

# A-LIVING SMART CITY SERVICES CO., LTD.\* 雅生活智慧城市服務股份有限公司

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

Stock Code: 3319

**LIFELONG CARING  
FOR YOU,  
HEARTWARMING  
SERVICE TO CITY**



**ANNUAL REPORT 2021**

\*For identification purposes only

## VISION

Lifelong caring for you,  
heartwarming service to city

## CORE VALUE

Inclusion and diversity;  
Relentless pursuit of excellence;  
Mutual benefit and common progress;  
Value creation with concerted efforts

## MISSION

Become a preeminent quality  
service provider in China





# Corporate Profile

A-Living Smart City Services Co., Ltd. (“A-Living” or the “Company”, together with its subsidiaries, collectively, the “Group”) positions itself as a mid- to high-end provider of nationwide comprehensive property management services, ranking the 4th of the Top 100 Property Management Companies in China published by China Index Academy. The Group dedicates to providing high-quality and full- scenario services to property owners, undertaking the corporate mission of “becoming the preeminent quality service provider in China”. With the continuous business expansion covering the whole industry chain, the Group is proactively innovating and exploring the value-added service ecosystem. Currently, the Group has developed four business lines, namely, property management services, property owners value-added services, city services and extended value-added services, with a nationwide coverage of 31 provinces, municipalities and autonomous regions, and has developed a balanced business portfolio layout covering residential properties, public buildings and commercial and office buildings. As at 31 December 2021, the Group’s total contracted GFA increased to approximately 663.1 million sq.m. and the total GFA under management reached approximately 488.9 million sq.m.

On 9 February 2018, the Group successfully spun off from Agile Group Holdings Limited (雅居樂集團控股有限公司) (“Agile Holdings”, and together with its subsidiaries, “Agile Group”) and became the first property management company in the People’s Republic of China (the “PRC” or “China”) that officially spun off from a red-chip holding company to list on the H-Share market.

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# Corporate Information

## Board of Directors

Mr. Chan Cheuk Hung\* (Co-chairman)  
Mr. Huang Fengchao\* (Co-chairman)  
Mr. Li Dalong\* (President (General Manager) and  
Chief Executive Officer)  
Mr. Wei Xianzhong\*\*  
Ms. Yue Yuan\*\*  
Mr. Wan Kam To#  
Ms. Wong Chui Ping Cassie#  
Mr. Weng Guoqiang# (appointed on 21 January 2022)  
Mr. Wang Peng# (removed on 21 January 2022)

\* Executive Directors

\*\* Non-executive Directors

# Independent Non-executive Directors

## Board Committees

### Audit Committee

Mr. Wan Kam To (Committee Chairman)  
Ms. Wong Chui Ping Cassie  
Mr. Weng Guoqiang (appointed on 21 January 2022)  
Mr. Wang Peng (removed on 21 January 2022)

### Remuneration and Appraisal Committee

Mr. Weng Guoqiang (Committee Chairman) (appointed  
on 21 January 2022)  
Mr. Wang Peng (Committee Chairman) (removed on 21  
January 2022)  
Mr. Huang Fengchao  
Mr. Li Dalong  
Mr. Wan Kam To  
Ms. Wong Chui Ping Cassie

### Nomination Committee

Mr. Huang Fengchao (Committee Chairman)  
Mr. Li Dalong  
Mr. Wan Kam To  
Ms. Wong Chui Ping Cassie  
Mr. Weng Guoqiang (appointed on 21 January 2022)  
Mr. Wang Peng (removed on 21 January 2022)

## Risk Management Committee

Mr. Huang Fengchao (Committee Chairman)  
Mr. Chan Cheuk Hung  
Mr. Li Dalong  
Mr. Wan Kam To  
Ms. Wong Chui Ping Cassie (appointed on 21 January  
2022)

## Supervisory Committee

Mr. Liu Jianrong (President of the Supervisory  
Committee, Employee representative Supervisor)  
Ms. Huang Zhixia (Employee representative Supervisor)  
Mr. Shi Zhengyu (Shareholder representative Supervisor)  
Mr. Wang Gonghu (External Supervisor)  
Mr. Wang Shao (External Supervisor)

