lights, air conditioners and office equipment before leaving work • Reduced the use of unnecessary lighting systems in office areas • Post electricity-saving labels in office areas to strengthen employees' concerns for energy conservation and emission reduction	Achieved
Water consumption	Reduce water consumption in offices and common areas of the projects	• Drip and spray irrigation is adopted for property management projects to reduce water consumption • Water saving posters are in place in office areas	In progress

Air and Greenhouse Gas Emissions

The Group's air and greenhouse gas emissions are mainly from fuel consumption, including direct emissions from liquefied petroleum gas used in canteens, natural gas and biodiesel, diesel used by emergency generators, gasoline used by weeders, brush cutters, hedge trimmers, rotary tillers and other equipment, and gasoline used by vehicles, indirect emissions from purchased electricity, and other indirect emissions from commercial aviation.

KPIs*		Unit	2021	2020
Air emissions	Nitrogen oxides	kg	**132.47**	6.84
	Sulfur oxides	kg	**3.58**	0.12
	Particulate matter	kg	**266.54**	3.13
Greenhouse gas emissions	Greenhouse gas emissions (Scope 1)[1]	tonnes of CO_2e	**1,378.84**	50.83
	Reduction of greenhouse gas	tonnes of CO_2e	**1.79**	1.45
	Greenhouse gas emissions (Scope 2)[2]	tonnes of CO_2e	**34,103.44**	10,358.82
	Greenhouse gas emissions (Scope 3)[3]	tonnes of CO_2e	**664.35**	178.74
	Total greenhouse gas emissions	tonnes of CO_2e	**36,146.63**	10,586.93
	Greenhouse gas emissions intensity	tonnes of CO_2e/ million m^2	**1,814.25**	2,507.54

*Note: Due to the changes in the reporting scope, the data for the Reporting Period covers the headquarters in Beijing and 83 projects, therefore it is not possible to conduct direct comparison for the data for the two years.

In order to reduce air and greenhouse gas emissions, we encourage employees to use video conferencing or teleconferencing as much as possible to replace commercial air travel, thereby reducing greenhouse gas emissions caused by air travel, and also encourage them to share vehicles as much as possible to reduce the fuel consumption of vehicles. In addition, we proactively green project communities. Through daily greening management and tree planting activities, we plant holly, sweet-scented osmanthus, hibiscus rosa-sinensis, spider orchids, veronica peregrina and other plants and trees to absorb carbon dioxide emissions in the air and beautify the environment. During the Reporting Period, our green area exceeded 1,000,000 square meters with more than 400,000 plants in total.

Waste

In our daily operations, we mainly generate non-hazardous wastes including household waste, paper, and food waste. In addition, we also generate a small amount of waste light bulbs, ink cartridges, toner cartridges, batteries, medicine containers and other hazardous wastes during the office process. In order to properly dispose of these wastes and avoid negative impacts on the surrounding environment, we will collect wastes separately and hand them over to a qualified third party for cleaning and disposal. Employees are encouraged to recycle waste paper, plastic, metal and other materials as much as possible to reduce the disposal rate of waste. Besides, we also emphasize the principle of paperless office, and advocate employees to use electronic channels for office and communication as much as possible to reduce paper consumption and reduce waste from the source.

KPIs*		Unit	2021	2020
Non-hazardous wastes	Total non-hazardous wastes	tonnes	48.13	8.74
	Non-hazardous waste intensity	tonnes/million m^2	2.42	2.07
	Disposal amount of non-hazardous wastes	tonnes	47.63	N/A
	Recycled amount of non-hazardous wastes	tonnes	0.50	N/A
Hazardous wastes	Total hazardous wastes	tonnes	1.40	N/A
	Hazardous waste intensity	tonnes/million m^2	0.07	N/A

**Note:* Due to the changes in the reporting scope, the data for the Reporting Period covers the headquarters in Beijing and 83 projects, therefore it is not possible to conduct direct comparison for the data for the two years.

Energy

Based on the nature of our business, our energy consumption mainly includes purchased electricity, gasoline used by vehicles, liquefied petroleum gas used in canteens, natural gas and biodiesel, diesel used by emergency generators, and gasoline used by weeders, brush cutters, hedge trimmers, rotary tillers and other equipment.

KPIs*		Unit	2021	2020[1]
Energy consumption	Purchased electricity	MWh	55,898.12	10,855.01
	Natural gas	MWh	166.93	17.30
	Biodiesel	MWh	94.60	70.95
	Liquefied petroleum gas	MWh	112.33	54.92
	Diesel	MWh	100.82	0.70
	Gasoline	MWh	232.50	58.63
	Total energy consumption	MWh	56,605.30	10,986.63
	Energy consumption intensity	MWh/million m^2	2,841.10	2,602.71

Note: Due to the changes in the reporting scope, the data for the Reporting Period covers the headquarters in Beijing and 83 projects, therefore it is not possible to conduct direct comparison for the data for the two years.

In order to optimize energy consumption and improve energy efficiency, we proactively introduce a number of energy-saving measures in projects, including:

- Adopt zoning control for public lighting system to reduce unnecessary lighting system and reduce usage
- Post electricity-saving labels in office areas to strengthen employees' awareness of saving electricity
- Prioritize tools with higher energy efficiency in purchasing electronic equipment
- Encouraged employees to switch off lights, air conditioners and office equipment before leaving work
- Air conditioners in office areas are set according to seasons and climates: 26 degrees Celsius in summer and 22 degrees Celsius in winter
- Employees are encouraged to share vehicles as much as possible to reduce fuel consumption

1 The energy consumption data for 2020 has been adjusted to more accurately reflect the Group's energy consumption.

Water Consumption

The Group consumes municipal water for greening, cleaning and daily office purposes. The water is mainly provided by the municipal pipe network, so we have not encountered any major problems in obtaining suitable water sources.

KPIs*		Unit	2021	2020
Water consumption	Total water consumption	m3	**1,314,001.69**	226,427.34
	Water consumption intensity[2]	m3/million m^2	**67,548.94**	53,635.82

**Note:* Due to the changes in the reporting scope, the data for the Reporting Period covers the headquarters in Beijing and 83 projects, therefore it is not possible to conduct direct comparison for the data for the two years.

Since water resources are becoming increasingly scarce, we proactively seek various water-saving measures to reduce water consumption and improve water use efficiency. We will adjust the frequency and amount of water used for greening and cleaning in a timely manner to reduce overall consumption. At the same time, we will set switches or locks at the water outlets, regularly check and maintain water equipment, and monitor the water consumption in public areas to avoid leakage or waste of water. We have also successively adopted drip and spray irrigation for greening in projects, to reduce water consumption. Moreover, we also put up water saving posters in the office area to remind employees to cherish drinking water.

2 As the water consumption of the headquarters and the three projects of the Group is controlled by the property management company and no independent sub-meters are provided, the water consumption intensity of the headquarters and the three projects of the Group is not included, and the water consumption intensity for 2020 has also been adjusted accordingly.

Climate Changes

Climate changes are becoming increasingly serious. Although we believe that the Group's business has no significant impact on the environment, as a corporate social citizen, we are very concerned about climate changes. Climate changes will lead to rising sea levels, rising global temperatures and more frequent extreme weather events. The Group is committed to addressing climate changes and strictly controls our emissions and resource usage. The management is responsible for overseeing climate change risks and incorporating climate change risks into group-level risk assessments, identifying associated physical and transitional risks, and formulating solutions to mitigate climate changes. During the Reporting Period, we conducted a climate change risk assessment with reference to the Task Force on Climate-related Financial Disclosures (TCFD) framework of the Financial Stability Board. The impacts and the Group's countermeasures are as follows:

	Risk	Impact	Countermeasures
Physical risk	Extreme weather events	The facilities, equipment and environment of properties, such as walls and elevators, are easily damaged due to extreme weather events including typhoons and water logging, thus requiring repairs and maintenance, increasing the cost of repairs and maintenance and preventive measures.	Regular inspections are carried out on facilities involving drainage, power distribution, and public areas, and abnormal situations are dealt with in a timely manner to minimize the risk of damage to equipment and facilities caused by extreme weather. In the event of extreme special weather, timely measures will be taken to protect equipment and facilities in accordance with the Emergency Response Plan.
		Extreme weather events including typhoons and water logging may cause water leakage, resulting in damage to property facilities and equipment. Repairs and maintenance will lead to increased operating costs, increased capital costs or write-off and early retirement of existing assets, and reduced tenant/occupant satisfaction.	Regular inspection and maintenance are conducted for the operation of equipment and facilities, and close attention is paid to changes in water volume.

	Risk	Impact	Countermeasures
Transition risks	Low carbon economy transition	The market demand for low-carbon building materials and measures has increased. In order to meet the market demand, the expenditure on building materials has increased, and the demand for products and services has decreased due to the shift of customer demand.	We have formulated internal policies to standardize supplier selection procedures, and urge suppliers to prioritize low-carbon building materials. Meanwhile, we encourage all projects to take energy-saving and emission-reduction measures, such as replacing traditional lamps with LED lamps or using induction lamps, giving priority to energy-saving equipment, and implementing paperless office.

EMPLOYMENT

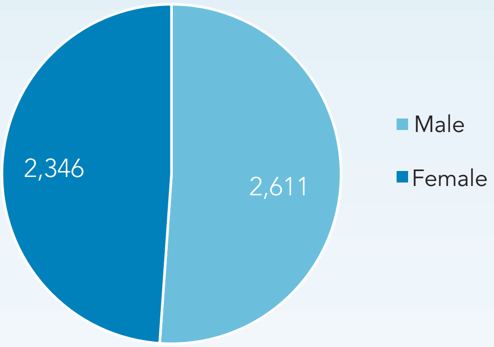
Adhering to the value of "serving people with a shared passion" and the "people-oriented" employment principle, we are committed to creating a harmonious, equal, zero-discrimination and safe working environment for our employees, with a view to moving forward and making continuous progress together with our employees. We strive to comply with applicable laws and regulations related to compensation and dismissal, recruitment and promotion, working hours, vacation, equal opportunity, diversity, anti-discrimination and other treatment and benefits, including but not limited to the Labour Law of the PRC, the Labour Contract Law of the PRC, the Law of the PRC on Promotion of Employment, the Law of the PRC on the Prevention and Control of Occupational Diseases and the Regulations on Prohibition of the Use of Child Labour, etc. and have prepared complete employment-related systems in terms of recruitment, compensation and benefits, career development, training, occupational health and safety to ensure the well-being of employees.

During the Reporting Period, the Group was not aware of major violations of employment-related laws and regulations.

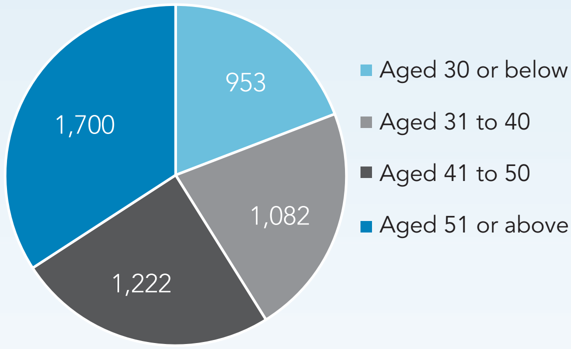
Employment Overview

As at 31 December 2021, the Group employed a total of 4,957 employees, including 4,869 full-time employees and 88 part-time/contracted employees. The number of employees and turnover rates by gender, age, function and region are as follows:

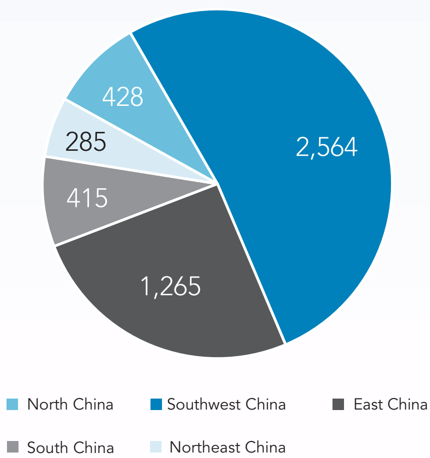
By Gender



By Age Group



By Region



Employee turnover rate	
By gender	
Male	18.72%
Female	27.37%
By region	
North China	27.46%
Southwest China	27.30%
East China	28.33%
South China	41.71%
Northeast China	40.63%
By age group	
Under 30	43.61%
31-40	30.37%
41-50	21.36%
Above 51	25.31%

Recruitment

We regard employees as the most important assets of the Group. In order to build a strong and professional team, we have formulated the Personnel Recruitment Management System of Hevol Services Group to proactively recruit talents. We recruit suitable talents through online recruitment, media recruitment, internal employee competition, job fairs, campus recruitment and other channels. In recruitment, we will conduct background checks and management interviews on candidates. We are committed to offering equal opportunities and treat every employee with the principles of diversity and anti-discrimination at all times in the workplace. To this end, we have formulated the Labour Protection Management System of Hevol Services Group to prevent discrimination or any unfair behavior based on gender, age, marital status, family status, pregnancy, disability, race or religion, etc. to safeguard the rights of employees.

Remuneration and Benefits

We are very concerned about the well-being of our employees, so we have improved the Remuneration and Benefits Management Rules of Hevol Services Group, the Social Insurance and Housing Provident Fund Management Rules of Hevol Services Group and the Attendance and Leaves Management Rules of Hevol Services Group to provide employees with competitive compensation and benefit package to attract and retain the talent for the Group. We pay social insurance and housing provident fund for our employees in accordance with the Social Insurance Law of the PRC. Employees are entitled to statutory holidays and public holidays, as well as sick leave, work injury leave, personal leave, marriage leave, bereavement leave, maternity leave, abortion leave, breastfeeding leave, paid annual leave and other holidays. We also provide health checks for new employees and distribute labour protection supplies to employees to protect their safety and health. In addition, employees can also enjoy overtime pay, meal subsidies, communication subsidies, transportation subsidies, etc. We also hold a variety of employee activities from time to time to strengthen team building and allow employees to balance work and life.

In order to understand the opinions and expectations of employees, so that we can continuously optimize the remuneration and benefit rules, we have established open, transparent and two-way communication channels, including email, discussions, interviews, etc., to earnestly listen to and respond to the needs of employees.

Health and Safety

As a people-oriented enterprise, we are very concerned about the physical and mental health of our employees. We have passed the ISO45001:2018 Occupational Health and Safety management system certification, and established sound occupational health and safety related rules, including the Emergency Response Plan, the Labour Protection Management Rules of Hevol Services Group and the Safety Protection Control Procedures of Hevol Services Group to protect the health and safety of employees. The measures taken by us include:

- Health check-ups for new employees, regular health check-ups for staff susceptible to occupational disease and at special positions, annual gynecological check-ups for female employees and annual heath check-ups for all staff of the Group

- Provision of necessary labour protection equipment including uniforms, gloves, cooling supplies and insect repellent

- Formulation of the Emergency Response Plan to prevent and respond to traffic accidents, casualties, natural disasters, power outages, water outages, explosions, elevator failures and other emergencies according to the severity of the incidents

- Regular identification of hazard risk factors in property projects, including electricity leakage, car accident, heat stroke, fire, etc., and making records and control measures to prevent and reduce the impact of risks

During the Reporting Period, the Group recorded 24 minor work-related injuries, mainly involving sprains, falls, cuts, vehicle accidents, etc., involving a total of approximately 1,523 lost working days due to work-related injuries. The Group paid a total of approximately RMB38,000 for condolences. We also recorded 1 work-related fatality, and there was accumulatively 1 work-related fatality over the past three years (including the Reporting Period).

Development and Training

With the continuous expansion of the Group's business, we must keep abreast of the latest market developments and information and move forward hand in hand with our employees. In view of this, we are committed to improving the career development and training system, to provide employees with sufficient career development opportunities, as well as internal and external training courses, so that they can keep learning and strive for excellence.

Every year, we formulate the Annual Training Plan and the Special Training Plan according to the training needs of employees, the Group's business development strategy and the latest market development, and arrange various training courses covering professional knowledge and skills, management ability, comprehensive quality, and outdoor development training activities to enhance the professional knowledge, skills and personal qualities of employees. During the Reporting Period, we arranged more than 166,000 hours of training courses for our employees and the training ratio of all employees was 100%. The average training hours and training ratios by gender and function are as follows:

	Average training hours per employee	Training ratio
Male	14.61 hours	52.75%
Female	14.92 hours	47.25%
Management	51.16 hours	0.95%
Middle management	61.43 hours	3.49%
Entry-level employees	12.69 hours	95.56%

To encourage the continuous development of our employees, we have established a comprehensive career development system to allow employees to get promotion according to their interests and career development direction. We have an internal promotion mechanism. If there are any vacancies within the Group, priority will be given to promoting existing employees. We will also implement monthly, quarterly and annual performance appraisals through the Performance Appraisal Management Control Procedures to evaluate employees' work performance, work attitude, training, etc. The appraisal results will serve as an important basis for determining promotion opportunities, performance pay and year-end bonuses of employees. We want to motivate employees to make continuous progress through a sound performance appraisal system.

"Hevol Talents" Reserve Management Officer Training Course

We believe that nurturing outstanding talents is crucial to the Group's future development. To this end, we have established the "Hevol Talents" reserve management officer training course to provide fresh graduates with a variety of special training programmes and dual-channel promotion career development opportunities, so that they can equip themselves through on-the-job training, quickly become qualified occupations managers, and further become future leaders of the Group.

Labour Standards

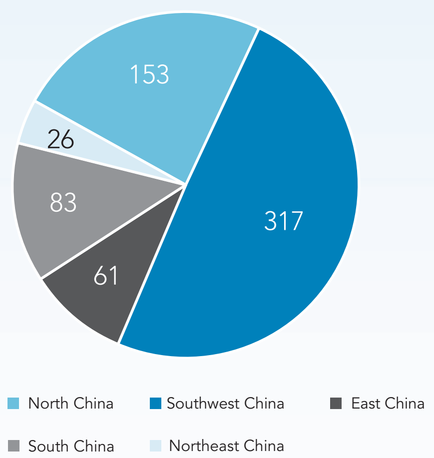
In line with the principle of safeguarding employment rights, we are committed to complying with labour standards, and eliminate child labour and forced labour through a sound human resources system, including the Labour Protection Management Rules of Hevol Services Group, to ensure compliance with the Law of the PRC on the Protection of Minors and the Provisions on the Prohibition of Using Child Labour. In recruitment, employment approval, reporting for duty and other procedures, we will verify the valid identity documents of job applicants to ensure that they have reached legal working age. We formally set out the terms on working hours, leave, overtime compensation and termination in our Employee Code of Conduct and other human resources related rules. We adopt a standard working hour system with 40 hours per week and work from Monday to Friday. If employees need to work overtime, we will provide overtime pay and transportation allowances. If any child labour or forced labour are found in the workplace, we will provide them with appropriate assistance in a timely manner and take countermeasures, including reporting to the relevant labour administration authority and registering minors. We will also review human resources rules and systems to identify vulnerabilities and rectify them in a timely manner to ensure compliance. Furthermore, we have also added requirements on prevention of child labour and forced labour in the supplier management system. If a supplier is found to be involved in related circumstances, we will terminate the cooperative relationship.

During the Reporting Period, the Group was not aware of any child labour or forced labour in the workplace.

SUPPLY CHAIN MANAGEMENT

We are committed to improving supply chain management and want to leverage on our influence to work with suppliers to achieve environmental and social sustainability. Our suppliers mainly include suppliers of subcontracting services such as security, cleaning and construction, as well as suppliers for administrative operations such as office supplies. As at 31 December 2021, the Group had 640 suppliers, all of which are located in mainland China. The distribution by region is as follows:

By region



We proactively manage suppliers' environmental and social risks. When selecting suitable suppliers, we will evaluate suppliers, and the evaluation criteria cover environmental and social elements, including whether they employ employees of legal age. We also pay close attention to environmental protection of our suppliers and respond to the national call on environmental protection. We actively cooperate with suppliers that provide electric vehicle charging equipment, and set up related equipment in the park. In addition, we also cooperate with suppliers of electric equipment for cleaning and greening maintenance to introduce electric hedge trimmers, brush cutters, micro-sprinkler irrigation facilities, etc., to replace the equipment that uses fuel oil, so as to achieve the goal of energy saving and emission reduction.

During the Reporting Period, we conducted a risk assessment on the environmental and social risks of our major suppliers. The Board and management are responsible for monitoring the environmental and social risks of the entire supply chain, reviewing the effectiveness of management measures, and continuously optimizing the risk management rules of suppliers. Based on the risk assessment results, we did not find any suppliers rated as high risk.

We will also implement comprehensive quality management on suppliers through the Procurement Management Control Procedures and the Qualified Supplier Management Control Procedures. When selecting suppliers, we will conduct detailed qualification review and on-site inspection of candidate suppliers to check their qualifications, reputation, work quality, business integrity, safety level, system certification, working environment and other areas. Suppliers that meet the requirements will be included in the List of Qualified Suppliers. We also conduct regular assessments on existing suppliers, including monthly performance assessments and annual comprehensive performance assessments, to ensure that the quality of their products and services meet the Group's requirements.