## Company Secretary

Ms. Lai Kuen

## Authorised Representatives

Mr. Li Dalong  
Ms. Lai Kuen

## Auditor

PricewaterhouseCoopers  
Certified Public Accountant and Registered PIE Auditor

## Legal Advisors

**as to Hong Kong law:**  
Sidley Austin LLP

## as to PRC law:

King & Wood Mallesons

### Principal Bankers

Bank of China, Guangzhou Zhujiang Branch  
Industrial and Commercial Bank of China,  
Zhongshan Sanxiang Wenchang Branch  
Industrial and Commercial Bank of China,  
Lingshui Branch  
Agricultural Bank of China, Sanxiang Branch  
China Construction Bank, Guangzhou Huacheng Branch

### Principal Place of Office in the PRC

35/F, Agile Center  
26 Huaxia Road  
Zhujiang New Town  
Tianhe District, Guangzhou  
Guangdong Province, PRC  
Postal Code: 510623

### Registered Office in the PRC

Management Building, Xingye Road  
Agile Garden, Sanxiang Town  
Zhongshan  
Guangdong Province, PRC

### Principal Place of Business in Hong Kong

Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### H Share Registrar

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong  
Telephone: (852) 2980 1333  
Facsimile: (852) 2861 1465

### Investor Relations

Investor Relations Department  
E-mail: [ir@agileliving.com.cn](mailto:ir@agileliving.com.cn)  
Telephone: (852) 2740 8921

### Website

[www.agileliving.com.cn](http://www.agileliving.com.cn)

## Corporate Information (continued)

### Listing Information

#### Equity Securities

The Company's ordinary shares include domestic shares and overseas listed shares (H shares).

Overseas listed shares (stock code: 3319) are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange").

#### Financial Calendar

|  |   |                       |
|--|---|-----------------------|
| Annual results announcement                  | : | Friday, 29 April 2022 |
| 2021 annual general meeting (the "2021 AGM") | : | Friday, 17 June 2022  |

#### Closure of Register of Members and other Key Dates

The Company's register of members will be closed during the following period:

To determine the shareholders of the Company (the "Shareholders") who are entitled to attend and vote at the 2021 AGM

|  |   |  |
|--|---|--|
| Latest time for lodging transfer documents of shares | : | 4:30 p.m. on Tuesday, 17 May 2022  |
| Period of closure of register of members             | : | Wednesday, 18 May 2022 to Friday, 17 June 2022<br>(both dates inclusive) |

To determine the Shareholders' entitlement to the final dividend (the "Final Dividend")

|  |   |   |
|--|---|---|
| Ex-entitlement date for Final Dividend               | : | Tuesday, 21 June 2022   |
| Latest time for lodging transfer documents of shares | : | 4:30 p.m. on Wednesday, 22 June 2022                                      |
| Period of closure of register of members             | : | Thursday, 23 June 2022 to Tuesday, 28 June 2022<br>(both dates inclusive) |
| Record date  | : | Tuesday, 28 June 2022   |

To qualify for attending and voting at the 2021 AGM and entitlement to the Final Dividend, shareholders of overseas listed shares of the Company must lodge all properly completed share transfer forms accompanied by the relevant share certificates with the Company's H Share Registrar, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than the above latest time for lodging transfer documents of shares.

Subject to the approval by the Shareholders in the 2021 AGM, the proposed Final Dividend will be paid on or about Tuesday, 2 August 2022 to Shareholders whose names appear on the register of members of the Company on Tuesday, 28 June 2022.

**Annual General Meeting**

The 2021 AGM will be held on Friday, 17 June 2022. Notice of the 2021 AGM will be set out in the Company's circular dated 29 April 2022 and will be despatched together with this annual report to the Shareholders. Notice of the 2021 AGM and the proxy form will also be published on the Company's website ([www.agileliving.com.cn](http://www.agileliving.com.cn)) and the Hong Kong Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)).

**Despatch of Corporate Communications**

This annual report (both Chinese and English versions) will be delivered to the Shareholders. This annual report is also published on the Company's website ([www.agileliving.com.cn](http://www.agileliving.com.cn)) and the Hong Kong Stock Exchange's website ([www.hkex.com.hk](http://www.hkex.com.hk)).

For environmental protection reasons, the Company encourages the Shareholders to view this annual report posted on the aforesaid websites where possible.