Monthly assessment on performance of contracts

We monitor suppliers' on-site service performance every month, and evaluate the personnel service quality, public security, personnel management, service attitude, complaints, etc. of suppliers. If the service does not meet standards, we will communicate with the supplier immediately and follow up the improvement.

Annual comprehensive performance assessment

We will arrange assessors to evaluate suppliers every year, to evaluate their on-site quality management, satisfaction level of property owners and customers, team management, safety responsibility and coordination, etc., to decide whether to continue to engage relevant suppliers.

If there is any material quality, safety, security and fire accident of a supplier or the performance rating of the supplier continuously fails to meet standards, we will terminate the partnership and include the supplier on the blacklist. During the Reporting Period, we conducted on-site audits for 297 existing suppliers, representing approximately 46% of the total number of existing suppliers.

PRODUCT RESPONSIBILITY

We are committed to thinking from the perspective of property owners and customers and adhering to the service tenet of "customer first", to provide the best services and offer them a comfortable home. The Group has passed ISO9001:2015 Quality Management System certification, and has formulated comprehensive quality management policies in accordance with its requirements and complied with laws and regulations related to the health and safety of products and services and privacy protection, including but not limited to the Regulation on Realty Management, the Law on Protection of Consumer Rights and Interests of the PRC, etc., to meet the needs of property owners and customers. Due to the nature of business, the Group is not involved in material intellectual property rights and advertising and labelling are not our major concerns. During the Reporting Period, we were not aware of any material violations of laws and regulations related to product responsibility.

Service Quality

We are committed to standardizing our services to give property owners and customers the best experience. Therefore, we have formulated the White Paper on Service Standards of Hevol Services Group to standardize employees' service and hospitality standards, and the Quality Inspection Management Control Procedures for regular quality inspections and evaluations on the services of our projects to ensure that services meet the standards of the Group. If any problems are found, relevant personnel will be required to make rectifications in a timely manner to ensure that the service quality can meet or exceed the expectations of property owners and customers, to improve their satisfaction. Besides, we will regularly conduct the Property Owners and Customers Satisfaction Survey to collect and listen to the opinions of property owners and customers. We will appropriately adopt their opinions to continuously improve the service level.

Safety Management

It is our top priority to ensure the health and safety of property owners and customers. We will regularly inspect and maintain the project equipment and facilities, including fire escapes, fire fighting equipment, and underground spaces, in accordance with the Regulations on Tour Inspection and Examination of Equipment Facilities, to identify potential safety hazards and rectify them immediately. Safety drills must also be conducted for each project on a yearly basis in accordance with the requirements of emergency plan to enhance the safety awareness of relevant personnel.

During the Reporting Period, due to the raging of the COVID-19, property owners and customers will face health and safety risks. We have specially formulated guidelines for epidemic prevention and control, to instruct project personnel to strictly implement the epidemic prevention requirements of government authorities and cooperate with quarantine measures, and provide employees with protective equipment. We distribute necessary supplies to communities that need to be quarantined to ensure the health and safety of property owners and customers to the greatest extent.

Complaint Resolution

In order to continuously improve the quality of our services, we attach great importance to the opinions of our customers. We collect complaints through the customer feedback page on the official website, telephone and email. For complaints, we have formulated the Procedures for Handling Complaints from Property Owners and Customers of Hevol Services Group to standardize the complaint resolution procedures and time limit, and adhere to the principles of "timely and accurate response, honesty and integrity and professional and people-oriented approaches". For general complaints including customer complaints related to construction management, environmental management, customer service and safety management, the quality management department will inform the project leader within one hour upon receipt of such complaint and the project leader shall contact the property owner within one hour and provide a solution within 24 hours. For material or collective complaints, the quality management department will inform the project leader within 48 hours and the project leader shall contact the party involved in a timely manner and propose a solution to solve the problem.

During the Reporting Period, the Group received 453 complaints on products and services, all of which have been resolved in a timely manner.

Privacy Protection

We believe that privacy protection of the information of property owners and customers is important to our long-term relationships. We have formulated the Confidentiality Management Rules and the Regulation on Management of Property Owners' Documents of Hevol Services Group, requiring employees who have access to confidential information to sign a Confidentiality Agreement, and will also sign confidentiality contracts with partners involved in private information, to ensure that the information of property owners and customers are not disclosed to third parties without consent. We will collect property owners' personal information including the property owners' name, phone number, ID card number, address, and copies of certificates when delivering units to them. For the storage and use of such information, we have personnel and authority management. To borrow and use the relevant information is subject to prior approval. We have also established a sound information network security system to manage the confidentiality of information and network system.

In the event of a data leakage accident, we will conduct a timely and comprehensive investigation to understand the source of data leakage and formulate improvement measures to avoid the recurrence of similar incidents. During the Reporting Period, we were not aware of any complaints in relation to privacy breach or leak of customer information.

ANTI-CORRUPTION

The Group adheres to business ethics and integrity in its daily operations, and strictly prohibits all forms of corruption and other violations of laws and regulations, including but not limited to bribery, fraud, extortion and money laundering. To maintain a corporate culture of integrity and compliance, the Group has formulated the comprehensive Corporate Anti-Fraud Rules to guide the audit department in organizing and implementing the Group's anti-fraud work, including setting up whistle-blowing hotlines and e-mails to collect reports and complaints related to professional ethics issues. The Group will investigate relevant incidents in a timely manner, report the findings and follow-up actions to the management, and take appropriate remedial measures to improve corporate governance and prevent recurrence of similar incidents. If investigation results reveal violations of laws and regulations, we will transfer the person involved to the judiciary authorities. In investigation, we will ensure that the identity of the whistleblower and the whistle-blowing content remain confidential.

Our code of conduct for employees also sets out the terms on prohibition of accepting gifts, pursuant to which employees are not allowed to accept benefits, gifts or hospitality from third parties. If the value of such gifts or hospitality is inappropriate, a timely declaration is required.

To promote a corporate culture of integrity, we arrange anti-fraud and integrity ethics training for all new employees during the Reporting Period to ensure their understanding the Company's culture and rules.

During the Reporting Period, we were not aware of any material violations of laws and regulations involving corruption, extortion, fraud and money laundering, including but not limited to the Criminal Law of the PRC, the Anti-Money Laundering Law of the PRC, the Anti-Unfair Competition Law of the PRC and the Company Law of the PRC.

COMMUNITY INVESTMENT

We "take from society and give back to the society". As a corporate citizen, we adhere to the concept of "caring the community and contributing to the society" in vigorous promotion of various community investment projects, and understand the needs of the community by virtue of the influence and resources as a property management service provider, to give back to the community. As such, we have formulated the Regulation on Management of Community Culture Activities of Hevol Services Group, advocating employees of various property management projects to organize and participate in diversified community cultural activities, to strengthen the cohesion of community and establish a harmonious and good community culture. At the same time, we also provide students with internship opportunities to equip them through on-the-job training. During the Reporting Period, we focused on the areas of community culture, environmental protection and vulnerable groups, and invested more than 45,000 hours and mobilized more than 2,000 employees, to make contributions to the society with practical actions.

Community Culture

Adhering to the service tenet of "comprehensive Hevol Services, sincere service at zero distance", all property projects will plan various community activities on different festivals, such as guessing lantern riddles on the Lantern Festival, DIY workshop, rice dumplings making activity during the Dragon Boat Festival, flower delivery activity during the Mother's Day, and handicraft activity during the Children's Day. Residents are invited to participate in the activities, to experience the strong festive atmosphere and shorten the distance between each other. In addition to various cultural and recreational activities, we also organize visits, free clinics, health talks, blood donations and other activities on different festivals to mobilize employees to care for those in need and send them warmth.

"Celebrating the Lunar New Year and Lantern Festival with Lanterns"

On the Lantern Festival, we organize activities for property owners, including guessing lantern riddles, DIY lantern workshop and giving away Lantern Festival lanterns, to create a happy and festive atmosphere.

Free Clinic Service for Residents on the Double Ninth Festival

On the Double Ninth Festival, free clinics are provided in the community to provide health consultation for the elderly in the community, to create a "happy community" and improve the happiness of property owners.

Environmental Protection

It is our responsibility to protect the ecological environment. Under the guidance of the government, we carried out the "Culture and Hygiene" event in the community, to conduct environmental improvement for the community and public facilities and gather the strength of employees and property owners to rectify the environmental sanitation problems in the community, to create a green and beautiful living environment. In addition to the regular environmental improvement, we also hold themed activities from time to time, such as the "Little Red Riding Hood into the Community" activity in the summer vacation, "Arbor Day", "June 1 Children's Fun Games", etc., to lead the children in the community to clean up the waste and plant trees in the community to convey to them the importance of environmental protection.

Caring for Disadvantaged

In order to promote awareness and provide support for disadvantaged groups, during the Reporting Period, we, together with the China Charity Federation, launched the "Love the Community, Public Welfare with You" and the Second Hevol Services and China Charity Federation. "Dedication of love with a piece of paper action" launched the nationwide charity donation activity of "Exchange old clothes with love to keep out the cold", in with clothing donation sites were set up various projects across the country to encourage property owners and the public to donate clothing for the treatment of poor children with congenital heart disease and hydatid disease patients.

REFERENCES TO THE METHOD OF CALCULATION AND EMISSION FACTORS OF ENVIRONMENTAL KEY PERFORMANCE INDICATORS

- Unless otherwise specified, the methods and emission factors used in calculation of environmental key performance indicators set out in the ESG report are determined with reference to "How to prepare an ESG Report? – Appendix II: Reporting Guidance on Environmental KPIs" published by the Hong Kong Stock Exchange.

- The total area of 83 projects under management during the year and the headquarters office of the Group in Beijing is used as the base unit for the consumption intensity of emissions and resources.

- Greenhouse gas emission coefficients refer to the "Pollution Coefficient and Use Instructions for Domestic Sources" issued by the South China Institute of Environmental Sciences of the Ministry of Environmental Protection, "Guidelines for Accounting Methods and Reporting of Greenhouse Gas Emissions by Enterprises in Other Industries" issued by the General Office of the National Development and Reform Commission and EMEP/EEA Air Pollutant Emission Inventory Guidebook published by European Environment Agency.

- The greenhouse gas emission coefficient per unit of electricity consumption for the treatment of freshwater refers to the annual report of Hong Kong Water Supplies Department 2017/18.

- The greenhouse gas emission coefficient per unit of electricity consumption for sewage treatment refers to the Hong Kong Drainage Services Department's Sustainability Report 2019/20.

- The energy consumption conversion coefficient refers to the "Technical Note on Conversion of Fuel Data to MWh" issued by CDP.

- The employee turnover rate is calculated based on the total turnover during the Reporting Period divided by the sum of the headcount and turnover of staff as of 31 December 2021.

INDEX OF ESG REPORTING GUIDE OF THE HONG KONG STOCK EXCHANGE

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
A. Environmental			
Aspect A1: Emissions			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.	Air and Greenhouse Gas Emissions Waste	P. 69-70
KPI A1.1	The types of emissions and respective emissions data.		
KPI A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).		
KPI A1.5	Description of emissions target(s) set and steps taken to achieve them.		
KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.		

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
Aspect A2: Use of Resources			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc.	Energy Water Consumption	P. 71-72
KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (MWh) and intensity (e.g. per unit of production volume, per facility).		
KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).		
KPI A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.		
KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.		
KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	The Group does not use packaging materials for finished products.	N/A
Aspect A3: The Environment and Natural Resources			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Environmental Protection	P. 67-74
KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.		

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
Aspect A4: Climate Change			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Climate Change	P. 73-74
KPI A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.		
B. Social			
Employment and Labour Practices			
Aspect B1: Employment			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.	Employment Overview	P. 75-76
KPI B 1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Employment Overview	P. 75
KPI B1.2	Employee turnover rate by gender, age group and geographical region.	Employment Overview	P. 76

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
Aspect B2: Health and Safety			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.	Health and Safety	P. 77-78
KPI B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.		
KPI B2.2	Lost days due to work injury.		
KPI B2.3	Description of occupational health and safety measures adopted, and how they are implemented and monitored.		
Aspect B3: Development and Training			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Development and Training	P. 78-80
KPI B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).		
KPI B3.2	The average training hours completed per employee by gender and employee category.		

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
Aspect B4: Labour Standards			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Recruitment	P. 76
KPI B4.1	Description of measures to review employment practices to avoid child and forced labour.		
KPI B4.2	Description of steps taken to eliminate such practices when discovered.		
Operating Practices			
Aspect B5: Supply Chain Management			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Supply Chain Management	P. 82-83
KPI B5.1	Number of suppliers by geographical region.		
KPI B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.		
KPI B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.		
KPI B5.4	Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.		

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
Aspect B6: Product Responsibility			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Product Responsibility	P. 84-86
KPI B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	No products of the Group have to be recalled for safety and health reasons.	N/A
KPI B6.2	Number of products and service related complaints received and how they are dealt with.	Complaint Resolution	P. 85
KPI B6.3	Description of practices relating to observing and protecting intellectual property rights.	Due to the nature of business, intellectual property right is not a major concern of the Group.	N/A
KPI B6.4	Description of quality assurance process and recall procedures.	The Group is not involved in product testing and recall.	N/A
KPI B6.5	Description of consumer data protection and privacy policies, and how they are implemented and monitored.	Privacy Protection	P. 86

Subject Areas, Aspects, General Disclosures and KPIs		Section/Statement	Page
Aspect B7: Anti-corruption			
General Disclosure	Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption	P. 86-87
KPI B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.		
KPI B7.2	Description of preventive measures and whistle-blowing procedures, and how they are implemented and monitored.		
KPI B7.3	Description of anti-corruption training provided to directors and staff.		
Community			
Aspect B8: Community Investment			
General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community Investment	P. 87-89
KPI B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).		
KPI B8.2	Resources contributed (e.g. money or time) to the focus area.		

Report of the Directors

The board (the "**Board**") of directors (the "**Directors**") of Hevol Services Group Co. Limited (the "**Company**", together with its subsidiaries, the "**Group**") is pleased to present the annual report of the Company together with the audited consolidated financial statements for the year ended 31 December 2021.

GLOBAL OFFERING

The Company carried out the global offering on 12 July 2019, comprising of 100,000,000 shares at HK$1.28 per share. For details of the relevant use of proceeds, please see the section headed "Proceeds from the Listing" in this annual report.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the PRC.

The activities and particulars of the Company's subsidiaries are set out in note 30 to the consolidated financial statements in this annual report. An analysis of the Group's revenue for the year by principal activities is set out in note 4 to the consolidated financial statements in this annual report.

BUSINESS REVIEW

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

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and equity of the Group for the last five financial years is set out on pages 248 to 250 of this annual report. This summary does not form part of the audited consolidated financial statements.

PROCEEDS FROM THE LISTING

The Company was successfully listed on the main board of the Stock Exchange on 12 July 2019 and issued 100,000,000 new shares. The net proceeds from the listing amounted to approximately HK$75.8 million (equivalent to approximately RMB66.6 million) after deducting share issuance costs, listing expenses and underwriting commissions. As at 31 December 2021, RMB59.8 million, or 89.8%, of the net proceeds from the listing have been utilised. In 2021, the Company will use the proceeds raised from the listing in accordance with its development strategies, market conditions and intended use of such proceeds. Detailed information is set out under "Proceeds from the Listing" in the section headed "Management Discussion and Analysis" in this annual report.

MAJOR SUPPLIERS AND CUSTOMERS

In the year under review, the Group's largest customer, Hevol Real Estate Group Limited ("**Hevol Real Estate**") accounted for approximately 8.3% of the Group's total revenue. The Group's five largest customers accounted for approximately 13.7% of the Group's total revenue. In the year under review, the Group's largest supplier accounted for approximately 1.6% of the Group's total purchase. The Group's five largest suppliers accounted for approximately 4.8% of the Group's total purchase.

Except for the above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Tuesday, 31 May 2022 (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716. 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 pm on Wednesday, 25 May 2022.

RESULTS

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 135 in this annual report.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2021 (for the year ended 31 December 2020: Nil).

DIVIDEND POLICY

Subject to the Companies Act, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands, the Company may declare dividends in any currency through a general meeting but no dividend shall be declared in excess of the amount recommended by the Board. The Articles provide that dividends may be declared and paid out of profit, realised or unrealised, or from any reserve of the Company lawfully available for distribution including share premium.

The declaration of dividends is subject to the discretion of the Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- the Group's general business conditions;
- the Group's financial results;
- the Group's capital requirements;
- interests of the Shareholders; and
- any other factors which the Board may deem relevant.

Future dividend payments to Shareholders will also depend upon the availability of dividends received from the Company's subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from IFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from the Company's subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that the Company or its subsidiaries may enter into in the future.

Any final dividend for a fiscal year will be subject to Shareholders' approval.

SHARE CAPITAL

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

RESERVES AND DISTRIBUTABLE RESERVES

Details of the movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on pages 138 to 139 in this annual report.

As at 31 December 2021, the distributable reserves of the Group amounted to approximately RMB345.9 million (2020: RMB223.4 million).

BORROWINGS

Details of the borrowings of the Group during the year ended 31 December 2021 are set out in note 21 to the consolidated financial statements of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2021 are set out in note 12 to the consolidated financial statements in this annual report.

RETIREMENT BENEFIT SCHEME

The Group is required to participate in the Mandatory Provident Fund in Hong Kong for any employee in Hong Kong and the employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme.

Details of retirement benefit scheme of the Group are set out in note 7 to the consolidated financial statements in this annual report.

During the financial year ended 31 December 2021, no contribution was forfeited (by the Group on behalf of its employees who leave the scheme prior to vesting fully in such contributions) under the retirement benefit schemes in the PRC and in Hong Kong which may be used by the Group to reduce the existing level of contributions as described in paragraph 26(2) of Appendix 16 to the Listing Rules. Accordingly, no forfeited contribution was utilised during the year, and as at 31 December 2021, there was no forfeited contribution available to reduce the Group's existing level of contributions to the retirement benefit schemes (2020: Nil).

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2021, the Group donated HK$ nil (2020: HK$ nil) as charitable contributions.

DIRECTORS

The Board currently consists of the following eight Directors:

Executive Directors

Mr. Wang Wenhao *(Chief Executive Officer)*

Ms. Hu Hongfang *(Chief Financial Officer)*

Non-executive Directors

Mr. Liu Jiang ("**Mr. Liu**") *(Chairman)*

Mr. Zhou Wei

Independent Non-executive Directors

Mr. Qian Hongji

Mr. Fan Chi Chiu

Dr. Chen Lei

Dr. Li Yongrui

In accordance with article 83(3) of the Articles, all Directors shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM. Details of the Directors to be re-elected at the AGM are set out in the circular to the Shareholders dated 29 April 2022.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 32 to 37 in the section headed "Biography of Directors and Senior Management" to this annual report. The Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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

DIRECTORS' SERVICE CONTRACTS

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

Each of the non-executive Directors and the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date, which may be terminated by not less than three months' notice in writing served by either party on the other. The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation other than statutory compensation.

MANAGEMENT CONTRACTS

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

PERMITTED INDEMNITY PROVISION

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

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Board with reference to the recommendation given by the Remuneration Committee, having regard to the Group's operating results, individual performance and comparable market statistics. Details of the Directors' emoluments and emoluments of the highest paid individuals in the Group by band are set out in note 11 to the consolidated financial statements in this annual report.

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

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

HUMAN RESOURCES

The Group had approximately 4,957 employees as at 31 December 2021, as compared to 2,154 employees as at 31 December 2020. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

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

DIRECTORS' AND CHIEF EXECUTIVES' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLING SHARES AND DEBENTURES

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

Long positions in the issued shares

Name of Director	Nature of interest	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Liu [(1)]	Interest in a controlled corporation	286,439,934	51.15%

Notes:

1. The entire issued share capital of Brilliant Brother Group Limited ("**Brilliant Brother**") is held by Mr. Liu. Accordingly, Mr. Liu is deemed to be interested in all the Shares held by Brilliant Brother under the SFO.

Long position in associated corporation

Name of Director	Nature of interest	Associated corporation	Number of ordinary shares held	Approximate percentage of shareholding
Mr. Liu [(1)]	Brilliant Brother	Beneficial owner	1	100.00%

Notes:

1. Brilliant Brother, a company whose entire issued share capital is held by Mr. Liu, is the ultimate holding company of the Company and thus an associated corporation of the Company under the SFO.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company held or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (as defined in Part XV of SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of SFO (including interests and short positions which were taken or deemed to have taken under such provisions of SFO), or which were required, pursuant to Section 352 of SFO, to be entered into the register maintained by the Company, or which were required to be notified to the Company and the Stock Exchange pursuant to Model Code.

SUBSTANTIAL SHAREHOLDERS' INTEREST AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2021, according to the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had long positions of 5% or more in the Shares and underlying Shares which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Interests and long positions in the Shares

Shareholder Name	Capacity	Number of shares held or interested	Approximate percentage of shareholding
Mr. Liu [(1)]	Interest of controlled corporation	286,439,934	51.15%
Brilliant Brother	Beneficial owner	286,439,934	51.15%
Mrs. Liu Hong (劉宏) [(2)]	Interest of spouse	286,439,934	51.15%

Notes:

(1) The entire issued share capital of Brilliant Brother is held by Mr. Liu. Therefore, Mr. Liu is deemed to be interested in the shares held by Brilliant Brother in the Company under the SFO.

(2) By virtue of the SFO, Mrs. Liu Hong (劉宏) is deemed to be interested in the Shares held by her spouse, Mr. Liu, whose interests are disclosed in the above section headed "Directors' and Chief Executives' Interests and Short Position in Shares, Underlying Shares and Debentures of the Company".

Save as disclosed above, as of at 31 December 2021, the Company has not been notified of any other person (other than the Directors or chief executives of the Company) who was recorded in the register of the Company as having an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provision 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.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

Other than disclosed in the section headed "Material Related Party Transactions", in note 28 to the consolidated financial statements in this annual report, no other transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2021.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

Save as disclosed in this annual report, the Company does not have any other disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS

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

CONNECTED TRANSACTIONS

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

Continuing Connected Transactions Fully Exempt from the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

Provision of Consumer Goods and Services

The Group has been providing consumer goods and services such as accommodation and catering services, to Hevol Real Estate, a company owned by Hevol Investment as to 80% and Shanghai Hengjiu Investment Limited (上海恒久投資有限公司), as to 20% and a connected person of the Group, and its subsidiaries from time to time. As the entire equity interest of Hevol Real Estate is ultimately owned by Mr. Liu, the ultimate Controlling Shareholder, Hevol Real Estate and its subsidiaries are associates of Mr. Liu and connected persons of the Group. It is expected that the provision of such consumer goods and services by the Group to Hevol Real Estate and its subsidiaries will continue and constitute continuing connected transaction of the Company under Chapter 14A of the Listing Rules. For such purpose, the Group entered into a framework agreement with Hevol Real Estate on 17 February 2019 for the term from 17 February 2019 to 31 December 2021.

The provision of such consumer goods and services by the Group to Hevol Real Estate and its subsidiaries has been and will be made on comparable terms as those the Group offered to independent third party consumers in the open market and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements pursuant to Rule 14A.97 of the Listing Rules.

Transitional Trademark Licencing Agreement

The trademark used by the Group in the PRC was owned by Hevol Investment. On 30 November 2018, Beijing Hongsheng, the Company's indirect wholly-owned subsidiary, entered into the an agreement with Hevol Investment under which Hevol Investment agreed to transfer the trademark to Beijing Hongsheng at nil consideration (the "**Trademark Transfer Agreement**").

Pursuant to the Trademark Transfer Agreement, pending the completion of the registration of Beijing Hongsheng as the new registered owner of the trademark in the PRC, Hevol Investment granted the Group an exclusive licence for the use of the trademark on a royalty-free basis (the "**Transitional Trademark Licencing Arrangement**"). Such exclusive licence shall be valid until the completion of the registration of Beijing Hongsheng as the registered owner of the trademark in the PRC.

As the entire equity interest of Hevol Investment is ultimately owned by Mr. Liu, the Group's ultimate Controlling Shareholder, Hevol Investment is an associate of Mr. Liu and a connected person of the Company. The transaction under the Transitional Trademark Licencing Arrangement will constitute a continuing connected transaction of the Company under Chapter 14A of the Listing Rules upon Listing.

As the right to use the licence trademarks was granted to the Group on a royalty-free basis under the Trademark Transfer Agreement, such transaction will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Lease Agreements in Relation to Jiaoda Jiayuan (交大嘉園)

Beijing Hevol a wholly-owned subsidiary of the Group and Hevol Real Estate entered into certain operation and management agreements in relation to (i) a clubhouse located at Jiaoda Jiayuan, one of the residential properties developed by Hevol Real Estate Group and managed by the Group, and (ii) the heating facilities in a boiler house, which serves as the heat generator of the collective heating system of Jiaoda Jiayuan, during the period from 15 November each year to 15 March of the following year. Under such agreements, Hevol Real Estate granted Beijing Hevol the right to occupy, operate and manage the clubhouse and the heating facilities and Beijing Hevol has the right to enjoy all the income generated from such properties, including the heating fees received from the residents, the subsidies received from the government for the heating facilities in accordance with the local regulations and policies, as well as the services fees received from the residents for enjoying the facilities in the clubhouse. In return, Beijing Hevol shall pay annual fees to Hevol Real Estate.

The operation and management agreements for the clubhouse and the heating facilities expired on 30 November 2018 and 30 June 2018, respectively. On 29 January 2019, Beijing Hevol and Hevol Real Estate entered into two lease agreements, one for the clubhouse (the "**Clubhouse Lease Agreement**") and one for the heating facilities (the "**Heating Facilities Lease Agreement**"), under which Hevol Real Estate leased the clubhouse and the heating facilities to Beijing Hevol for an annual rent of RMB294,000 and RMB432,000, respectively.

The rights and obligations of both parties are similar to that under the operation and management agreements described above. The Clubhouse Lease Agreement shall be effective from 1 December 2018 to 30 November 2021, while the Heating Facilities Lease Agreement shall be effective from 1 July 2018 to 30 June 2021.

Beijing Hevol and Hevol Real Estate entered into agreements to renew the Clubhouse Lease Agreement (the "**Renewed Clubhouse Lease Agreement**") on 1 December 2021 for a term from 1 December 2021 to 30 November 2024 and Heating Facilities Lease Agreement (the "**Renewed Heating Facilities Lease Agreement**") on 1 July 2021 for a term from 1 July 2021 to 30 June 2024, under which Hevol Real Estate leased the clubhouse and the heating facilities to Beijing Hevol for an annual rent of RMB294,000 and RMB432,000, respectively. The rights and obligations of both parties are similar to that under the operation and management agreements described above.

As Hevol Real Estate is an associate of Mr. Liu and a connected person of the Group, the transactions under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement will constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing.

As the nature of the underlying transactions under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement are similar and the contracting parties are the same, the Directors considered it appropriate to aggregate the amounts under these agreements when calculating the maximum annual rent payable under such agreements. The Directors estimated that the maximum aggregated annual fee payable by the Group under the Clubhouse Lease Agreement and Heating Facilities Lease Agreement for each of the three years ended 31 December 2021 will not exceed RMB726,000. In arriving at the above aggregated annual cap, the Directors have considered (i) the fair rent letters issued by an independent valuer in relation to the clubhouse and the heating facilities, respectively, and (ii) the terms and conditions of such agreements and the historical transaction amounts in prior years.

As each of the applicable percentage ratios under the Listing Rules in respect of the aggregated annual cap in relation to the Clubhouse Lease Agreement and Heating Facilities Lease Agreement is less than 5% and the total consideration is less than HK$3,000,000, the transactions under such agreements will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Contractual Property Interest

The Group entitled to the property interests, including the right to enjoy, occupy, use and receive income as well as capital gain (or loss) deriving from the Investment Properties under the arrangements entered into between Beijing Hevol and Beijing Fufa Real Estate Development Co., Ltd. (北京福發房地產開發有限公司) ("**Fufa Property**"), Beijing Donghe Weiye Real Estate Development Limited (北京東和偉業房地產開發有限公司), ("**Donghe Weiye**") and Hevol Real Estate, respectively. Fufa Property and Donghe Weiye are wholly-owned subsidiaries of Hevol Real Estate and therefore are associates of Mr. Liu and connected persons of the Group. Accordingly, the transactions with Hevol Real Estate, Donghe Weiye and Fufa Property under such arrangement constitutes continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Since the Group has fully paid the consideration to own the beneficial interest of the Investment Properties and are entitled to such property interests without subsequent recurring fees, these transactions will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Purchase Agreement in Relation to Property Management Software

Beijing Community Radius Information Technology Limited (北京社區半徑信息技術有限公司) ("**Community Radius Limited**") entered into a sale and purchase agreement with Beijing Hevol on 22 May 2017 and a supplemental agreement on 29 January 2019 (together, the "**Property Management Software Agreements**"). Under the Property Management Software Agreements, Community Radius Limited has granted a licence to Beijing Hevol for the use of the "Community Radius" (社區半徑) application (both Software-as-a-Service version and mobile application version) for a consideration of RMB59,400. Such consideration has already been paid by Beijing Hevol. The Property Management Software Agreements will be effective until 20 May 2022.

Community Radius Limited is owned by Mr. Liu as to 51%, the Group's ultimate Controlling Shareholder, and therefor is an associate of Mr. Liu and a connected person of the Group. Accordingly, the transactions under the Property Management Software Agreements will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the one-off consideration has been paid by Beijing Hevol for the right to enjoy the products, functions and services under the Property Management Software Agreements and the continuing enjoyment will not incur any subsequent recurring fees, such transactions will be within the de minimis threshold provided under Rule 14A.76 of the Listing Rules and will be exempt from the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

Master Services Agreement and the Supplemental Master Services Agreement

The Group entered into certain preliminary property management service agreements with subsidiaries of Hevol Real Estate Group for properties developed by them. Pursuant to such agreements, the Group provided property management services, mainly including (i) security services, (ii) repair and maintenance services, and (iii) cleaning and garden landscape maintenance services ("**Hevol Property Management Services**"). The Group also provided certain value-added services to non-property owners to Hevol Real Estate Group, mainly including sales assistance services such as display unit management services, market planning services and visitor reception services ("**Hevol Developer-related Services**"). In addition, the Group provided ancillary property management services, mainly including (i) consultancy and planning services, (ii) preliminary stage property management start-up services; (iii) property management services of properties held by Hevol Real Estate Group; (iv) inspection services; (v) repair services; (vi) cleaning services and (vii) formaldehyde removal services ("**Ancillary Property Management Services**").

On 27 June 2019, the Group entered into a master service agreement (the "**Master Service Agreement**") with Hevol Real Estate in relation to the Group's continuing provision of Hevol Property Management Services and Hevol Developer-related Services to Hevol Real Estate Group. On 29 April 2020, the Group and Hevol Real Estate entered into the supplemental master services agreement (the "**Supplemental Master Services Agreement**") for a term from 29 April 2020 to 31 December 2021 to revise the Master Services Agreement, pursuant to which the Group agreed to provide the Ancillary Property Management Services to Hevol Real Estate Group in addition to the Hevol Property Management Services and Hevol Developer-related Services. Relevant subsidiaries of both parties will enter into separate service agreements which will set out the specific terms and conditions according to the principles provided in the Master Service Agreement.

Pursuant to the Master Services Agreement, the maximum annual fees payable by the Hevol Real Estate Group in relation to Hevol Property Management Services to be provided by the Group for the three years ended 31 December 2021 will not exceed RMB8.7 million, RMB13.3 million and RMB15.0 million, respectively; while the maximum annual fee in relation to the Hevol Developer-related Services for the same three years will not exceed RMB26.0 million, RMB26.5 million and RMB22.4 million, respectively. Thus, the total service fees payable to the Group under the Master Service Agreement will not exceed RMB34.7 million, RMB39.8 million and RMB37.4 million for each of the three years ended 31 December 2021, respectively. In addition, the maximum annual fee in relation to the Ancillary Property Management Services under the Supplemental Master Services Agreement for the two years ended 31 December 2021 will not exceed RMB53.6 million and RMB80.7 million.

In arriving at the above, the revised annual caps were estimated by the Directors with reference to (i) the basis of pricing policy for Ancillary Property Management Services in each cities, (ii) the estimated revenue to be recognised in relation to the Ancillary Property Management Services to be provided by the Group pursuant to the Supplemental Master Services Agreement, (iii) the original estimated revenue to be recognised in relation to the Master Services Agreement to be provided by the Group pursuant to existing contracts and the expected time and volume of delivery for the Group's existing property management projects; and (iv) the estimated GFA of the properties to be delivered by Hevol Real Estate Group. The remaining portion represents approximately 30% buffer for the Ancillary Property Management Services to be provided by the Group for any unforeseeable circumstances.

Each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of the Group. Accordingly, the transactions under the Master Service Agreement will constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios under the Listing Rules in respect of the annual caps in relation to Master Service Agreement are expected to be more than 5%, the transactions under the Hevol Property Management Services Agreement constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The New Master Services Agreement

Pursuant to the expiry of the Supplemental Master Services Agreement on 31 December 2021, the Group expects that it will continue to enter into transactions of a similar nature to the Master Services Agreement and the Supplemental Master Services Agreement.

On 31 December 2021, the Group entered into a New Master Services Agreement (the "**New Master Services Agreement**") with Hevol Real Estate in relation to the Group's continuing provision of Hevol Property Management Services, Hevol Developer-related Services and Ancillary Property Management Services for the period from the date immediately after the fulfillment of all conditions set out in the New Master Services Agreement, including the approval by the independent shareholders of the Company to 31 December 2024. The relevant subsidiaries of both parties will enter into separate service agreements which will set out the specific terms and conditions according to the principles provided in the Master Service Agreement. On 9 March 2022, an extraordinary general meeting was convened by the Company for the consideration and the approval of, among other things, the New Master Services Agreement, the proposed annual caps and the transactions contemplated thereunder (the "**Resolutions**") and the Resolutions were duly passed as ordinary resolutions by the independent shareholders of the Company.

The Group's Directors estimate that the maximum annual fees payable by the Hevol Real Estate Group in relation to Hevol Property Management Services to be provided by the Group under the New Master Services Agreement for the three years ending 31 December 2024 will not exceed RMB24.8 million, RMB17.5 million and RMB13.8 million, respectively; the maximum annual fee in relation to the Hevol Developer-related Services for the same three years will not exceed RMB35.6 million, RMB30.5 million and RMB25.7 million, respectively; and the maximum annual fee in relation to Ancillary Property Management Services for the same three years will not exceed RMB70.5 million, RMB53.8 million and RMB53.7 million, respectively.

In arriving at the above proposed annual caps, the Directors had estimated with reference to (i) the basis of pricing policy for Hevol Property Management Service, Hevol Developer-related Services and Ancillary Property Management Services in each cities, (ii) the respective historical transaction amount in relation to the Existing Master Services Agreement and Supplemental Master Services Agreement for the two years ended 31 December 2019 and 2020 and the nine months ended 30 September 2021, (iii) the estimated increase in transaction amount to be recognised in relation to the New Master Services Agreement pursuant to (a) the existing contracts and (b) the potential increase in property management services to be provided to Hevol Real Estate Group due to the delay in completion of properties and projects which were originally planned to be delivered in the year of 2021 by Hevol Real Estate Group to 2022, (iv) the estimated size of projects to be managed by the Group according to the updated development plan of property management projects, sales coordination projects and ancillary property management projects provided by Hevol Real Estate for the coming three years period ending 31 December 2024, (v) the local market rates for the provision of similar services in each city are used as the basis of pricing policy and (vi) a reasonable buffer of approximately 15% buffer to cater for (a) the unexpected business growth, (b) the inflation in the PRC and (c) a potential increase in the Ancillary Property Management Services as mentioned in (iii) above.

Each of Hevol Investment and Hevol Real Estate is an associate of Mr. Liu and a connected person of the Group. Accordingly, the transactions under the New Master Services Agreement will constitute continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios under the Listing Rules in respect of the annual caps in relation to New Master Services Agreement are expected to be more than 5%, the transactions under the New Master Services Agreement constitute continuing connected transactions of the Company which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Kunshan Tongzhou Framework Agreement and Zhejiang Zhongzheng Framework Agreement

On 1 April 2021, the Board approved the Kunshan Tongzhou Framework Agreement between Shanghai Tongjia Property Service Co., Ltd.* (上海同嘉物業服務有限公司) ("**Shanghai Tongjia**"), a non-wholly owned subsidiary of the Company, and Kunshan Tongzhou Real Estate Co., Ltd.* (昆山同周置業有限公司) (the "**Kunshan Tongzhou**") with respect to the provision of services by Shanghai Tongjia to Kunshan Tongzhou for a term from 2 April 2021 to 31 December 2023 (the "**Kunshan Tongzhou Framework Agreement**").

On 1 April 2021, the Board approved the Zhejiang Zhongzheng Framework Agreement between Shanghai Tongjia, and Zhejiang Zhongzheng Real Estate Co., Ltd. * (浙江中證置業有限公司) (the "**Zhejiang Zhongzheng**") with respect to the provision of services by Shanghai Tongjia to Zhejiang Zhongzheng for a term from 2 April 2021 to 31 December 2021 (the "**Zhejiang Zhongzheng Framework Agreement**").

Pursuant to the Kunshan Tongzhou Framework Agreement and Zhejiang Zhongzheng Framework Agreement, Shanghai Tongjia agreed to provide to Kunshan Tongzhou and Zhejiang Zhongzheng (i) sales facilitation services, (ii) early involvement and consultancy services, (iii) preliminary stage property management start-up services and (iv) preliminary property management services. Shanghai Tongjia, Kunshan Tongzhou and Zhejiang Zhongzheng shall enter into separate written agreements for detailed service scope in respect of the services as and when necessary.

The Group's Directors estimate that the maximum annual fees payable by Kunshan Tongzhou in relation to services to be provided by Shanghai Tongjia under the Kunshan Tongzhou Framework Agreement for the three years ending 31 December 2023 will not exceed RMB9.0 million, RMB8.1 million and RMB4.5 million, respectively and the maximum annual fees payable by Zhejiang Zhongzheng in relation to services to be provided by Shanghai Tongjia under the Zhejiang Zhongzheng Framework Agreement for the three years ending 31 December 2023 will not exceed RMB2.3 million, RMB3.3 million and RMB1.9 million, respectively.

The above proposed annual caps are estimated by the Directors with reference to (i) pricing guidance of local authorities where the property is located (if any); (ii) staff costs (including salary and staff expenses); (iii) current market prices of independent third parties that provide similar products and services under normal commercial terms and in the ordinary course of business; (iv) the price of connected parties and independent third parties in respect of non-connected transactions, and (v) in any event, on terms that are no less favourable than those entered into by Shanghai Tongjia for providing similar services and products to independent third parties.

Kunshan Tongzhou is owned as to 47.5%, 47.5% and 5% by Mr. Liu Zhe, Mr. Sun Yigong and Ms. Huang Min respectively. Zhejiang Zhongzheng is owned as to 43.225%, 43.225% and 4.55% by Mr. Liu Zhe, Mr. Sun Yigong and Ms. Huang Min respectively. As Shanghai Tongjia is owned as to 60% by the Group and 40% by Shanghai Tongjin, which is in turn ultimately owned as to 47.5%, 47.5% and 5% by Mr. Liu Zhe, Mr. Sun Yigong and Ms. Huang Min respectively. Each of Mr. Liu Zhe, Mr. Sun Yigong and Shanghai Tongjin is a connected person or an associate of the Group. Accordingly, the transactions under the Kunshan Tongzhou Framework Agreement and Zhejiang Zhongzheng Framework Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Mr. Yang Framework Agreement

On 1 April 2021, the Board approved the Mr. Yang Framework Agreement between Shanghai Guizhou Xingji Property Service Co., Ltd.* (貴州星際物業服務有限公司) (the "**Guizhou Xingji**"), a non-wholly owned subsidiary of the Company, Mr. Yang Wulin ("**Mr. Yang**") with respect to the provision of Services by Guizhou Xingji to Mr. Yang's associated companies for a term from 2 April 2021 to 31 December 2021 (the "**Mr. Yang Framework Agreement**").

Pursuant to the Mr. Yang Framework Agreement, Guizhou Xingji agreed to provide to Mr. Yang's associated companies (i) sales facilitation services, (ii) cleaning services, (iii) preliminary stage property management start-up services and (iv) preliminary property management services.

The Group's Directors estimate that the maximum annual fees payable by Mr. Yang's associated companies in relation to services to be provided by Guizhou Xingji under the Mr. Yang Framework Agreement for the three years ending 31 December 2023 will not exceed RMB15.6 million, RMB11.7 million and RMB10.2 million, respectively.

The above proposed annual caps are estimated by the Directors with reference to (i) pricing guidance of local authorities where the property is located (if any), (ii) staff costs (including salary and staff expenses), (iii) current market prices of independent third parties that provide similar products and services under normal commercial terms and in the ordinary course of business (iv) the price of connected parties and independent third parties in respect of non-connected transactions and (v) in any event, on terms that are no less favourable than those entered into by Guizhou Xingji for providing similar services and products to independent third parties.

Guizhou Xingji is owned as to 51% by the Group and 49% by Mr. Yang Wujun. As Mr. Yang Wujun is the brother of Mr. Yang, both Mr. Yang and his associated companies are connected persons or associates of the Group. Accordingly, the transactions under the Mr. Yang Framework Agreement constitute continuing connected transactions of the Group under Chapter 14A of the Listing Rules.

Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement

On 28 May 2021, the Board approved the Wansheng Framework Agreement between Sichuan Wansheng Property Service Co., Ltd.* (四川萬晟物業服務有限公司) (the "**Sichuan Wansheng**"), a non-wholly owned subsidiary of the Company, and Sichuan Wansheng Investment Co., Ltd.* (四川萬晟投資有限公司) (the "**Wansheng Investment**") with respect to the provision of services by Sichuan Wansheng to Wansheng Investment for a term from 29 May 2021 to 31 December 2023 (the "**Wansheng Investment Framework Agreement**").

On 28 May 2021, the Board approved the Huaxin Wansheng Framework Agreement between Sichuan Wansheng and Sichuan Huaxin Wansheng Real Estate Co., Ltd.* (四川華信萬晟房地產有限公司) (the "**Huaxin Wansheng**") with respect to the provision of services by Sichuan Wansheng to Huaxin Wansheng Investment for a term from 29 May 2021 to 31 December 2023 (the "**Huaxin Wansheng Framework Agreement**").

Pursuant to the Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement, Sichuan Wansheng agreed to provide to Wansheng Investment and Huaxin Wansheng (i) preliminary property management services, (ii) sales facilitation services, (iii) early planning and consultancy services, (iv) property management office set-up services and (v) inspection services. Sichuan Wansheng, Wansheng Investment and Huaxin Wansheng shall enter into separate written agreements which will set out the detailed terms for the relevant transactions contemplated under their respective service framework agreements as and when necessary.

The Group's Directors estimate that the maximum annual fees payable by Wansheng Investment in relation to services to be provided by Sichuan Wansheng under the Wansheng Investment Framework Agreement for the three years ending 31 December 2023 will not exceed RMB9.4 million, RMB9.0 million and RMB8.4 million, respectively and the maximum annual fees payable by Huaxin Wansheng in relation to services to be provided by Sichuan Wansheng under the Huaxin Wansheng Framework Agreement for the three years ending 31 December 2023 will not exceed RMB11.0 million, RMB11.3 million and RMB11.3 million, respectively.

The above proposed annual caps are estimated by the Directors with reference to (i) the number, nature, category and location of the properties, (ii) estimated gross floor area of the properties, (iii) estimated number of parking spaces, (iv) the rates generally offered by the Group to Independent Third Parties in respect of comparable services, (v) anticipated staff costs of the Group and (vi) a reasonable buffer to cater for any unexpected property management services.

As Sichuan Wansheng is owned as to 60% by the Group and 40% by Mr. Deng Lihua ("**Mr. Deng**"), Mr. Deng is a connected person of the Group. Wansheng Investment is owned by Mr. Deng as to 36.55% and Huaxin Wansheng Investment is owned by Mr. Deng as to 90%. Accordingly, the transactions under the Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the applicable ratios under the Listing Rules in respect of the annual caps in relation to Kunshan Tongzhou Framework Agreement, Zhejiang Zhongzheng Framework Agreement, Mr. Yang Framework Agreement, Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement are expected to be more than 0.1% but less than 5% for the Group, the transactions thereunder constitute continuing connected transactions of the Company which are subject to the reporting, annual review and announcement but exempted from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Further Details of the Kunshan Tongzhou Framework Agreement, Zhejiang Zhongzheng Framework Agreement, Mr. Yang Framework Agreement are set out in the announcement of the Company dated 1 April 2021 while further details of the Wansheng Investment Framework Agreement and Huaxin Wansheng Framework Agreement are set out in the announcement of the Company dated 28 May 2021.

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

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

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules:

(i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

(ii) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions.

(iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

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

RELATED PARTY TRANSACTIONS

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

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

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

For the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the year or subsisted at the end of the year.

EMOLUMENT POLICY

The remuneration policy (which includes the payment of the emoluments to the employees) of the employees of the Group is set up by the Remuneration Committee on the basis of the employees' performance, qualifications and experiences. Details of the remuneration of the Directors are set out in note 11 to the consolidated financial statements in this annual report, having regard to the Company's operating results, individual performance of the Directors and senior management and comparable market statistics.

PRE-EMPTIVE RIGHTS

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

ENVIRONMENTAL PROTECTION AND COMPLIANCE WITH LAWS AND REGULATIONS

As a property service provider in China, the Group is required to comply with various national and local laws and regulations on environmental protection, including laws and regulations of air pollution, sound pollution, waste and sewage. The Group has complied with the laws and regulations which are significant to the operation of the Group. Further, any changes in applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time.

KEY RELATIONSHIPS WITH THE GROUP'S STAKEHOLDERS

Workplace Quality

The Group believes that the Directors, senior management and employees of the Group are instrumental to the success of the Group and that their industry knowledge and understanding of the market will enable the Group to maintain the competitiveness in the market. The Group provides on-the-job training and development opportunities to enhance its employees' career progression. Through different trainings, staff's professional knowledge in corporate operations, occupational and management skills is enhanced. The Group also organised staff-friendly activities for employees, such as annual dinner, to promote staff relationship.

The Group provides a safe, effective and congenial working environment. Adequate arrangements, trainings and guidelines are implemented to ensure the working environment is healthy and safe. The Group provided health and safety communications for employees to present the relevant information and raise awareness of occupational health and safety issues. The Group values the health and well-being of its staff. In order to provide employees with health coverage, its employees are entitled to medical insurance benefits.

MATERIAL LEGAL PROCEEDINGS

There are certain on-going litigation claims relating to loan disputes in which Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司) ("**Guiyang Xinglong**") and Guizhou Huaxin Financing Guarantee Co., Ltd (貴州華信融資擔保有限公司) ("**Guizhou Huaxin**") are involved, and the maximum exposure of Guiyang Xinglong in the capacity of the guarantor amounts to approximately RMB38,000,000. Please refer to note 19 to the consolidated financial statements in this annual report. Save as disclosed above, the Group was not involved in any material legal proceeding during the year ended 31 December 2021.

SIGNIFICANT INVESTMENTS HELD

Saved as disclosed in this annual report, as at 31 December 2021, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed several material equity acquisitions (details are set out in note 27 to the consolidated financial statements in this annual report). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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

TAX RELIEF AND EXEMPTION OF HOLDERS OF LISTED SECURITIES

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

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices. In the opinion of the Directors, the Company has complied with the relevant code provisions contained in the CG Code during the reporting period.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 38 to 57 of this annual report.

ENVIRONMENTAL AND SOCIAL MATTERS

The Company's compliance with the relevant provisions set out in the Environmental, Social and Governance Reporting Guide in Appendix 27 of the Listing Rules for the year ended 31 December 2021 are set out in the Environmental, Social and Governance Report on pages 58 to 97 of this annual report.

EVENTS AFTER THE REPORTING DATE

Details of significant events occurring after the reporting date are set out in note 35 to the consolidated financial statements in this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

For the year ended 31 December 2021, the Company is in compliance with the relevant laws and regulations that have a significant impact on the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

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

SUFFICIENCY OF PUBLIC FLOAT

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

AUDITOR

The consolidated financial statements for the year ended 31 December 2021 were audited by BDO Limited. A resolution to re-appoint BDO Limited as auditor of the Company will be proposed at the forthcoming AGM.

On behalf of the Board

WANG WENHAO
Chief Executive Officer and Executive Director

Hong Kong, 31 March 2022

Independent Auditor's Report

To the shareholders of Hevol Services Group Co. Limited
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Hevol Services Group Co. Limited (the "**Company**") and its subsidiary (together the "**Group**") set out on pages 135 to 247, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, 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 International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board (the "**IASB**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional 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.

Purchase price allocation for business combinations

Refer to significant accounting policies in note 2.3 and, critical accounting estimates in note 3 and the disclosure of acquisition of subsidiaries in note 27 to the consolidated financial statements.

During the year ended 31 December 2021, the Group had seven business combinations. Management has engaged an independent qualified valuer to assist them in identifying the intangible assets and to perform the valuations of the identified assets and liabilities of the acquired companies at their respective acquisition dates and, based on which, management performed a purchase price allocation for each acquisition, which resulted in the recognition of intangible assets of RMB66,527,000, being the identified customer relationships. Goodwill of RMB233,035,000, being the excess of considerations transferred and the amount of non-controlling interests in the acquirees over the fair value of identified net assets acquired, was recognised.

Significant judgements and estimates were involved in the fair value assessment of the identified customer relationships and the recognition of goodwill arising from the business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and use of key assumptions in the valuations, mainly annual revenue growth rates, gross profit margins, discount rates and expected useful lives of customer relationships.

We focused on this area because of the magnitude of the identified customer relationships and goodwill recognised arising from the business combinations, and the significant management judgements and estimates involved in the fair value assessment of the identified customer relationships and the recognition of goodwill arising from the business combinations.

KEY AUDIT MATTERS (Continued)

How the matter was addressed in our audit

Our procedures to assess the purchase price allocation for business combinations included the following:

- Assessing the competency, objectively and independence of the external valuer engaged by management;
- Obtaining the valuation reports in relation to the purchase allocation for these acquisitions issued by the external valuer engaged by management, and engaging our valuation specialist to assess the appropriateness of the valuation methodologies adopted and the reasonableness of discount rates and useful lives of customer relationships used by management, and to challenge and assess the reasonableness of the key assumptions used in the valuations;
- Assessing the sensitivity analysis performed by management on the impact of changes in the key assumptions on the identified customer relationships and goodwill; and
- Checking the mathematical accuracy of the calculations of the fair value of the identified customer relationships and goodwill.

KEY AUDIT MATTERS (Continued)

Expected credit loss ("ECL") allowance on trade and other receivables

Refer to significant accounting policies in note 2.10, critical accounting estimates and judgments in note 3, the disclosure of trade and other receivables in note 17 and credit risk policy in note 32.2 to the consolidated financial statements.

As at 31 December 2021, the Group had gross balance of trade and other receivables amounting to RMB350,569,000 fall within the scope of ECL model. The Group determines the ECL allowance on trade and other receivables based on the Group's past history, existing market conditions and forward-looking information.

We identified the ECL allowance of trade and other receivables as a key audit matter given the significant management judgements and estimates involved in assessing the credit risk and determining the amount of allowances under the ECL model. These judgments and assumptions including but not limited to the debtors' payment history and creditworthiness, historical default rates, and forward-looking macroeconomic factors.

How the matter was addressed in our audit

Our procedures in relation to the ECL allowance on trade and other receivables included:

- reviewing the payment history of the debtors;
- assessing, on a sample basis, the management's forecast of future repayments and understanding of the debtor's financial condition;
- assessing the management's judgement on significant increase in credit risk for other receivables measured at amortised cost;
- reviewing the ageing analysis of the trade receivables and evaluating the parameters used in estimating the ECL rate; and
- checking the mathematical accuracy of the provision in accordance with the ECL rate applied by the Group.

KEY AUDIT MATTERS (Continued)

Impairment of goodwill

Refer to significant accounting policies in notes 2.8 and 2.21, critical accounting estimates and judgments in note 3 and the disclosure of goodwill in note 15 to the consolidated financial statements.

As at 31 December 2021, the Group had goodwill arising from business combinations amounting to RMB292,661,000.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that it is impaired. Management has tested such goodwill for impairment as at 31 December 2021 with reference to the valuations performed by the independent professional valuer, and concluded that no impairment loss was recognised. This conclusion is based on value in use calculations based on five-year financial budgets approved by management with key assumptions of revenue growth rates, terminal growth rates, discount rates and gross profit margins that required significant management judgment and estimation.

We identified this area as a key audit matter due to the significance of the carrying amount of goodwill and the significant judgments and estimates involved in the goodwill impairment assessment.

How the matter was addressed in our audit

Our audit team included a valuation expert. Our procedures in relation to management's impairment assessment of goodwill included:

– evaluating the competency, capabilities and objectivities of the independent professional valuer engaged by management;

– assessing the appropriateness of valuation methodology and the key assumptions used to estimate the value in use calculations;

– challenging the reasonableness of key assumptions based on our knowledge of the business and industry; and

– reconciling input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets.

KEY AUDIT MATTERS (Continued)

Other Matter

The consolidated financial statements of the Group for the year ended 31 December 2020 were audited by another auditor who expressed an unmodified opinion on those statements on 25 March 2021.

OTHER INFORMATION IN THE ANNUAL REPORT

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

DIRECTOR'S RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are also responsible for overseeing the Group's financial reporting process. The Audit Committee assists the directors in discharging their responsibility in this regard.

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. This report is made solely to you, as a body, in accordance with the terms of our engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 skepticism throughout the audit. We also:

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

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

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

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

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

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

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

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

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

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

From the matters communicated with the directors, 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.

BDO Limited
Certified Public Accountants

Wendy W.Y. Fong
Practising Certificate No.: P06821

Hong Kong, 31 March 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	4	766,791	415,870
Cost of sales		(502,598)	(266,965)
Gross profit		264,193	148,905
Other income	5	15,496	9,529
Expected credit loss ("**ECL**") allowance on trade and other receivables		(5,810)	(6,162)
Administrative expenses		(134,464)	(77,265)
Finance costs	6(a)	(465)	(187)
Profit before income tax	6(b)	138,950	74,820
Income tax expense	8	(30,314)	(14,843)
Profit for the year		108,636	59,977
Other comprehensive income for the year, net of nil tax			
Items that will not be reclassified subsequently to profit or loss:			
– Exchange differences on translation of the Company's financial statements into its presentation currency		(981)	(5,573)
Total comprehensive income for the year		107,655	54,404
Profit for the year attributable to:			
Equity shareholders of the Company		86,194	56,357
Non-controlling interests		22,442	3,620
		108,636	59,977
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		85,213	50,784
Non-controlling interests		22,442	3,620
		107,655	54,404
Earnings per share attributable to equity shareholders of the Company (expressed in RMB cents)			
Basic and diluted	10	15.60	12.76

The notes on pages 142 to 247 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Non-current assets			
Property, plant and equipment	12	20,254	13,886
Intangible assets	13	85,215	24,869
Investment properties	14	28,768	29,817
Goodwill	15	292,661	59,626
Deposits paid for acquisition of subsidiaries	17	50,735	7,800
Deferred tax assets	22	10,752	6,573
		488,385	142,571
Current assets			
Inventories	16	585	178
Trade and other receivables	17	284,204	167,544
Financial assets at fair value through profit or loss	18	–	11,446
Restricted bank deposits	19	9,845	–
Bank balances and cash		391,228	291,507
		685,862	470,675
Current liabilities			
Contract liabilities	4(a)	182,714	80,444
Trade and other payables	19	332,674	178,070
Lease liabilities	20	1,897	1,970
Income tax liabilities		43,436	13,004
		560,721	273,488
Net current assets		125,141	197,187
Total assets less current liabilities		613,526	339,758
Non-current liabilities			
Bank borrowings	21	4,000	–
Lease liabilities	20	647	642
Deferred tax liabilities	22	20,853	11,917
		25,500	12,559
Net assets		588,026	327,199

	Notes	2021 RMB'000	2020 RMB'000
EQUITY			
Share capital	*23*	**38**	34
Reserves	*24*	**523,748**	307,136
Equity attributable to equity shareholders of the Company		**523,786**	307,170
Non-controlling interests		**64,240**	20,029
Total equity		**588,026**	327,199

Wang Wenhao
Director

Hu Hongfang
Director

The notes on pages 142 to 247 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000* *(note 23)*	Share premium* *RMB'000* *(note 24(a))*	Capital reserve* *RMB'000* *(note 24(c))*	Statutory reserve* *RMB'000* *(note 24(b))*	Exchange reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2020	28	95,929	34,226	9,659	–	24,614	164,456	–	164,456
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	56,357	56,357	3,620	59,977
Other comprehensive income for the year									
– Exchange differences on translation of the Company's financial statements into its presentation currency	–	–	–	–	(5,573)	–	(5,573)	–	(5,573)
	–	–	–	–	(5,573)	56,357	50,784	3,620	54,404
Transactions with owners									
– Issue of shares upon placing of shares *(note 23(i))*	6	93,324	–	–	–	–	93,330	–	93,330
– Issuance expenses of placing of new shares *(note 23(i))*	–	(1,400)	–	–	–	–	(1,400)	–	(1,400)
– Acquisition of subsidiaries *(note 27)*	–	–	–	1,637	–	(1,637)	–	16,409	16,409
– Appropriation to statutory reserve	–	–	–	3,099	–	(3,099)	–	–	–
Total transactions with owners	6	91,924	–	4,736	–	(4,736)	91,930	16,409	108,339
Balance at 31 December 2020	34	187,853	34,226	14,395	(5,573)	76,235	307,170	20,029	327,199

	Attributable to equity shareholders of the Company								
	Share capital *RMB'000* *(note 23)*	Share premium* *RMB'000* *(note 24(a))*	Capital reserve* *RMB'000* *(note 24(c))*	Statutory reserve* *RMB'000* *(note 24(b))*	Exchange reserve* *RMB'000*	Retained profits* *RMB'000*	Total *RMB'000*	Non-controlling interests *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2021	34	187,853	34,226	14,395	(5,573)	76,235	307,170	20,029	327,199
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	86,194	86,194	22,442	108,636
Other comprehensive expense for the year									
– Exchange differences on translation of the Company's financial statements into its presentation currency	–	–	–	–	(981)	–	(981)	–	(981)
	–	–	–	–	(981)	86,194	85,213	22,442	107,655
Transactions with owners									
– Issue of shares upon placing of shares *(note 23(ii))*	4	133,400	–	–	–	–	133,404	–	133,404
– Issuance expenses of placing of new shares *(note 23(ii))*	–	(2,001)	–	–	–	–	(2,001)	–	(2,001)
– Acquisition of subsidiaries *(note 27)*	–	–	–	–	–	–	–	32,890	32,890
– Appropriation to statutory reserve	–	–	–	5,926	–	(5,926)	–	–	–
– Dividends distributed to non-controlling interests	–	–	–	–	–	–	–	(11,121)	(11,121)
Total transactions with owners	4	131,399	–	5,926	–	(5,926)	131,403	21,769	153,172
Balance at 31 December 2021	38	319,252	34,226	20,321	(6,554)	156,503	523,786	64,240	588,026

* The total of these amounts as at the reporting date represents "Reserves" in the consolidated statement of financial position.

** The balance represents amount less than RMB1,000.

The notes on pages 142 to 247 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Profit before income tax		138,950	74,820
Adjustments for:			
Amortisation of intangible assets	6(b)	8,325	2,397
Depreciation of property, plant and equipment	6(b)	5,687	3,689
Depreciation of investment properties	6(b)	1,049	1,085
Interest expenses	6(a)	465	187
Bank interest income	5	(1,374)	(954)
ECL allowance on trade and other receivables	17	5,810	6,162
Fair value gain on financial assets at fair value through profit of loss	5	(1,724)	–
Loss on disposal of property, plant and equipment	6(b)	3	35
Operating profit before working capital changes		157,191	87,421
Increase in inventories		(156)	(72)
Decrease/(Increase) in deposits, trade and other receivables		82,567	(92,665)
Increase in contract liabilities		65,078	8,320
(Decrease)/Increase in trade and other payables		(83,270)	24,201
Cash generated from operations		221,410	27,205
Interest received		1,374	954
Income tax paid		(15,588)	(11,140)
Net cash from operating activities		207,196	17,019

Consolidated Statement of Cash Flows

For the year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from investing activities			
Purchase of property, plant and equipment		(5,521)	(2,469)
Proceeds from disposal of property, plant and equipment		681	5
Payments to acquire financial assets at fair value through profit or loss		(11,158)	–
Proceeds from disposal of financial assets at fair value through profit or loss		37,328	–
Purchase of intangible assets		(1,616)	(3,693)
Acquisitions of subsidiaries, net of cash acquired	27(a)(v), (b)(v)	(184,518)	4,145
Repayment from/(advances to) related parties		524	(524)
Payment of outstanding consideration in respect of acquisition in previous year		(6,000)	–
Deposits paid for acquisitions of subsidiaries	26(b)	(52,250)	(7,800)
Net cash used in investing activities		(222,530)	(10,336)
Cash flows from financing activities			
Repayment of amounts due to related parties	31	(2,283)	(1,308)
Advances from related parties	31	634	2,283
Payment of lease liabilities	31	(2,597)	(2,337)
Dividend paid to non-controlling interests		(11,121)	–
Proceeds from issuance of shares upon placement of shares	23(i), (ii)	133,404	93,330
Payment of share issuance expenses	23(i), (ii)	(2,001)	(1,400)
Net cash from financing activities		116,036	90,568
Net increase in cash and cash equivalents		100,702	97,251
Cash and cash equivalents at the beginning of the year		291,507	199,829
Effect of foreign exchange rate changes		(981)	(5,573)
Cash and cash equivalents at the end of the year, represented by bank balances and cash		391,228	291,507

The notes on pages 142 to 247 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2021

1. GENERAL INFORMATION

Hevol Services Group Co. Limited (the "**Company**") was incorporated in the Cayman Islands on 28 May 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**").