# Financial Summary

## Summary of the Consolidated Income Statement

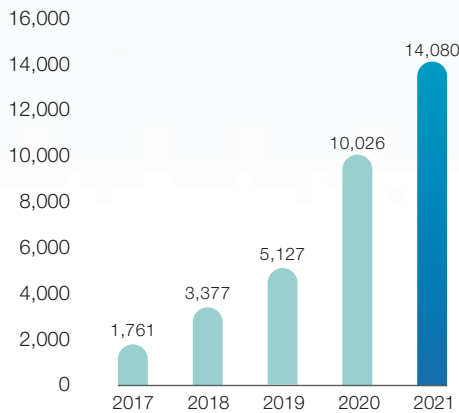
|   | Year ended 31 December |        |
|---|------------------------|--------|
|   | 2021                   | 2020   |
| Revenue (RMB million)                                 | <b>14,080</b>          | 10,026 |
| Gross profit (RMB million)                            | <b>3,869</b>           | 2,973  |
| Gross profit margin                                   | <b>27.5%</b>           | 29.7%  |
| Net profit (RMB million)                              | <b>2,566</b>           | 1,973  |
| Net profit margin                                     | <b>18.2%</b>           | 19.7%  |
| Profit attributable to the Shareholders (RMB million) | <b>2,308</b>           | 1,754  |
| Basic earnings per share (RMB)                        | <b>1.67</b>            | 1.32   |

## Summary of the Consolidated Statement of Balance Sheet

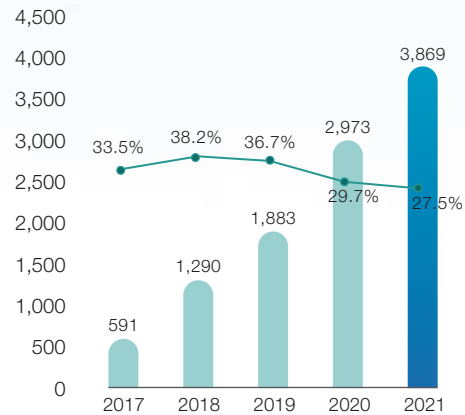
|   | As at 31 December |        |
|---|-------------------|--------|
|   | 2021              | 2020   |
| Total assets (RMB million)                              | <b>20,181</b>     | 13,975 |
| Cash and cash equivalents (RMB million)                 | <b>4,391</b>      | 5,057  |
| Shareholders' equity (RMB million)                      | <b>12,911</b>     | 8,657  |
| Return on shareholders' equity attribute to the Company | <b>24.9%</b>      | 25.9%  |
| Total liabilities/Total assets                          | <b>36.0%</b>      | 38.1%  |



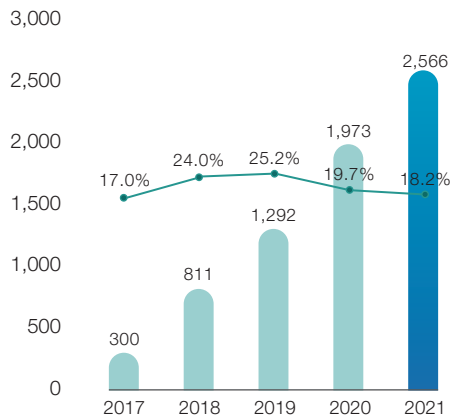
**Revenue**  
(RMB million)



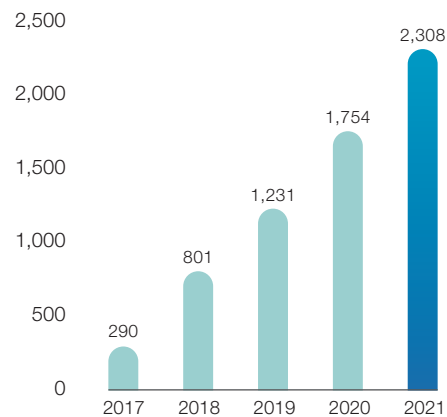
**Gross profit and gross profit margin**  
(RMB million)/%



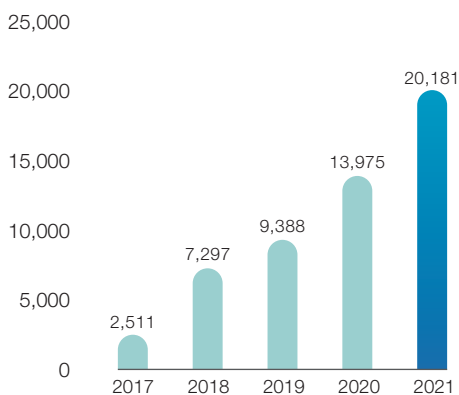
**Net profit and net profit margin**  
(RMB million)/%