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors, the immediate and ultimate holding company of the Company is Brilliant Brother Group Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The controlling shareholder of the Company is Mr. Liu Jiang ("**Mr. Liu**" or the "**Controlling Shareholder**").

The functional currency of the Company is Hong Kong Dollars ("**HK$**"), while the consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated. The consolidated financial statements are presented in RMB as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

The consolidated financial statements for the year ended 31 December 2021 were approved for issue by the board of directors on 31 March 2022.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

These consolidated financial statements of the Company have been prepared in accordance with applicable International Financial Reporting Standards ("**IFRSs**") which includes all applicable individual IFRS, International Accounting Standards ("**IAS**"), amendments and interpretations issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis except for financial assets at fair value through profit or loss (see note 2.9) which are stated at fair values. The measurement bases are fully described in the accounting policies below.

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3 below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.1 New or amended IFRSs adopted by the Group and changes in accounting policies

In the current year, the Group has applied for the first time the following new or amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2021:

– Interest Rate Benchmark Reform – IBOR "phase 2" (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

– Covid-19-Related Rent Concessions (Amendment to IFRS 16)

None of these amended IFRSs have material impact on the Group's results and financial position for the current or prior period. The Group has not applied any new or amended IFRSs that is not yet effective for the current accounting period.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of preparation (Continued)

2.1.2 Issued but not effective IFRSs

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

	Effective for accounting periods beginning on or after
Amendments to IFRS 16, Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to IFRS 3, *Reference to the Conceptual Framework*	1 January 2022
Amendments to IAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	1 January 2022
Amendments to IAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to IFRSs 2018-2020 Cycle	1 January 2022
Amendments to IAS 1 and IFRS Practice Statement 2, *Disclosure of Accounting Policies*	1 January 2023
Amendments to IAS 8, *Definition of Accounting Estimates*	1 January 2023
Amendments to IAS 12, *Deferred Tax Related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to IAS 1, Classification of Liabilities as Current or Non-current	1 January 2023

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far the Group has concluded that the adoption of these amendments is unlikely to have significant impact on the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of subsidiaries in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.3 Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.4 Foreign currency translation

Items included in the consolidated 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 functional currency of the Company is HK$. The consolidated financial statements are presented in RMB as the functional currency of the Group's major operating subsidiaries is RMB.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the reporting date retranslation of monetary assets and liabilities are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates and are not retranslated (i.e. only translated using the exchange rates at the transaction date).

In the consolidated financial statements, assets and liabilities have been translated into RMB at the closing rates at each reporting date. Income and expenses have been converted into RMB at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the exchange reserve in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.5 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.14) are stated at cost less accumulated depreciation and accumulated impairment losses (note 2.21). The cost comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Depreciation is provided to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Buildings	5%
Furniture and fixtures and office equipment	20%
Motor vehicles	20%-33.3%

Accounting policy for depreciation of right-of-use assets is set out in note 2.14.

The assets' depreciation methods, residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Investment properties

Investment properties are land and/or buildings which are owned to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

On initial recognition, investment property is measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Subsequent to initial recognition, investment properties measured at cost less accumulated depreciation and accumulated impairment losses (note 2.21), if any. Depreciation is charged so as to write off the cost of investment properties net of expected residual value over the term of right of use of 20-43 years using a straight-line method. The useful life, residual value and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

2.7 Intangible assets

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 2.21).

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	5 years
Customer relationships	5 to 10 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.21.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.8 Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquire (if any) over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.21).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.9 Financial instruments

Recognition and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial assets

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15 "Revenue from Contracts with Customers ("**IFRS 15**"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("**FVTPL**"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.

Financial assets are classified into the following categories:

– amortised cost;

– FVTPL; or

– fair value through other comprehensive income ("**FVOCI**").

The classification is determined by both:

– the entity's business model for managing the financial asset; and

– the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance costs" or "Other income", except for expected credit losses ("**ECL**") of financial assets which is presented within "Administrative expenses" in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

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

– they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

– the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's bank balances and cash, other deposits and trade and other receivables fall into this category of financial assets.

Financial assets at FVTPL

Financial assets that are held within a different business model other than "hold to collect" or "hold to collect and sell' are categorised at FVTPL. Further, irrespective of business model, financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.9 Financial instruments (Continued)

Financial liabilities

Classification and measurement of financial liabilities

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

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within "Finance costs" or "Other income" in the consolidated statement of profit or loss and other comprehensive income.

Accounting policies of lease liabilities are set out in note 2.14.

Trade and other payables

These are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets

IFRS 9 "Financial Instruments" ("**IFRS 9**")'s requires an entity to use more forward-looking information to recognise ECL – the "ECL model". The Group's trade and other receivables and bank balances and cash fall within the scope of the ECL model.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

– financial assets that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("**Stage 1**") and

– financial assets that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("**Stage 2**").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial assets.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at each reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

Other financial assets measured at amortised cost

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

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

– an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

– significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

– existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

– an actual or expected significant deterioration in the operating results of the debtor.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at each reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 32.2.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.10 Impairment of financial assets (Continued)

Credit-impaired financial assets

At each reporting date, the Group assesses on a forward-looking basis whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; or

– the disappearance of an active market for that financial asset because of financial difficulties.

Write-off policy

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Subsequent recoveries of an assets that was previously written off are recognised in profit or loss of the period in which the reversal occurs.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.11 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the first-in, first-out ("**FIFO**") method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and applicable selling expenses.

2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand.

2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.18). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.9).

2.14 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

– the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the leasee;

– the leasee has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

– the leasee has the right to direct the use of the identified asset throughout the period of use. The Group assess whether the leasee has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

For contracts that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for leases of properties in which the Group is a lessee, the Group elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 months or less.

On the consolidated statement of financial position, right-of-use assets have been included in "Property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.14 Leases (Continued)

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation. All provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.16 Financial guarantees issued

A financial guarantee contract is a contract that requires the issuer (or guarantor) to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee is initially recognised as financial guarantee liabilities within other payables. The fair value of financial guarantees is determined based on the present value of the difference in cash flows between the contractual payments required under the debt instruments and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assessing the obligations. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

Subsequently, financial guarantees are measured at the higher of the amount determined in accordance with ECL under IFRS 9 as set out in note 2.10 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised over the guarantee period.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deduction from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition

The Group provides property management services, community value-added services and value-added services to non-property owners.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Property management services

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.18 Revenue recognition (Continued)

Property management services (Continued)

For property management services income from properties managed 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 recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed under commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property units, or total property management cost incurred or accrual by the property units, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.

Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Community value-added services are normally billable immediately upon the services are rendered.

Value-added services to non-property owners

Value-added services to non-property owners include mainly i) on-site sales assistance services, which primarily included cleaning and security services to property developers, which are billed and settled based on actual level of services provided at pre-determined price and revenue is recognised when such services are provided and ii) property delivery related and other consulting services with property developers which are billed on a monthly basis and revenue is recognised when the services are provided.

If contracts involve the sale of multiple services, the transaction price will be 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.19 Interest income

Interest income is recognised on an accrual basis using the effective interest method.

2.20 Government grants

Grants from the government are recognised 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

2.21 Impairment of non-financial assets

Property, plant and equipment (including right-of-use assets), intangible assets, investment properties, goodwill arising on acquisitions of subsidiaries and investment in subsidiaries in the statement of financial position of the Company are subject to impairment testing. Goodwill are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.21 Impairment of non-financial assets (Continued)

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment losses are charged pro-rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less costs of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed and recognised as income immediately if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.22 Employee benefits

Retirement benefit

Retirement benefits to employees are provided through defined contribution plans.

The group entities established in the PRC make monthly contributions to a state-sponsored defined contribution scheme for the local staff. The contributions are made at a specific percentage on the standard salary pursuant to laws of the PRC and relevant regulation issued by local social security authorities.

Contributions are recognised as an expense in profit or loss as employees rendered services during the year. The Group's obligations under these plans are limited to the fixed percentage contributions payable.

Short-term employee benefits

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

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

Termination benefit

Termination benefits are recognised at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises restructuring costs involving the payment of termination benefits.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.23 Accounting for income tax (Continued)

Current tax assets and current tax liabilities are presented in net if, and only if:

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

  (i) the same taxable entity; or

  (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.24 Segment reporting

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

2.25 Dividend distribution

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.26 Related parties

For the purpose of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgments 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.

Estimation uncertainties

The Group makes judgement in the process of applying the Group's accounting policies, and also make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of fair value of customer relationships and recognition of goodwill arising from business combinations

Significant judgments and estimates were involved in the fair value assessment of customer relationships and recognition of goodwill arising from business combinations. These significant judgement and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly including the average annual and long term growth rates of revenue, profit margin, discount rates, retention rates and expected useful lives of customer relationships). Changes in assumptions relating to these factors would result in material adjustments to the carrying amounts of customer relationship and goodwill. See notes 13 and 15 respectively for more details.

Estimation of ECL allowance on trade and other receivables

The Group makes ECL allowance on trade and other 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 each reporting date.

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

As at 31 December 2021, the gross carrying amount of trade and other receivables within the scope of the ECL model amounted to RMB350,569,000 (2020: RMB182,806,000). Details of the ECL allowance on trade and other receivables are set out in note 32.2.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainties (Continued)

Goodwill impairment assessment

For the purposes of annual goodwill impairment assessment, management considered each of the acquired property management companies a separate CGU and goodwill has been allocated to each of the acquired property management companies. Management assessed the impairment of goodwill by determining the recoverable amount of the CGU to which goodwill has been allocated based on value in use calculation. Significant judgments and estimates were involved in the goodwill impairment assessment. These significant judgments and estimates include the adoption of appropriate valuation method and the use of key assumptions in the valuation, which primarily include revenue growth rates, terminal growth rates, gross profit margins and discount rates. These assumptions related to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. See note 15 for more details.

As at 31 December 2021, the carrying amount of goodwill was RMB292,661,000 (2020: RMB59,626,000). No impairment loss was recognised during the years ended 31 December 2021 and 2020.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainties (Continued)

Current and deferred income taxes

As detailed in note 8, the Group is subject to enterprise income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. The details of the deferred tax assets are set out in note 22.

Deferred tax liabilities have not been established for income tax and withholding tax that would be payable on certain profits of PRC subsidiaries to be repatriated and distributed by way of dividends as the directors consider that the timing of the reversal of the related temporary differences can be controlled and such temporary differences will not be reversed in the foreseeable future. If those undistributed retained earnings of the PRC subsidiaries are considered to be repatriated and distributed by way of dividends, deferred tax liabilities of approximately RMB153,001,000 (2020: RMB104,832,000) would be provided as at 31 December 2021 (note 22).

Determination of the lease term in lease contracts

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities and corresponding right-of-use assets included in property, plant and equipment. During the years ended 31 December 2021 and 2020, all extension options in leases of office premises, heating facility and staff quarters have not been included in the calculation of lease liabilities.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Estimation uncertainties (Continued)

Financial guarantees valuation

The valuation of the financial guarantees requires the use of the management judgment in selecting an appropriate valuation technique for the financial guarantee contracts, and assumptions included the probability of default by the specified counterparty and an analysis of the counterparty's current and future financial position. Further details of the financial guarantee contracts are set out in note 19.

4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related valued-added services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-maker (the "**CODM**"), being the executive directors of the Company. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Revenue from external customers and recognised over time		
Property management services	528,510	259,314
Community value-added services	136,220	74,916
Value-added services to non-property owners	100,193	79,480
	764,923	413,710
Leasing income (not within the scope of IFRS 15)		
Community value-added services	1,868	2,160
	766,791	415,870

4. REVENUE AND SEGMENT INFORMATION (Continued)

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2021 and 2020, substantially all of the non-current assets (other than deferred tax assets) of the Group and the location of the operation to which intangible assets and goodwill allocated were located in the PRC.

Information about major customers

For the year ended 31 December 2021, revenue from companies controlled by the Controlling Shareholder contributed 8.3% (2020: 16.9%) of the Group's revenue. Other than companies controlled by the Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

a) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2021	2020
	RMB'000	*RMB'000*
Contract liabilities	**182,714**	80,444

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Increase in contract liabilities as a result from the growth of the Group's business and more advance payments were made by the property owners.

4. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers (Continued)

b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised related to carried-forward contract liabilities.

	2021 *RMB'000*	2020 *RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	**74,202**	52,532
Community value-added services	**4,006**	3,408
	78,208	55,940

c) Unsatisfied performance obligations

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The term of the contracts for value-added services to 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, they are rendered in short period of time and there is no unsatisfied performance obligation at the reporting date.

5. OTHER INCOME

	2021 *RMB'000*	2020 *RMB'000*
Bank interest income	**1,374**	954
Net exchange gain	**602**	–
Fair vale gain on financial assets at FVTPL	**1,724**	–
Recovery of bad debts	**5,128**	4,416
Government subsidy income *(note)*	**5,182**	3,412
Sundry income	**1,486**	747
	15,496	9,529

Note:

During the years ended 31 December 2021 and 2020, government subsidy income mainly relate to cash subsidies granted by the PRC government in respect of value-added tax relief and operating activities which are either unconditional or with conditions that having been satisfied.

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

		2021 *RMB'000*	2020 *RMB'000*
(a)	**Finance costs**		
	Interest expenses on lease liabilities	186	187
	Finance costs on interest-bearing bank borrowings	279	–
		465	187
(b)	**Other items**		
	Auditor's remuneration		
	– audit fee	2,400	1,616
	– other services	1,602	240
	Amortisation of intangible assets *(note 13)*	8,325	2,397
	Depreciation of property, plant and equipment *(note 12)*		
	– Owned assets	3,777	1,513
	– Right-of-use assets	1,910	2,176
	Depreciation of investment properties *(note 14)*	1,049	1,085
	Legal and professional fees	13,167	9,167
	Loss on disposal of property, plant and equipment	3	35
	Lease charges:		
	– Short-term leases and leases with lease term shorter than 12 months	–	612

7. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 RMB'000	2020 RMB'000
Salaries, bonus and allowances	226,049	101,818
Retirement benefit scheme contributions *(note)*	39,043	4,920
Severance payments	591	357
Other employee benefits	11,507	9,359
	277,190	116,454

Note:

The retirement benefit scheme contributions for the year ended 31 December 2020 was at a comparably low level due to the exemption of social insurance contributions as a result of regulatory supportive policies issued by the PRC local governments in response to the outbreak of COVID-19.

8. INCOME TAX EXPENSE

	Note	2021 RMB'000	2020 RMB'000
Current tax – PRC enterprise income tax			
Current year		34,147	16,015
Deferred tax	22		
Origination and reversal of temporary differences		(3,833)	(826)
Effect on deferred tax balances resulting from changes in tax rates		–	(346)
		(3,833)	(1,172)
Total income tax expense		30,314	14,843

8. INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charge in the consolidated statement of profit or loss and comprehensive income and the amounts which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2021 *RMB'000*	2020 *RMB'000*
Profit before income tax	**138,950**	74,820
Tax on profit before income tax, calculated at the statutory rates applicable to the tax jurisdiction concerned	**30,121**	14,870
Tax effect on non-deductible expenses	**2,233**	279
Tax effect of tax losses not recognised	**841**	462
Utilisation of tax losses previously not recognised	**(2,881)**	(422)
Effect on deferred tax balances resulting from changes in tax rates	**–**	(346)
Income tax expense	**30,314**	14,843

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly, is exempted from Cayman Islands income tax.

(b) BVI income tax

Pursuant to the relevant rules and regulations of BVI, the Group is not subject to any income tax in BVI for the years ended 31 December 2021 and 2020.

(c) Hong Kong profits tax

The provision for Hong Kong profits tax for the year ended 31 December 2021 is calculated at 16.5% (2020: 16.5%) of the estimated assessable profits for the year. For the year ended 31 December 2021, a subsidiary of the Group is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2 million of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2 million are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis for the year ended 31 December 2020.

8. INCOME TAX EXPENSE (Continued)

Notes: (Continued)

(d) PRC enterprise income tax

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the years ended 31 December 2021 and 2020, based on the existing legislation, interpretations and practices in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Program was 15% for the years ended 31 December 2021 and 2020.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2021 and 2020. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises are entitled to a tax concession for 75% and 50% of its taxable income for the annual taxable income of less than RMB1,000,000 and the portion that exceeds RMB1,000,000 but does not exceed RMB3,000,000 (inclusive) for the years ended 31 December 2021 and 2020, respectively.

(e) PRC withholding income tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

9. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB Nil).

10. EARNINGS PER SHARE

a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity shareholders of the Company by the weighted average number of ordinary shares outstanding during the year.

	2021	2020
Profit attributable to equity shareholders of the Company *(RMB'000)*	**86,194**	56,357
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**552,439**	441,749
Basic earnings per share *(expressed in RMB cents)*	**15.60**	12.76

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2021 and 2020 equals to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS

(a) Directors' remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	Fees	Basic salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2021				
Executive directors:				
Mr. Wang Wenhao				
(Chief Executive Officer)	–	776	91	867
Ms. Hu Hongfang	–	428	–	428
Non-executive directors:				
Mr. Liu *(Chairman)*	–	–	–	–
Mr. Zhou Wei	–	125	30	155
Independent non-executive directors:				
Mr. Qian Hongji	149	–	–	149
Dr. Li Yongrui	149	–	–	149
Mr. Fan Chi Chiu	149	–	–	149
Dr. Chen Lei	149	–	–	149
	596	1,329	121	2,046

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(a) Directors' remuneration (Continued)

Name of director	Fees	Basic salaries and allowances	Retirement benefit scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
2020				
Executive directors:				
Mr. Wang Wenhao *(Chief Executive Officer)*	–	592	34	626
Ms. Hu Hongfang	–	484	–	484
Non-executive directors:				
Mr. Liu *(Chairman)*	–	–	–	–
Mr. Zhou Wei	–	–	–	–
Independent non-executive directors:				
Mr. Qian Hongji	160	–	–	160
Dr. Li Yongrui	160	–	–	160
Mr. Fan Chi Chiu	160	–	–	160
Dr. Chen Lei	160	–	–	160
	640	1,076	34	1,750

Note:

Mr. Wang Wenhao is also the chief executive officer of the Group.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group for the years ended 31 December 2021 and 2020.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2021 and 2020.

11. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND EMPLOYEES' EMOLUMENTS (Continued)

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included 2 (2020: 2) directors whose emoluments are reflected in the analysis presented in note 11(a). The emoluments paid to the remaining 3 (2020: 3) individuals during the year are as follows:

	2021 RMB'000	2020 RMB'000
Basic salaries and allowances	1,549	1,539
Retirement benefit scheme contributions	270	78
	1,819	1,617

The emoluments fell within the following bands:

	2021	2020
	Number of individuals	
Emolument bands		
HK$Nil – HK$1,000,000	3	3

No emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2021 and 2020.

12. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture and fixtures and office equipment RMB'000	Motor vehicles RMB'000	Office premises RMB'000	Heating facility RMB'000	Staff quarters RMB'000	Total RMB'000
At 1 January 2020	–	1,784	977	3,441	604	–	6,806
Year ended 31 December 2020							
Opening net book amount	–	1,784	977	3,441	604	–	6,806
Acquisition of subsidiaries *(note 27(b))*	6,900	794	200	–	–	212	8,106
Additions	–	2,178	291	234	–	–	2,703
Disposals	–	(40)	–	–	–	–	(40)
Depreciation	(358)	(922)	(433)	(1,560)	(403)	(13)	(3,689)
Closing net book amount	6,542	3,794	1,035	2,115	201	199	13,886
At 31 December 2020							
Cost	6,900	8,091	5,086	4,386	1,007	212	25,682
Accumulated depreciation	(358)	(4,297)	(4,051)	(2,271)	(806)	(13)	(11,796)
Net book amount	6,542	3,794	1,035	2,115	201	199	13,886
Year ended 31 December 2021							
Opening net book amount	6,542	3,794	1,035	2,115	201	199	13,886
Acquisition of subsidiaries *(note 27(a))*	1,713	1,477	1,685	–	–	–	4,875
Additions	174	4,811	536	904	1,240	199	7,864
Disposals	–	(172)	(512)	–	–	–	(684)
Depreciation	(527)	(2,550)	(700)	(1,407)	(407)	(96)	(5,687)
Closing net book amount	7,902	7,360	2,044	1,612	1,034	302	20,254
At 31 December 2021							
Cost	8,787	14,207	6,795	5,290	2,247	411	37,737
Accumulated depreciation	(885)	(6,847)	(4,751)	(3,678)	(1,213)	(109)	(17,483)
Net book amount	7,902	7,360	2,044	1,612	1,034	302	20,254

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Depreciation charges recognised is analysed as follows:

	2021 RMB'000	2020 RMB'000
Cost of sales	505	1,020
Administrative expenses	5,182	2,669
	5,687	3,689

As at 31 December 2021, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Carrying amount		Depreciation	
	As at 31 December 2021 RMB'000	As at 31 December 2020 RMB'000	for the year ended 31 December 2021 RMB'000	for the year ended 31 December 2020 RMB'000
Motor vehicles	–	–	–	200
Office premises	1,612	2,115	1,407	1,560
Heating facility	1,034	201	407	403
Staff quarters	302	199	96	13
	2,948	2,515	1,910	2,176

During the year ended 31 December 2021, the total additions to right-of-use assets included in property, plant and equipment amounting to RMB2,343,000 (note 31(a)) (2020: RMB234,000). The details in relation to these leases are set out in note 20.