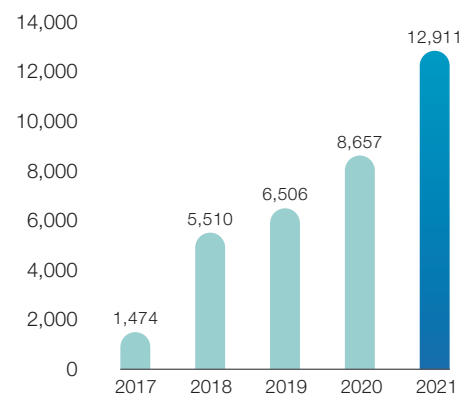
**Profit attributable to the Shareholders of the Company**  
(RMB million)



**Total assets**  
(RMB million)



**Shareholders' equity**  
(RMB million)



# Major Events in 2021

## Mar

1. A-Living and a number of its member companies were included in the list of Top 500 Most Competitive Property Service Providers for Government Procurement in China.
2. A-Living extended its industrial layout, announced the acquisition of multiple city services companies, and launched city services business.
3. A-Living released its 2020 annual results. The Company continued to grow rapidly and became one of the first batch of property management companies in the industry with an annual revenue of over RMB10 billion.



4. A-Living launched the “5-Star campaign” for quality improvement to comprehensively enhance the service experience and create a better life for property owners with dedication.



## Apr

5. A-Living ranked the 4th of the 2021 Top 100 Property Management Companies in China consecutively, which consolidated its leading position in the industry.
6. As one of the founding members, A-Living joined the “G11” listed property management company cooperation alliance to play a leading role in the industry and jointly provide high-quality services to cater to property owners’ pursuit of a better life.



## Jul

7. A-Living completed the acquisition of New CMIG PM, consolidating its leading position in East China market.
8. Zhengzhou city of Henan province was hit by heavy rainfall. A-Living and its member companies formed a flood-fight emergency team to protect life and property of property owners by standing firmly in the frontline. And the Group collaborated with Agile Charity Fund to purchase goods to support Henan province.
9. A-Living and Greenland Holdings extended their strategic cooperation until 2025 and A-Living will continue to provide high-quality services as the priority strategic partner of Greenland Holdings in property management.

## Aug

10. In July and August, in response to the reoccurrence of COVID-19 pandemic in various regions, A-Living swiftly took action and executed the emergency plan to protect life and health of property owners by standing firmly in the frontline.
11. A-Living announced to increase its shareholding in Shandong Hongtai to strengthen its campus service capability and take its comprehensive business portfolio layout to a new stage.
12. A-Living released its 2021 interim results with revenue and profit attributable to Shareholders both increasing by more than 50% year-on-year.



Sep

- 13. A-Living, together with its member companies, assisted Xi'an municipality in the 14th National Games of China with fine city services.
- 14. A-Living won the bid for a service project of Taizicheng Snow Town in Chongli District, one of the supporting facilities of the Beijing Winter Olympic Games, contributing to the international sporting event with its high-quality services



Oct

- 15. A-Living's "City Full Scenario Services Experience Booth" made its appearance at Guangzhou Smart Property Management Expo 2021.



Nov

- 16. A-Living signed a comprehensive strategic partnership agreement with Alibaba Cloud for cooperation in various fields including digitalization and intelligentization construction.
- 17. A-Living upgraded its brand strategy and presented its new corporate mission, vision and values to progress together with the country, society, communities, property owners and partners.



Dec

- 18. A-Living accelerated to deliver its plan for the ecosystem of value-added services to property owners, signed a partnership agreement with Tianjin Jinshida Decoration Engineering Co., Ltd.\* (金仕达工程公司) and joined hands with "51 Home Service (51 家庭管家)", to set up a new model of "property management services + living services".