13. INTANGIBLE ASSETS

	Customer relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
At 1 January 2020			
Cost	–	3,391	3,391
Accumulated amortisation	–	(734)	(734)
Net book amount	–	2,657	2,657
Year ended 31 December 2020			
Opening net book amount	–	2,657	2,657
Acquisition of subsidiaries *(note 27(b))*	20,875	41	20,916
Additions	–	3,693	3,693
Amortisation	(1,238)	(1,159)	(2,397)
Closing net book amount	19,637	5,232	24,869
At 31 December 2020 and 1 January 2021			
Cost	20,875	7,125	28,000
Accumulated amortisation	(1,238)	(1,893)	(3,131)
Net book amount	19,637	5,232	24,869

13. INTANGIBLE ASSETS (Continued)

	Customer relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2021			
Opening net book amount	19,637	5,232	24,869
Acquisition of subsidiaries *(note 27(a))*	66,527	528	67,055
Additions	–	1,616	1,616
Amortisation	(6,888)	(1,437)	(8,325)
Closing net book amount	79,276	5,939	85,215
At 31 December 2021			
Cost	87,402	9,269	96,671
Accumulated amortisation	(8,126)	(3,330)	(11,456)
Net book amount	79,276	5,939	85,215

Amortisation charges recognised is analysed as follows:

	2021 *RMB'000*	2020 *RMB'000*
Cost of sales	–	20
Administrative expenses	8,325	2,377
	8,325	2,397

14. INVESTMENT PROPERTIES

	2021	2020
	RMB'000	*RMB'000*
Opening net book amount	**29,817**	30,902
Depreciation	**(1,049)**	(1,085)
Closing net book amount	**28,768**	29,817

All of the Group's investment properties were purchased from the then shareholder of the Group, Hevol Real Estate Group Limited (和泓置地集團有限公司,"**Hevol Real Estate**") and its subsidiaries, which are under control by the Controlling Shareholder. The investment properties are held to earn rentals or for capital appreciation.

As at 31 December 2021, the carrying amount of the Group's investment properties attributable to the properties without the relevant title certificates was approximately RMB28,768,000 (2020: RMB29,817,000). The Group has obtained effective control to these investment properties through contractual arrangements with the sellers of the investment properties who hold the title certificates (the "**Contractual Arrangement**"). Pursuant to the Contractual Arrangement, the Group was entitled to occupy, use, dispose and lease these properties notwithstanding the absence of title certificates. As advised by the Company's PRC legal advisor, the Group had significant risks and rewards of these properties under the Contractual Arrangement. As such, the control, significant risks and rewards of these properties were vested with the Group and the Group had recognised these properties as investment properties.

14. INVESTMENT PROPERTIES (Continued)

The Group's investment properties are depreciated on a straight-line basis over the term of right of use.

As at 31 December 2021, the fair value of the Group's investment properties was approximately RMB124,000,000 (2020: RMB122,600,000). Valuations of the Group's investment properties as at 31 December 2021 and 2020 were carried out by an independent professional qualified valuer, Savills Valuation and Professional Services Limited, who holds a recognised relevant professional qualification and has recent experience in the locations and nature of the investment properties being valued. The fair value of investment properties is a level 3 recurring fair value measurement and is determined using market comparison approach by reference to recent market price for similar properties. The fair values of the properties without relevant title certificates were estimated as if the Group had valid title certificates. There were no changes to the valuation methodologies during the years ended 31 December 2021 and 2020. Increase/(Decrease) in market unit rate would result in an increase/(decrease) in the fair value of the investment properties.

The followings amounts have been recognised in the consolidated statement of profit or loss and other comprehensive income for investment properties:

	2021 ***RMB'000***	2020 *RMB'000*
Leasing income (not within the scope of IFRS 15) included in revenue from value-added services	**1,868**	2,160

Apart from depreciation charges of the investment properties, the Group has no material direct operating expenses arising from investment properties that generate leasing income.

15. GOODWILL

The net carrying amount of goodwill can be analysed as follows:

	2021 *RMB'000*	2020 *RMB'000*
As at 1 January	59,626	–
Acquisition of subsidiaries *(note 27)*	233,035	59,626
As at 31 December	292,661	59,626

During the year ended 31 December 2021, the Group completed the acquisition of seven (2020: five) subsidiaries engaged in the provision of property management services and related value-add services in the PRC (see note 27). Total identifiable net assets of these companies as at their respective acquisition dates amounted to approximately RMB76,115,000 (2020: RMB42,624,000). The excess of the consideration transferred and the amount of the non-controlling interests in the acquirees over the fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill of RMB292,661,000 (2020: RMB59,626,000) has been allocated to the CGUs of the respective subsidiaries acquired through business combinations for impairment testing at the end of the reporting period. The recoverable amounts of these subsidiaries are determined based on value in use calculations using pre-tax cash flow projections, which are based on five-year financial budgets approved by management. The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2021	2020
Revenue growth rate during the forecast period	0% to 20%	3% to 15%
Gross profit margin during the forecast period	18% to 68%	25% to 46%
Terminal growth rate	2%	3%
Pre-tax discount rate	20% to 33%	17.0% to 19.4%

Based on management's assessment on the recoverable amounts of the CGUs of those acquired subsidiaries, no impairment provision was considered necessary as at 31 December 2021 (2020: Nil).

16. INVENTORIES

	2021	2020
	RMB'000	*RMB'000*
Materials to be used in value-added services	**398**	13
Consumable parts	**187**	165
Closing net book amount	**585**	178

17. TRADE AND OTHER RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade receivables	*(a)*		
– Third parties		178,985	71,159
– Related parties	*28(b)*	57,958	50,147
		236,943	121,306
Less: ECL allowance on trade receivables		(19,523)	(17,009)
		217,420	104,297
Other receivables	*(b)*		
Deposits, prepayments and other receivables		59,439	18,213
Other deposits		39,666	33,495
Payment on behalf of property owners		21,165	18,362
Advances to employees		545	453
Amounts due from related parties	*28(b)*	–	524
		120,815	71,047
Less: ECL allowance on other receivables		(3,296)	–
		117,519	71,047
Less:			
Deposits paid for acquisition of subsidiaries included in non-current assets (net of allowance of RMB 1,515,000 (2020: RMBNil))	*26(b)*	(50,735)	(7,800)
		66,784	63,247
		284,204	167,544

17. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables

Trade receivables mainly arise from property management services and value-added services.

Property management services income are received in accordance with the term of the relevant property service agreements. Service income is due for payment upon rendering of services.

The ageing analysis of trade receivables based on invoice date, net of ECL allowance, is as follows:

	2021 *RMB'000*	2020 *RMB'000*
0 – 90 days	62,865	66,652
91 – 180 days	36,143	10,232
181 – 365 days	54,111	14,276
1 to 2 years	49,629	7,445
Over 2 years	14,672	5,692
	217,420	104,297

The movement in the ECL allowance on trade receivables is as follows:

	2021 *RMB'000*	2020 *RMB'000*
Balance at the beginning of the year	17,009	10,847
ECL allowance recognised	2,514	6,162
Balance at the end of the year	19,523	17,009

17. TRADE AND OTHER RECEIVABLES (Continued)

(a) Trade receivables (Continued)

The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors. Details of the credit risk and provision of ECL allowance are set out in note 32.2(i).

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

(b) Other receivables

Payment on behalf of property owners

The balance mainly represents the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Other deposits

Other deposits mainly represent deposits paid to government or property developers at the inception of entering into tenders for property management services contracts.

ECL allowance on other receivables measured at amortised cost

Impairment of other receivables from third parties (excluding prepayments and advances to employees) are assessed collectively and individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment of amounts due from related parties was limited to 12-month ECL since the related parties have a strong capacity to meet its contractual cash flow in the near term. Details of the credit risk and provision of ECL allowance are set out in note 32.2(ii).

17. TRADE AND OTHER RECEIVABLES (Continued)

(b) Other receivables (Continued)

ECL allowance on other receivables measured at amortised cost (Continued)

The movement of gross balance of other receivables measured at amortised cost is as follows:

	Stage 1
	RMB'000
Balance at 1 January 2020	7,979
Acquisition of subsidiaries	14,373
New loans/amounts originated	460,012
Loans/amounts repaid during the year	(420,864)
Balance at 31 December 2020 and 1 January 2021	**61,500**
Acquisition of subsidiaries	**45,882**
New loans/amounts originated	**19,381**
Loans/amounts repaid during the year	**(13,137)**
Balance at 31 December 2021	**113,626**

The movement in the ECL allowance of other receivables measured at amortised cost is as follows:

	Stage 1
	RMB'000
Balance at 1 January 2020, 31 December 2020 and 1 January 2021	–
ECL allowance recognised	3,296
Balance at 31 December 2021	**3,296**

18. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2021 *RMB'000*	2020 *RMB'000*
Wealth management products *(note)*		
Balance at 1 January	**11,446**	–
Acquisition of subsidiaries *(note 27)*	**13,000**	–
Additions	**11,158**	11,446
Fair value gain on financial assets at FVTPL	**1,724**	–
Disposals	**(37,328)**	–
Balance at 31 December	**–**	11,466

Note:

The Group invested in various wealth management products. These products have no fixed term and have an expected return rate ranging from 2.12% to 5.12% per annum. The fair values of these investments were determined based on the expected return as stipulated in relevant contracts with the counterparties. The significant unobservable input for the fair value measurement is the expected annual return rate. The higher the expected annual return rate, the higher the fair value. The fair value of the Group's investments in wealth management products have been measured as described in note 32.6.

During the year ended 31 December 2021, the Group sold all these wealth management products and fair value gain on financial assets at fair value through profit or loss of RMB1,724,000 (2020: RMBNil) was recognised as other income in the consolidated statement of profit or loss and other comprehensive income (see note 5).

19. TRADE AND OTHER PAYABLES

	Notes	2021 RMB'000	2020 RMB'000
Trade payables			
– Third parties	*(a)*	53,540	35,855
Other payables			
Accrued charges and other payables		62,467	16,483
Financial guarantees issued *(note)*		19,000	–
Renovation deposits collected from property owners		46,188	22,306
Amounts collected on behalf of property owners		73,466	55,982
Other tax liabilities		15,992	9,480
Staff costs and welfare accruals		61,387	35,681
Amounts due to related parties	*28(b)*	634	2,283
		279,134	142,215
		332,674	178,070

Note:

In prior years, Guizhou Huaxin Financing Guarantee Co., Ltd ("**Guizhou Huaxin**"), an independent third party, which was engaged in provision of financial services, had entered into certain financial guarantee contracts to provide financial guarantees to independent third parties borrowers ("**Independent Borrower**") in relation to the bank borrowings obtained by the Independent Borrowers from certain PRC banks. A subsidiary of the Company, Guiyang Xinglong, had also entered into financial guarantee contracts with Guizhou Huaxin and the PRC banks to provide financial guarantees to Guizhou Huaxin. Pursuant to the terms of the above guarantees, upon default of bank borrowings by the Independent Borrowers, Guizhou Huaxin and Guiyang Xinglong are jointly and severally liable for the repayment of the outstanding principal together with accrued interest and penalties (the "**Default Payment**") owed by the Independent Borrowers to the PRC banks. The guarantees periods start from the date of grant of the bank borrowings to expiry of the financial guarantee contracts. Financial guarantee contracts of RMB19,000,000 (2020: RMBNil) was recognised in the consolidated statement of financial positions at the date of acquisition of Guiyang Xinglong and at the end of the reporting period. The maximum exposure of the financial guarantee contracts is RMB38,000,000 (2020: RMBNil).

Restricted bank deposits include balances of RMB9,845,000 (2020: RMBNil) which have been frozen by the PRC court's pending the outcome of the legal proceedings initiated by PRC banks relating to certain bank borrowing contracts which related to the financial guarantees issued by Guiyang Xinglong. The frozen bank balances may not be used by the Group until the litigations are resolved.

19. TRADE AND OTHER PAYABLES (Continued)

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	2021 *RMB'000*	2020 *RMB'000*
0 to 30 days	40,899	27,319
31 to 180 days	10,860	7,346
181 to 365 days	796	532
Over 1 year	985	658
	53,540	35,855

20. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2021 *RMB'000*	2020 *RMB'000*
Total lease payments:		
Due within one year	1,956	2,061
Due over one year but less than two years	694	659
	2,650	2,720
Future finance charges on lease liabilities	(106)	(108)
Present value of lease liabilities	2,544	2,612
Present value of the lease payments:		
Due within one year	1,897	1,970
Due over one year but less than two years	647	642
	2,544	2,612
Less: Portion due within one year included under current liabilities	(1,897)	(1,970)
Portion due after one year included under non-current liabilities	647	642

As at 31 December 2021, lease liabilities amounting to RMB2,544,000 (2020: RMB2,612,000) carried weighted-average effective interest rate of 5.26% per annum (2020: 5.64% per annum) and are effectively secured by the related underlying assets as the rights to the leased assets would be reverted to the lessor in the event of default on repayment by the Group.

During the year ended 31 December 2021, the total cash outflows for the leases (including short-term leases) are RMB2,597,000 (2020: RMB2,949,000).

20. LEASE LIABILITIES (Continued)

Details of the lease activities

As at 31 December 2021 and 2020, the Group has entered into leases for office premises, heating facility and staff quarters.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Office premises	Office premises in "Property, plant and equipment"	5 (2020: 5)	0.1 to 3 years (2020: 1 to 2 years)	• Contains an option to renew the lease after the end of the contract by giving a one-month notice to landlord before the end of the contract
Heating facility	Heating facility in "Property, plant and equipment"	1 (2020: 1)	2.5 years (2020: 0.5 years)	• Contains an option to renew the lease after the end of the contract by giving a three-months notice to lessor before the end of the contract
Staff quarters	Staff quarters in "Property, plant and equipment"	4 (2020: 2)	0.5 to 3 years (2020: 1 to 3.5 years)	• Contains an option to renew the lease after the end of the contract by giving a month notice to lessor before the end of the contract

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

21. BANK BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings:		
– Secured	4,000	–

The bank borrowings are repayable as follows:

	2021 RMB'000	2020 RMB'000
Within one year or on demand	–	–
After one year but within two years	4,000	–

Bank borrowings carried interest at fixed rate of 4.2% per annum (2020: Nil)

At the end of the reporting period, the Group has the following undrawn borrowing facilities:

	2021 RMB'000	2020 RMB'000
Fixed rate		
Expiring beyond one year	407	–

21. BANK BORROWINGS (Continued)

Several banking facilities are subject to the fulfilment of covenants relating to the Group's financial performances and credit rating which are commonly found in lending arrangements with financial institutions. If the Group breaches the covenants, the drawn down facilities would become repayable on demand. None of the bank borrowings contain a repayment on demand clause.

The Group regularly monitors its compliance with these covenants and repayments are made according to the loan agreements. Further details of the Group's management of liquidity risk are set out in note 32.3. As at 31 December 2021, none of the covenants relating to drawn down facilities had been breached (2020: none).

22. DEFERRED TAXATION

The amounts recognised in the consolidated statement of financial position are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Deferred tax assets recognised in the consolidated statement of financial position	**10,752**	6,573
Deferred tax liabilities recognised in the consolidated statement of financial position	**(20,853)**	(11,917)

The movement of net deferred tax assets/(liabilities) are as follows:

	2021 *RMB'000*	2020 *RMB'000*
At the beginning of the year	**(5,344)**	(1,874)
Acquisition of subsidiaries *(note 27)*	**(8,590)**	(4,642)
Recognised in profit or loss *(note 8)*	**3,833**	826
Attributable to change in tax rates *(note 8)*	**–**	346
At the end of the year	**(10,101)**	(5,344)

22. DEFERRED TAXATION (Continued)

The movement in deferred tax assets and liabilities is as follows:

Deferred tax assets

	Provision and accruals *RMB'000*	ECL allowance on receivables *RMB'000*	Total *RMB'000*
At 1 January 2020	1,087	1,639	2,726
Acquisition of subsidiaries *(note 27(b))*	260	2,733	2,993
Recognised in profit or loss	630	(122)	508
Attributable to change in tax rates *(note 8)*	244	102	346
At 31 December 2020 and 1 January 2021	2,221	4,352	6,573
Acquisition of subsidiaries *(note 27(a))*	–	3,719	3,719
Recognised in profit or loss	(220)	680	460
At 31 December 2021	**2,001**	**8,751**	**10,752**

22. DEFERRED TAXATION (Continued)

Deferred tax liabilities

	Fair value of financial assets at FVTPL	Fair value adjustments on business combinations	Withholding tax on undistributed earnings	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2020	–	–	(4,600)	(4,600)
Acquisition of subsidiaries *(note 27(b))*	(1,879)	(5,756)	–	(7,635)
Recognised in profit or loss	–	318	–	318
At 31 December 2020 and 1 January 2021	(1,879)	(5,438)	(4,600)	(11,917)
Acquisition of subsidiaries *(note 27(a))*	–	(12,309)	–	(12,309)
Recognised in profit or loss	1,879	1,494	–	3,373
At 31 December 2021	**–**	**(16,253)**	**(4,600)**	**(20,853)**

As at 31 December 2021, accumulated profits of the Group's subsidiaries established in the PRC amounted to RMB220,137,000 (2020: RMB150,832,000) which would be subject to withholding taxes according to the relevant laws and regulations in the PRC. In the opinion of the directors, the Group controls the dividend policy of these subsidiaries, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

The directors expect to declare and distribute the accumulated profits amounting to RMB46,000,000 (2020: RMB46,000,000) in the foreseeable future and accordingly, deferred tax liabilities of RMB4,600,000 (2020: RMB4,600,000) was recognised. As at 31 December 2021, the aggregate amount of temporary differences associated undistributed retained earnings for which deferred tax liabilities have not been recognised amounting to approximately RMB153,001,000 (2020: RMB104,832,000).

22. DEFERRED TAXATION (Continued)

Deferred tax liabilities (Continued)

As at 31 December 2021, the Group had unused tax losses of approximately RMB10,947,000 (2020: RMB22,091,000) to carry forward against future taxable income of certain subsidiaries. No deferred tax asset had been recognised in respect of these losses due to the unpredictability of future profit streams.

Pursuant to the relevant laws and regulations in the PRC, the unrecognised tax losses at the reporting date will expire in the following years:

	2021 *RMB'000*	2020 *RMB'000*
2021	–	2,666
2022	2,639	3,691
2023	1,391	5,592
2024	1,818	7,466
2025	4,965	2,676
2026	134	–
	10,947	22,091

23. SHARE CAPITAL

	Number of shares	Nominal value of shares *United States dollar ("**US$**")*
Authorised:		
Ordinary shares of the Company:		
Ordinary shares at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	5,000,000,000	50,000

23. SHARE CAPITAL (Continued)

	Notes	Number of shares	Nominal value of shares US$	Equivalent nominal value of shares RMB'000
Issued and fully paid:				
Ordinary shares of the Company:				
As at 1 January 2020		400,000,000	4,000	28
Issue of shares upon placing of shares	*(i)*	80,000,000	800	6
As at 31 December 2020 and 1 January 2021		480,000,000	4,800	34
Issue of shares upon placing of shares	*(ii)*	80,000,000	800	4
At 31 December 2021		**560,000,000**	**5,600**	**38**

Notes:

(i) On 15 June 2020, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$1.28 per share. On 24 June 2020, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six placees at an issue price of HK$1.28 per share resulting in raising proceeds, before expenses, of HK$102,400,000 (equivalents to RMB93,330,000), of which RMB6,000 was credited to the share capital account and RMB93,324,000 was credited to the share premium account. The related transaction costs amounted to RMB1,400,000 have been recorded in the share premium account.

(ii) On 14 January 2021, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$2.00 per share. On 5 February 2021, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six places at an issue price of HK$2.00 per share resulting in raising proceeds, before expenses, of HK$160,000,000 (equivalents to RMB133,404,000), of which RMB4,000 was credited to the share capital account and RMB133,400,000 was credited to the share premium account. The related transaction costs amounted to RMB2,001,000 have been recorded in the share premium account.

24. RESERVES

Details of the movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity.

(a) Share premium

Share premium represents the excess of the net proceeds from issuance of the Company's shares over its par value.

(b) Statutory reserve

In accordance with the relevant laws and regulations for the Group's subsidiaries incorporated in the PRC, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

(c) Capital reserve

The capital reserve of the Group represents the capital contribution from the shareholders.

(d) Exchange reserve

The exchange reserve comprises all foreign exchanges differences arising from the translation of the financial statements of foreign operations. The reserve is dealt with in accordance with the accounting policies set out in note 2.4.

24. RESERVES (Continued)

(e) The amounts of the Company's reserves and the movements are presented as follows:

	Share premium RMB'000	Merger reserve RMB'000 (note)	Exchange reserve RMB'000	Accumulated losses RMB'000	Total reserves RMB'000
At 1 January 2020	95,929	101,178	–	(59,232)	137,875
Loss for the year	–	–	–	(6,424)	(6,424)
Other comprehensive income for the year					
– Exchange differences on translation of financial statements	–	–	(8,986)	–	(8,986)
	–	–	(8,986)	(6,424)	(15,410)
Issuance of shares upon placement of shares *(note 23(i))*	93,324	–	–	–	93,324
Issuance expenses of placing of new shares *(note 23(i))*	(1,400)	–	–	–	(1,400)
At 31 December 2020 and 1 January 2021	187,853	101,178	(8,986)	(65,656)	214,389
Loss for the year	–	–	–	(8,854)	(8,854)
Other comprehensive income for the year					
– Exchange differences on translation of financial statements	–	–	(5,768)	–	(5,768)
	–	–	(5,768)	(8,854)	(14,622)
Issuance of shares upon placement of shares *(note 23(ii))*	133,400	–	–	–	133,400
Issuance expenses of placing of new shares *(note 23(ii))*	(2,001)	–	–	–	(2,001)
At 31 December 2021	**319,252**	**101,178**	**(14,754)**	**(74,510)**	**331,166**

24. RESERVES (Continued)

(e) The amounts of the Company's reserves and the movements are presented as follows: (Continued)

Note: Merger reserve represents the difference between the fair values of the subsidiaries being acquired and the nominal value of the Company's share capital issued in exchange.

As at 31 December 2021, the aggregate amount of reserves available for distribution to equity holders of the Company was RMB345,920,000 (2020: RMB223,375,000).

25. SHARE OPTION SCHEME

On 14 June 2019 (the "**Adoption Date**"), the Company adopted a share option scheme (the "**Share Option Scheme**"). The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants to work towards enhancing the value of the Company and the shareholders as a whole.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue.

No option of the Company was granted to the Company's employees and other eligible participants since the Adoption Date and up to the date of these consolidated financial statements.

26. COMMITMENTS

(a) Lease commitments

As lessor

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within one year	686	686
After one year but within two years	686	686
After two years but within three years	686	686
After three years but within four years	686	686
After four years but within five years	343	685
After five years	–	343
	3,087	3,772

As lessee

At the reporting date, the lease commitments for short-term leases are as follows:

	2021 *RMB'000*	2020 *RMB'000*
Within one year	–	270

26. COMMITMENTS (Continued)

(b) Capital commitments

Capital commitments outstanding at 31 December 2021 not provided for were as follows:

	2021 *RMB'000*	2020 *RMB'000*
Acquisition of subsidiaries *(note)*	39,200	50,700

Note:

On 25 December 2021, Guizhou Furuiying Information Consultancy Limited ("**Guizhou WFOE**") (貴州福瑞盈資訊諮詢有限公司), an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Shanghai Laida Business Consulting Center (Limited Partnership) ("**Shanghai Laida**") (上海徠達商務諮詢中心 (有限合夥)), an independent third party, pursuant to which Guizhou WFOE agreed to acquire 68.75% equity interests of Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") (遵義市金寧物業管理有限公司), from Shanghai Laida for a total consideration of RMB91,450,000. As at 31 December 2021, the Group paid a deposit of RMB52,250,000 to Shanghai Laida, and accordingly, the Group had capital commitment of RMB39,200,000 for the acquisition of Zunyi Jinning.

On 3 November 2020, Guizhou WFOE an indirect wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Mr. Huang Jiahong (黃加紅) ("**Seller A**"), Mr. Yang Xuepeng (楊學鵬) ("**Seller B**") and Mr. Song Yunhan (宋運漢) ("**Seller C**" and together with Seller A and Seller B, the "**Sellers**"), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 51% equity interests of Zhongshan Zhongzheng Property Management Co., Ltd. ("**Zhongshan Zhongzheng**") (中山市中正物業管理有限公司), from the Sellers for an aggregate cash consideration of RMB15,400,000. As at 31 December 2020, the Group had paid a deposit of RMB7,700,000 to the Sellers, and accordingly, the Group had capital commitment of RMB7,700,000 for acquisition of Zhongshan Zhongzheng. The acquisition of Zhongshan Zhongzheng was completed on 4 January 2021 and the details were set out in note 27(a).

26. COMMITMENTS (Continued)

(b) Capital commitments (Continued)

On 19 November 2020, Beijing Hevol Property Services Company Limited ("**Beijing Hevol Property Services**"), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with Yu Hongliang (俞紅亮) (the "**Seller D**"), an independent third party, pursuant to which Beijing Hevol Property Services agreed to acquire 100% equity interests of Beijing Hongteng Real Estate Investment Consulting Co., Ltd. ("**Beijing Hongteng**") (北京紅藤房地產投資顧問有限公司), from the Seller D for an aggregate cash consideration of RMB200,000. As at 31 December 2020, the Group paid a deposit of RMB100,000 to the Seller D, and accordingly, the Group had capital commitment of RMB100,000 for the acquisition of Beijing Hongteng. The acquisition of Beijing Hongteng was competed on 4 January 2021 and the details were set out in note 27(a).

On 28 December 2020, Guizhou WFOE, an indirect wholly-owned subsidiary of the Company, entered into a sales and purchase agreement with Mr. Deng Lihua (鄧利華) (the "**First Seller**"), and Mr. Rao Yunke (饒運科) (the "**Second Seller**", and together with the First Seller, the "**Sichuan Sellers**"), independent third parties, pursuant to which Guizhou WFOE agreed to acquire 60% equity interests of Sichuan Wansheng Property Service Co., Ltd. ("**Sichuan Wansheng**") (四川萬晟物業服務有限公司), from the Sichuan Sellers for an aggregate cash consideration of RMB42,900,000. As at 31 December 2020, the Group had capital commitment of RMB42,900,000 for the acquisition of Sichuan Wansheng. The acquisition of Sichuan Wansheng was completed on 25 January 2021 and the details were set out in note 27(a).

27. ACQUISITION OF SUBSIDIARIES

(a) During the year ended 31 December 2021, the Group acquired seven subsidiaries from independent third parties.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(i) Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration *RMB'000*
Zhongshan Zhongzheng (中山市中正物業管理有限公司)	Provision of property management services and related value-added services	4 January 2021	51%	15,400
Sichuan Wansheng (四川萬晟物業服務有限公司)	Provision of property management services and related value-added services	25 January 2021	60%	42,900
Panjin Four Seasons City Property Management Co., Ltd. (盤錦四季城物業管理有限公司) ("**Panjin Four Seasons**")	Provision of property management services and related value-added services	25 May 2021	51%	18,360
Jiangsu Shenhua Times Property Group Co., Ltd. (江蘇深華時代物業集團有限公司) ("**Jiangsu Shenhua**")	Provision of property management services and related value-added services	16 March 2021	51%	40,800
Beijing He Zhong Zhidi Property Agency Co., Ltd. (北京和眾置地房地產經紀有限公司) ("**Beijing He Zhong**")	Provision of property agency services	16 June 2021	51%	2,000
Hunan Jinying Property Management Co., Ltd. (湖南金鷹物業管理有限公司) ("**Hunan Jinying** ")	Provision of property management services and related value-added services	18 May 2021	51%	–*
Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司) ("**Guiyang Xinglong**")	Provision of property management services and related value-added services	2 August 2021	70%	156,800

* The cash consideration amount is less than RMB1,000

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese names of those companies as no English names have been registered or available.

The above subsidiaries were acquired to expand the Group's property management service portfolio and provide synergies to its existing property management business.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Fair value of the identifiable assets and liabilities of the subsidiaries acquired at the respective acquisition dates

	Zhongshan Zhongzheng *RMB'000*	Sichuan Wansheng *RMB'000*	Jiangsu Shenhua *RMB'000*	Hunan Jinying *RMB'000*	Panjin Four Seasons *RMB'000*	Beijing He Zhong *RMB'000*	Guiyang Xinglong *RMB'000*	Total *RMB'000*
Property, plant and equipment *(note 12)*	–	562	531	33	2,033	–	1,716	4,875
Intangible assets *(note 13)*	5,202	11,808	13,775	–	4,313	–	31,957	67,055
Deferred tax assets *(note 22)*	–	73	1,182	–	63	–	2,401	3,719
Financial assets at fair value through profit or loss	–	–	–	–	–	–	13,000	13,000
Trade and other receivables	593	59,607	43,743	596	2,796	2,432	96,279	206,046
Inventories	–	8	163	–	10	–	70	251
Restricted bank deposits	–	–	–	–	–	–	9,845	9,845
Bank balances and cash	12,203	5,410	2,054	213	5,936	60	5,921	31,797
Contract liabilities	(91)	–	–	(396)	–	–	(36,705)	(37,192)
Trade and other payables	(3,490)	(60,575)	(34,188)	(440)	(9,759)	–	(86,647)	(195,099)
Long-term borrowings	–	–	(4,000)	–	–	–	–	(4,000)
Income tax liabilities	(171)	(411)	(1,188)	(6)	(47)	(93)	(9,957)	(11,873)
Deferred tax liabilities *(note 22)*	(1,301)	(1,771)	(3,444)	–	(1,078)	–	(4,715)	(12,309)
Total identifiable net assets acquired	12,945	14,711	18,628	–	4,267	2,399	23,165	76,115

27. ACQUISITION OF SUBSIDIARIES (Continued)

(iii) Non-controlling interests

The non-controlling interests in Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong of 49%, 40%, 49%, 49%, 49%, 49% and 30% recognised at the respective acquisition dates, respectively, were measured by reference to the respective proportionate share of the recognised amounts of net assets of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong amounted to RMB6,343,000, RMB5,884,000, RMB9,127,000, RMBNil, RMB2,091,000. RMB1,176,000 and RMB8,269,000, respectively.

(iv) Goodwill arising on acquisitions

	Zhongshan Zhongzheng *RMB'000*	Sichuan Wansheng *RMB'000*	Jiangsu Shenhua *RMB'000*	Hunan Jinying *RMB'000*	Panjin Four Seasons *RMB'000*	Beijing He Zhong *RMB'000*	Guiyang Xinglong *RMB'000*	Total *RMB'000*
Cash considerations	15,400	42,900	40,800	–*	18,360	2,000	156,800	276,260
Fair value of identifiable net assets acquired	(12,945)	(14,711)	(18,628)	–	(4,267)	(2,399)	(23,165)	(76,115)
Non-controlling interests	6,343	5,884	9,127	–	2,091	1,176	8,269	32,890
Goodwill arising on acquisition	8,798	34,073	31,299	–	16,184	777	141,904	233,035

* The cash consideration amount less than RMB1,000.

Goodwill arose from the acquisitions of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong as the considerations transferred included a control premium. In addition, the considerations transferred effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from these acquisitions is expected to be deductible for tax purposes.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(v) Net cash inflow on acquisitions of subsidiaries

	RMB'000
Total cash considerations	276,260
Cash deposit paid as at 31 December 2020	(7,800)
Deferred consideration included in other payables as at 31 December 2021 *(note)*	(52,145)
Bank balances and cash acquired	(31,797)
	184,518

Note: Part of the consideration payable for the acquisition of Sichuan Wansheng and Guiyang Xinglong amounting to RMB2,145,000 and RMB50,000,000 were included in other payables as at 31 December 2021.

(vi) Impact on acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2021 is profit of RMB2,932,000 attributable to the additional business generated by Zhongshan Zhongzheng, and profit of RMB7,316,000 attributable to Sichuan Wansheng, profit of RMB8,047,000 attributable to Jiangsu Shenhua, loss of RMB85,000 attributable to Hunan Jinying, profit of RMB4,260,000 attributable to Panjin Four Seasons, profit of RMB990,000 attributable to Beijing He Zhong and profit of RMB12,774,000 attributable to Guiyang Xinglong and its subsidiary. Revenue for the year ended includes RMB36,307,000 in respect of Zhongshan Zhongzheng and RMB54,637,000 in respect of Sichuan Wansheng, RMB45,898,000 in respect of Jiangsu Shenhua, RMB1,802,000 in respect of Hunan Jinying, RMB18,533,000 in respect of Panjin Four Seasons, RMB5,050,000 in respect of Beijing He Zhong and RMB79,339,000 in respect of Guiyang Xinglong.

If the acquisitions had occurred on 1 January 2021, the Group's revenue and profit for the year ended 31 December 2021 would have been RMB885,413,000 and RMB143,805,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future results.

(b) During the year ended 31 December 2020, the Group acquired five subsidiaries from independent third parties.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(i) Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration *RMB'000*
Shanghai Tongjin Property Management Services Co. Ltd. (上海同進物業服務有限公司) ("**Shanghai Tongjn**")	Provision of property management services and related value-added services	22 January 2020	70%	29,591
Shanghai Tongjia Property Management Services Co. Ltd (上海同嘉物業服務有限公司) ("**Shanghai Tongjia**")	Provision of property management services and related value-added services	3 June 2020	60%	3,750
Dongguan Baoying Property Management Company Limited (東莞市寶盈物業管理有限公司) ("**Dongguan Baoying**")	Provision of property management services and related value-added services	27 October 2020	60%	15,000
Guizhou Xingji Property Services Company Limited (貴州星際物業服務有限公司) ("**Guizhou Xingji**")	Provision of property management services and related value-added services	5 November 2020	51%	25,500
Hohhot Huigu Property Services Company Limited (呼和浩特市慧谷物業服務有限公司) ("**Hohhot Huigu**")	Provision of property management services and related value-added services	24 December 2020	65%	12,000

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese names of those companies as no English names have been registered or available.

The above subsidiaries were acquired to expand the Group's property management service portfolio and provide synergies to its existing property management business.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(ii) Fair value of the identifiable assets and liabilities of the subsidiaries acquired at the respective acquisition dates

	Shanghai Tongjin *RMB'000*	Shanghai Tongjia *RMB'000*	Dongguan Baoying *RMB'000*	Guizhou Xingji *RMB'000*	Hohhot Huigu *RMB'000*	Total *RMB'000*
Property, plant and equipment *(note 12)*	7,607	5	368	64	62	8,106
Intangible assets *(note 13)*	6,855	–	2,296	9,520	2,245	20,916
Deferred tax assets *(note 22)*	2,155	–	195	558	85	2,993
Deposits	977	–	–	–	–	977
Trade and other receivables	22,963	720	4,690	10,141	2,271	40,785
Financial assets at fair value through profit or loss	–	–	5,990	–	5,456	11,446
Bank balances and cash	34,794	5,785	4,419	7,629	6,484	59,111
Contract liabilities	(5,294)	–	(127)	(4,287)	(4,119)	(13,827)
Trade and other payables	(48,883)	(423)	(7,339)	(10,630)	(5,684)	(72,959)
Lease liabilities	(200)	–	(222)	–	–	(422)
Income tax liabilities	(5,911)	(24)	(513)	(296)	(123)	(6,867)
Deferred tax liabilities *(note 22)*	(2,240)	–	(2,072)	(2,380)	(943)	(7,635)
Total identifiable net assets acquired	12,823	6,063	7,685	10,319	5,734	42,624

(iii) Non-controlling interests

The non-controlling interests in Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu of 30%, 40%, 40%, 49% and 35% recognised at the respective acquisition dates, respectively, were measured by reference to the respective proportionate share of the recognised amounts of net assets of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu amounted to RMB3,847,000, RMB2,425,000, RMB3,074,000, RMB5,056,000 and RMB2,007,000, respectively.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(iv) Goodwill arising on acquisitions

	Shanghai Tongjin RMB'000	Shanghai Tongjia RMB'000	Dongguan Baoying RMB'000	Guizhou Xingji RMB'000	Hohhot Huigu RMB'000	Total RMB'000
Cash consideration	29,591	3,750	15,000	25,500	12,000	85,841
Fair value of identifiable net assets acquired	(12,823)	(6,063)	(7,685)	(10,319)	(5,734)	(42,624)
Non-controlling interests	3,847	2,425	3,074	5,056	2,007	16,409
Goodwill arising on acquisition	20,615	112	10,389	20,237	8,273	59,626

Goodwill arose from the acquisitions of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu as the considerations transferred included a control premium. In addition, the considerations transferred effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Shanghai Tongjin, Shanghai Tongjia, Dongguan Baoying, Guizhou Xingji, and Hohhot Huigu. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising from these acquisitions was expected to be deductible for tax purposes.

The aggregate of acquisition-related costs incurred by the Group for the acquisitions amounting to RMB906,000 have been excluded from the consideration transferred and have been recognised as administrative expenses in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2020.

27. ACQUISITION OF SUBSIDIARIES (Continued)

(v) Net cash inflow on acquisitions of subsidiaries

	RMB'000
Total cash considerations *(note)*	85,841
Cash deposit paid as at 31 December 2019	(24,875)
Deferred consideration included in other payables as at 31 December 2020 *(note)*	(6,000)
Bank balances and cash acquired	(59,111)
	(4,145)

Note:

Part of the consideration payable for the acquisition of Hohhot Huigu amounting to RMB6,000,000 was included in other payables as at 31 December 2020. The amount was settled in January 2021.

(vi) Impact on acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2020 was profit of RMB11,832,000 attributable to the additional business generated by Shanghai Tongjin, loss of RMB931,000 attributable to Shanghai Tongjia, profit of RMB145,000 attributable to Dongguan Baoying, profit of RMB787,000 attributable to Guizhou Xingji and RMBNil attributable to Hohhot Huigu. Revenue for the year ended 31 December 2020 included RMB87,154,000 in respect of Shanghai Tongjin, RMB2,148,000 in respect of Shanghai Tongjia, RMB4,589,000 in respect of Dongguan Baoying, RMB9,104,000 in respect of Guizhou Xingji and RMBNil in respect of Hohhot Huigu.

If the acquisitions had occurred on 1 January 2020, the Group's revenue and profit for the year ended 31 December 2020 would have been RMB518,796,000 and RMB72,140,000 respectively. This pro forma information was for illustrative purposes only and was not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2020, nor is it intended to be a projection of future results.

28. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.26. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following material transactions with related parties:

(a) The transactions with related parties of the Group carried out in the ordinary course of business were as follows:

	2021 *RMB'000*	2020 *RMB'000*
Companies controlled by Mr. Liu		
Revenue arising from provision of property management and value-added services*	63,960	70,311
Purchase of intangible assets*	–	1,750

* These related party transactions constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

(b) **Balances with related parties**

	2021 *RMB'000*	2020 *RMB'000*
Amounts due from related parties		
Trade receivables		
– companies controlled by Mr. Liu	39,035	50,147
Other receivables		
– companies controlled by Mr. Liu *(note)*	–	524
	39,035	50,671
Amounts due to related parties		
Other payables		
– companies controlled by Mr. Liu *(note)*	634	2,283

Note: The amounts due are non-trade in nature, unsecured, interest-free, repayable on demand and are denominated in RMB.

28. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

(c) Key management personnel remuneration

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2021 *RMB'000*	2020 *RMB'000*
Directors' fees	**597**	640
Salaries, bonus and allowances	**2,934**	2,615
Retirement benefit scheme contributions	**390**	112
	3,921	3,367

29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2021 *RMB'000*	2020 *RMB'000*
Non-current assets		
Investment in subsidiaries *(note)*	**93,978**	101,178
	93,978	101,178
Current assets		
Amounts due from subsidiaries	**233,102**	88,810
Bank balances and cash	**10,056**	36,057
	243,158	124,867
Current liabilities		
Other payables	**5,932**	11,622
Net current assets	**237,226**	113,245
Net assets	**331,204**	214,423
EQUITY		
Share capital	**38**	34
Reserves *(note 24(e))*	**331,166**	214,389
Total equity	**331,204**	214,423

Approved and authorised for issue by the board of directors on 31 March 2022.

Note: Details of the principal subsidiaries are stated in note 30.

Wang Wenhao
Director

Hu Hongfang
Director

30. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries at 31 December 2021 and 2020 are as follows:

Name of subsidiary	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities
Directly held by the Company				
Hevol Group Limited [3]	Hong Kong/ 7 June 2018	US$1	100% (2020: 100%)	Agency business and Investment holding
Rime Venture Limited [3]	BVI/ 28 March 2018	US$1	100% (2020: 100%)	Investment holding
Indirectly held by the Company				
Rime Venture (HK) Limited [3]	Hong Kong/ 23 May 2018	US$1	100% (2020: 100%)	Investment holding
Guizhou WFOE [1]	PRC/ 13 September 2018	RMB230,575,600	100% (2020: 100%)	Management consultation and Investment holding
Guizhou Hevol Abundance Property Management Limited [2]	PRC/ 19 July 2018	RMB5,000,000	100% (2020: 100%)	Investment holding
Beijing Hongsheng Investment Limited ("**Beijing Hongshang**") 北京泓升投資有限責任公司[2]	PRC/ 13 January 2006	RMB30,000,000	100% (2020: 100%)	Management consultation and Investment holding
Beijing Hevol Property Services [2]	PRC/ 9 April 2002	Registered: RMB60,000,000 Issued and paid-up: RMB12,000,000	100% (2020: 100%)	Property management services
Tianjin Hevol Property Management Services Company Limited [2] 天津和泓物業管理服務有限公司 [2]	PRC/ 30 April 2008	Registered: RMB50,000,000 Issued and paid-up: RMB1,000,000	100% (2020: 100%)	Property management services
Chongqing Hevol Property Services Company Limited [2] 重慶和泓物業服務有限公司 [2]	PRC/ 22 June 2007	RMB10,000,000	100% (2020: 100%)	Property management services
Tangshan Hevol Property Services Company Limited [2] 唐山和泓物業服務有限公司 [2]	PRC/ 11 January 2011	RMB500,000	100% (2020: 100%)	Property management services
Shenyang Hevol Property Services Company Limited [2] 瀋陽和泓物業服務有限公司 [2]	PRC/ 16 August 2010	RMB1,000,000	100% (2020: 100%)	Property management services

30. PARTICULARS OF SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of subsidiary	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities
Indirectly held by the Company (Continued)				
Hunan Hehua Property Services Company Limited [2] 湖南和華物業服務有限公司 [2]	PRC/ 26 November 2012	RMB2,000,000	100% (2020: 100%)	Property management services
Guiyang Hevol Property Services Company Limited [2] 貴陽和泓物業服務有限公司 [2]	PRC/ 9 November 2006	RMB500,000	100% (2020: 100%)	Property management services
Hainan Hevol Hotel Property Services Company Limited [2] 海南和泓酒店物業服務有限公司 [2]	PRC/ 18 January 2012	RMB5,000,000	100% (2020: 100%)	Property management services
Shanghai Tongjin [2] 上海同進物業服務有限公司 [2]	PRC/ 29 May 2003	Registered: RMB50,000,000 Issued and paid-up: RMB5,000,000	70% (2020: 70%)	Property management services
Jiangsu Tongjin Property Management Services [2] 江蘇同進物業服務有限公司 [2]	PRC/ 9 January 2009	RMB5,000,000	70% (2020: 70%)	Property management services
Shanghai Wanrun Property Management Co., Ltd. [2] 上海萬潤物業管理有限公司 [2]	PRC/ 5 April 2005	RMB500,000	70% (2020: 70%)	Property management services
Gongqingcheng Jiaying Investment Management Company Limited [2] 共青城嘉盈私募基金管理有限公司 [2]	PRC/ 9 March 2020	Registered: RMB10,000,000 Issued and paid-up: RMB3,000,000	100% (2020: 100%)	Inactive
Shanghai Tongjia Property Management Services Co. Ltd [2] 上海同嘉物業服務有限公司 [2]	PRC/ 31 October 2018	Registered: RMB25,000,000 Issued and paid-up: RMB6,250,000	60% (2020: 60%)	Property management services
Dongguan Baoying Property Management Company Limited [2] 東莞市寶盈物業管理有限公司 [2]	PRC/ 2 May 2013	RMB3,000,000	60% (2020: 60%)	Property management services
Guizhou Xingji Property Services Company Limited [2] 貴州星際物業服務有限公司 [2]	PRC/ 11 September 2009	RMB2,000,000	51% (2020: 51%)	Property management services

30. PARTICULARS OF SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

Name of subsidiary	Country/place and date of incorporation/ establishment	Issued and paid-up capital/ registered capital	Equity interest held	Principal activities
Indirectly held by the Company (Continued)				
Anshun Hevol Property Services Company Limited [2] 安順和泓物業服務有限公司 [2]	PRC/ 31 August 2020	RMB1,000,000	100% (2020: 100%)	Property management services
Hohhot Huigu Property Services Company Limited [2] 呼和浩特市慧穀物業服務有限公司 [2]	PRC/ 26 October 2012	RMB500,000	65% (2020: 65%)	Property management services
Zhongshan Zhongzheng Prperty Management Co., Ltd. [2,4] 中山市中正物業管理有限公司[2,4]	PRC/ 18 January 2008	RMB10,000,000	51% (2020: Nil)	Property management services
Sichuan Wansheng Property Service Co., Ltd.[2,5] 四川萬晟物業服務有限公司[2,5]	PRC/ 23 April 2013	RMB5,000,000	60% (2020: Nil)	Property management services
Jiangsu Shenhua Times Property Group Co., Ltd.[2,6] 江蘇深華時代物業集團有限公司[2,6]	PRC/ 5 September 2008	Registered: RMB20,000,000 Issued and paid-up: RMB5,000,000	51% (2020: Nil)	Property management services
Hunan Jinying Property Management Co., Ltd[2,7] 湖南金鷹物業管理有限公司[2,7]	PRC/ 22 May 2019	Registered: RMB3,000,000 Issued and paid-up: RMBNil	51% (2020: Nil)	Property management services
Panjin Four Seasons Property Management Co., Ltd.[2,8] 盤錦四季城物業服務有限公司[2,8]	PRC/ 23 August 2006	Registered: RMB10,000,000 Issued and paid-up: RMB3,000,000	51% (2020: Nil)	Property management services
Beijing He Zhong Real Estate Agency Co., Ltd.[2,9] 北京和眾置地房地產經紀有限公司[2,9]	PRC/ 5 January 2007	Registered: RMB10,000,000 Issued and paid-up: RMB1,000,000	51% (2020: Nil)	Property agency services
Guiyang Xinglong Property Management Co., Ltd [2,10] 貴陽興隆物業管理有限公司[2,10]	PRC/ 10 June 2004	RMB10,000,000	70% (2020: Nil)	Property management services
Guizhou Zhongtie Xinglong Property Management Co., Ltd. [2,10] 貴州中鐵興隆物業管理有限公司[2,10]	PRC/ 23 September 2011	RMB5,000,000	56.7% (2020: Nil)	Property management services

30. PARTICULARS OF SUBSIDIARIES (Continued)

Details of the principal subsidiaries at 31 December 2021 and 2020 are as follows (Continued):

[1] Registered as a wholly foreign-owned enterprise under the PRC law

[2] Registered as a limited liability company under the PRC law

[3] Incorporated as a limited liability company under local jurisdiction

[4] Acquired on 4 January 2021

[5] Acquired on 25 January 2021

[6] Acquired on 16 March 2021

[7] Acquired on 18 May 2021

[8] Acquired on 25 May 2021

[9] Acquired on 16 June 2021

[10] Acquired on 2 August 2021

The English names of certain companies referred herein represent management's best effort at translating the Chinese names of these companies as no English name has been registered.

All companies comprising the Group have adopted 31 December as their financial year end date.

30. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows:

Zhongshan Zhongzheng

	2021 *RMB'000*
NCI percentage	49%
Current assets	18,531
Non-current assets	4,894
Current liabilities	(6,378)
Non-current liabilities	(1,170)
Net assets	15,877
Carrying amount of NCI	7,780
Revenue	36,307
Profit and total comprehensive income for the period	2,932
Profit and total comprehensive income attributable to NCI	1,437
Cash used in operating activities	(1,648)
Cash flows generated from investing activities	103
Net cash outflows for the year	(1,545)

30. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows (Continued):

Sichuan Wansheng:

	2021 *RMB'000*
NCI percentage	40%
Current assets	40,490
Non-current assets	11,451
Current liabilities	(27,379)
Non-current liabilities	(1,609)
Net assets	22,953
Carrying amount of NCI	9,181
Revenue	54,637
Profit and total comprehensive income for the year	7,316
Profit and total comprehensive income attributable to NCI	2,926
Cash flows generated from operating activities	30,373
Cash flows used in investing activities	(807)
Net cash inflows for the year	29,566

30. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows (Continued):

Jiangsu Shenhua:

	2021 *RMB'000*
NCI percentage	49%
Current assets	52,276
Non-current assets	14,508
Current liabilities	(32,924)
Non-current liabilities	(7,185)
Net assets	26,675
Carrying amount of NCI	13,070
Revenue	45,898
Profit and total comprehensive income for the year	8,047
Profit and total comprehensive income attributable to NCI	3,943
Cash flows generated from operating activities	10,798
Cash flows used in investing activities	(137)
Cash flows used in financing activities	(128)
Net cash inflows for the year	10,533

30. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows (Continued):

Panjin Four Seasons:

	2021 RMB'000
NCI percentage	49%
Current assets	15,215
Non-current assets	6,342
Current liabilities	(12,014)
Non-current liabilities	(1,015)
Net assets	8,528
Carrying amount of NCI	4,179
Revenue	18,533
Profit and total comprehensive income for the year	4,260
Profit and total comprehensive income attributable to NCI	2,087
Cash flows generated from operating activities	6,147
Cash flows used in investing activities	(3)
Net cash inflow for the year	6,144

30. PARTICULARS OF SUBSIDIARIES (Continued)

The Group includes the following subsidiaries with material non-controlling interests ("**NCI**"), the details and the summarised financial information, before intragroup eliminations, are as follows (Continued):

Guiyang Xinglong and its subsidiary:

	2021 RMB'000
NCI percentage	30%
Current assets	182,820
Non-current assets	34,235
Current liabilities	(177,124)
Non-current liabilities	(4,518)
Net assets	35,413
Carrying amount of NCI	11,821
Revenue	79,339
Profit and total comprehensive income for the year	12,774
Profit and total comprehensive income attributable to NCI	4,079
Cash flows generated from operating activities	47,554
Cash flows generated from investing activities	35,284
Net cash inflows for the year	82,838

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

a) Major non-cash transactions

During the year ended 31 December 2021, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB2,343,000 (2020: RMB234,000) (note 12) was recognised at the lease commencement date.

31. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

b) Reconciliation of liabilities arising from financing activities

The table below set out the reconciliation of liabilities arising from financing activities for the years ended 31 December 2021 and 2020.

	Bank borrowings *RMB'000*	Lease liabilities *RMB'000*	Amounts due to related parties *RMB'000*	Total *RMB'000*
At 1 January 2020	–	4,106	1,308	5,414
Cash flows				
– Proceeds	–	–	2,283	2,283
– Repayments	–	–	(1,308)	(1,308)
– Payment of capital element of leases	–	(2,150)	–	(2,150)
– Payment of interest element of leases	–	(187)	–	(187)
Non-cash transactions				
– Acquisition of subsidiaries *(note 27(b))*	–	422	–	422
– Entering into new leases	–	234	–	234
– Interest expenses on lease liabilities	–	187	–	187
At 31 December 2020	–	2,612	2,283	4,895
Cash flows				
– Proceeds	–	–	634	634
– Repayments	–	–	(2,283)	(2,283)
– Payment of capital element of leases	–	(2,411)	–	(2,411)
– Payment of interest element of leases	–	(186)	–	(186)
Non-cash transactions				
– Acquisition of subsidiaries *(note 27(a))*	4,000	–	–	4,000
– Entering into new leases	–	2,343	–	2,343
– Interest expenses on lease liabilities	–	186	–	186
At 31 December 2021	**4,000**	**2,544**	**634**	**7,178**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk). The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

32.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2021 *RMB'000*	2020 *RMB'000*
Financial assets		
Financial assets at amortised cost		
– Trade and other receivables	327,750	165,797
– Restricted bank deposits	9,845	–
– Bank balances and cash	391,228	291,507
Financial assets at FVTPL		
– Wealth management products	–	11,446
	728,823	468,750
Financial liabilities		
Financial liabilities at amortised cost		
– Bank borrowings	4,000	–
– Trade and other payables	297,682	168,590
Financial guarantees issued	19,000	–
Lease liabilities	2,544	2,612
	323,226	171,202

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial assets would fail to discharge its obligation under the terms of the financial assets and cause a financial loss to the Group. The Group's maximum exposure to credit risk in relation to financial assets is limited to the carrying amount at each reporting date as disclosed in note 32.1.

(i) Trade receivables

The Group's policy is to deal only with credit worthy counterparties. Payment record of customers is closely monitored. It is not the Group's policy to request collateral from its customers.

In addition, as set out in note 2.10, the Group assesses ECL under IFRS 9 on trade receivables based on provision matrix, the ECL rates are based on the payment profile for sales in the past 36 months as well as the corresponding historical credit losses during that period. The management would also make individual assessment on the recoverability of trade receivables from related parties. The historical rates are adjusted to reflect current and forwarding-looking macroeconomic factors (including the change in economic environment arising from COVID-19) affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed.

Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within credit terms and failure to engage with the Group on alternative payment arrangement amongst other are considered indicators of no reasonable expectation of recovery.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.2 Credit risk (Continued)

(i) Trade receivables (Continued)

The ECL allowance of trade receivables was determined as follows. The ECL below also incorporated forward-looking information and reflected the change in credit quality:

	Third parties						Related parties	Total
	0-90 days	91-180 days	181-365 days	1-2 years	2-3 years	>3 years		
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021								
Weighted average expected credit loss rate	**1.6%**	**3.6%**	**5.2%**	**7.0%**	**34.6%**	**56.6%**	**0.1%**	
Gross carrying amount	**41,299**	**26,586**	**43,812**	**39,077**	**14,301**	**13,910**	**57,958**	**236,943**
ECL allowance provision	**642**	**966**	**2,297**	**2,744**	**4,954**	**7,874**	**46**	**19,523**
At 31 December 2020								
Weighted average expected credit loss rate	10.1%	18.5%	24.7%	25.8%	47.1%	54.9%	0.5%	
Gross carrying amount	18,630	12,568	18,985	11,888	2,862	6,226	50,147	121,306
ECL allowance provision	1,874	2,336	4,709	3,073	1,347	3,419	251	17,009

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.2 Credit risk (Continued)

(ii) Other financial assets at amortised cost

Other financial assets at amortised cost include other receivables, amounts due from related parties and bank balances and cash. The Group has large number of counterparties for its other receivables other than those from related parties. There was no concentration of credit risk. In order to minimise the credit risk of other receivables and amounts due from related parties, the management would make periodic collective and individual assessment on the recoverability of other receivables and amounts due from related parties based on historical settlement records and past experience as well as collateral and current external information and adjusted to reflect probability-weighted forward-looking information, including the default rate where the relevant debtors operates. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. In addition, the management is of opinion that there is no significant increase in credit risk on these financial assets since initial recognition as the risk of default is low after considering the factors as set out in note 2.10 and, thus, ECL recognised is based on 12-month ECL.

Bank deposits are mainly placed with state-owned financial institutions and reputable banks which are all high-credit-quality financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.2 Credit risk (Continued)

(ii) Other financial assets at amortised cost (Continued)

The gross carrying amount of other receivables by stage is as follows:

	12-month ECL	Lifetime ECL		
	Stage 1	Stage 2	Stage 3	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
At 31 December 2021				
Other receivables	**113,626**	**–**	**–**	**113,626**
At 31 December 2020				
Other receivables	61,500	–	–	61,500

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

	12-month ECL	Lifetime ECL	Total
	RMB'000	*RMB'000*	*RMB'000*
At 1 January 2020, 31 December 2020 and 1 January 2021	–	–	–
ECL allowance recognised	3,296	–	3,296
At 31 December 2021	**3,296**	**–**	**3,296**

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of their recognised financial liabilities as summarised in note 32.1, and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2021 and 2020. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.3 Liquidity risk (Continued)

The contractual maturity analyses below is based on the undiscounted cash flows of the financial liabilities:

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Total contractual undiscounted amount RMB'000	Carrying amount RMB'000
As at 31 December 2021					
Trade and other payables	297,682	–	–	297,682	297,682
Bank borrowings	–	4,336	–	4,336	4,000
Lease liabilities	1,956	694	–	2,650	2,544
	299,638	5,030	–	304,668	304,226
Financial guarantees	38,000	–	–	38,000	19,000
As at 31 December 2020					
Trade and other payables	168,590	–	–	168,590	168,590
Lease liabilities	2,061	659	–	2,720	2,612
	170,651	659	–	171,310	171,202

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.4 Interest rate risk

The Group is exposed to the cash flow interest rate risk and fair value interest rate risk for its bank deposits, bank borrowings and lease liabilities, respectively. No sensitivity analysis is presented since the directors consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits, bank borrowings and lease liabilities, respectively, will not be significant in the near future.

32.5 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

As at 31 December 2021, the Group's bank balance of RMB359,664,000 (2020: RMB242,907,000) denominated in RMB placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.6 Fair value measurements

Financial assets and liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The three levels are defined based on the observability and significance of inputs to the measurements, as follows:

– Level 1 : quoted prices (unadjusted) in active markets for identical assets and liabilities.

– Level 2 : inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and not using significant unobservable inputs

– Level 3 : significant unobservable inputs for the asset or liability.

The level in the fair value hierarchy within which the financial asset or liability is categorised in its entirety is based on the lowest level of input that is significant to the fair value measurement.

	Level 3 *RMB'000*
As at 31 December 2021	
Asset	
Financial assets at FVTPL – wealth management products (i)	–
As at 31 December 2020	
Asset	
Financial assets at FVTPL – wealth management product (ii)	11,446

There was no transfer into or out of level 3 during the year ended 31 December 2021 and 2020.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.6 Fair value measurements (Continued)

(i) The following table presents the changes in level 3 financial assets for the year ended 31 December 2021:

	2021
	RMB'000
At 1 January	11,446
Acquisition of subsidiaries *(note 27)*	13,000
Additions	11,158
Fair value change included in profit or loss	1,724
Disposals	(37,328)
At 31 December	–

The fair values of these investments were determined based on the expected return rate as stipulated in relevant contract with the counterparties.

32. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

32.6 Fair value measurements (Continued)

(ii) The following table presents the changes in level 3 financial assets for the year ended 31 December 2020:

	2020
	RMB'000
At 1 January	–
Additions	11,446
At 31 December	11,446

The fair values of these investments were determined based on the expected return rate as stipulated in relevant contract with the counterparties.

The fair values of the Group's financial assets and liabilities other than financial assets at FVTPL are not materially different from their carrying amounts because of the immediate or short maturity of these financial instruments.

33. CAPITAL MANAGEMENT

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. As part of this review, the directors of the Company consider cost of capital and the risks associated with the issued share capital. The Group may adjust the amount of dividends paid to shareholders, issue new shares, return capital to shareholders, raise new debt financing or sell assets to reduce debt.

Five-Year Financial Summary

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Revenue	196,027	224,450	248,275	415,870	**766,791**
Cost of sales	(129,906)	(143,958)	(164,142)	(266,965)	**(502,598)**
Gross profit	66,121	80,492	84,133	148,905	**264,193**
Other income	1,827	1,573	4,743	9,529	**15,496**
Expected credit loss ("**ECL**") allowance on trade and other receivables	–	–	4,534	(6,162)	**(5,810)**
Administrative expenses	(37,251)	(39,966)	(52,353)	(77,265)	**(134,464)**
Listing-related expenses	–	(11,694)	(17,693)	–	**–**
Finance costs	–	–	(150)	(187)	**(465)**
Profit before income tax	30,697	30,405	23,214	74,820	**138,950**
Income tax expense	(8,827)	(13,519)	(9,421)	(14,843)	**(30,314)**
Profit for the year	21,870	16,886	13,793	59,977	**108,636**
Other comprehensive expense for the year, net of nil tax					
Items that will not be reclassified subsequently to profit or loss:					
– Exchange differences on translation of the Company's financial statements into its presentation currency	–	–	–	(5,573)	**(981)**
Total comprehensive income for the year	21,870	16,886	13,793	54,404	**107,655**

	Year ended 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Profit for the year attributable to:					
Equity shareholders of the Company	21,870	16,886	13,793	56,357	**86,194**
Non-controlling interests	–	–	–	3,620	**22,442**
	21,870	16,886	13,793	59,977	**108,636**
Total comprehensive income for the year attributable to:					
Equity shareholders of the Company	21,870	16,886	13,793	50,784	**85,213**
Non-controlling interests	-	-	-	3,620	**22,442**
	21,870	16,886	13,793	54,404	**107,655**
Earnings per share attributable to owners of the Company (expressed in RMB cents)					
Basic and diluted	7.29	5.63	3.97	12.76	**15.60**

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2017	2018	2019	2020	**2021**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***
Assets					
Non-current assets	38,988	40,657	67,966	142,571	**488,385**
Current assets	194,385	219,557	238,690	470,675	**685,862**
Total assets	233,373	260,214	306,656	613,246	**1,174,247**
Equity and Liabilities					
Total equity	84,594	80,106	164,456	327,199	**588,026**
Non-current liabilities	–	4,600	6,788	12,559	**25,500**
Current liabilities	148,779	175,508	135,412	273,488	**560,721**
Total Liabilities	148,779	180,108	142,200	286,047	**586,221**
Total equity and liabilities	233,373	260,214	306,656	613,246	**1,174,247**