# Major Recognition and Awards



## Major Recognition and Awards

- |  |   |
|--|---|
| <p>1 The 4th of the “2021 Top 100 Property Management Companies in China”</p> <p>2 The 4th of the “2021 Property Management Company in terms of Comprehensive Strength”</p> <p>3 The 1st of Listed Property Services Company in China for Market Expansion Capability in 2021</p> <p>4 The 1st of the “2021 TOP Property Services Enterprises in China in terms of Third-party Market Expansion”</p> <p>5 The 2nd of the “2021 Top 100 Leading Property Management Companies in terms of Growth Potential in China”</p> <p>6 2021 Top 100 Leading Property Management Companies in terms of Customer Satisfaction in China</p> <p>7 2021 Leading Brand in terms of Specialized Operation in Property Management Companies of China</p> | <p>8 2021 Leading Specialized Property Management Companies in terms of Community Commercial Service in China</p> <p>9 2021 China Excellent Brand of Property Management Services for Public Buildings</p> <p>10 2021 China Excellent Brand of Property Management Services for Educational Institutions</p> <p>11 2021 Top 20 Property Management Enterprise in Office Building Services in China</p> <p>12 2021 Leading Property Management Companies of China in Value-added Services Operation</p> <p>13 2021 Leading Smart City Service Enterprise in China</p> <p>14 2020-2021 China Top 10 Property Management Companies by Digitalization</p> |
|--|---|



## Chairman's Statement



**Chan Cheuk Hung**

*Co-chairman of  
the Board*

**Huang Fengchao**

*Co-chairman of  
the Board*

Dear Shareholders,

We are pleased to present the audited consolidated results of the Group for the year ended 31 December 2021 (the “Year”).

In 2021, the property management industry was better regulated with higher-quality development and more diversified businesses. The government of the People’s Republic of China (the “PRC”) enacted plans and policies to guide and support the industry’s well-regulated and sustainable development. Ten government departments of PRC, including the Ministry of Housing and Urban-Rural Development, jointly issued the Notice on Strengthening and Improving Residential Property Management (《關於加強和改進

住宅物業管理工作的通知》) (the “Notice”) in the Year. Both the Notice and China’s 14th Five-Year Plan affirmed property management enterprises’ role as the backbone of urban governance and living services. In the future, the PRC government will support property management enterprises to provide residents with more convenient and diverse living services, practically improve the service quality and increase the degree of intelligentization and standardization of property management. Throughout the Year, to cope with the recurring COVID-19 pandemic and various natural catastrophes, property management enterprises resolutely shouldered their social responsibilities and did their best to safeguard property owners’ lives and properties, which won them high praises widely from the society.

In the second half of 2021, the PRC government further tightened regulatory policies relating to the real estate industry, heightening the liquidity risks of some property developers. This also impacted and posed challenges to the property management industry, leading to a valuation adjustment of the sector. Property management enterprises are developing in a way that makes themselves more independent of real estate developers. Property management enterprises continued to expand their management scale and speed up development through a market-oriented approach and by building strong brands. They also further expanded their management portfolios, enhanced their professional service capabilities and developed differentiating features. However, the large property management enterprises' advantages of immense management scale and strong brands are increasingly manifested, resulting in intensified market differentiation. Leading enterprises are further solidifying their dominating position in terms of market shares and brand influence. Meanwhile, bolstered by policy tailwinds and growing demands, property management enterprises kept seeking new opportunities in the value-added services along the value chain of the industry, so as to provide property owners with personalized and convenient services and address their real needs.

The Group continues to serve property owners with high-quality services, contribute to community management and help promote urban development. Adhering to a market-oriented development strategy and focusing on the development of core businesses, the Group continuously extended the scenarios to which its services can be applied, actively developed businesses along the whole value chain of the industry, and innovatively explored the value-added service ecosystem. The Group scaled new heights in terms of management scale and brand strength and continuously ranked the 4th of the "2021 Top 100 Property Management Companies in China", demonstrating the wide recognition of its status as an industry leader.

## Business Review

2021 marked the beginning of the 14th Five-Year Plan of the Group. Facing the cyclical fluctuations in the property industry, the Group actively coped with the market changes. By leveraging its leading market expansion capabilities and rich experience in integrating the businesses along the value chain of the industry to diversify its growth drivers, the Group achieved stable growth in both management scale and results. During the Year, the Group's property management business topped the industry in terms of expansion into the third-party markets, winning over 50 project contracts each with annualized contract amount of more than RMB10 million. The Group stood out in open market bidding and won a number of major benchmark projects such as a venue management project for Beijing Winter Olympics, demonstrating its good reputation for and strength in the non-residential sector. The Group further consolidated the fundamentals of its property management services, accelerated the development of its city services and innovatively explored the value-added services to property owners. The Group's revenue and profit structures have been optimized and the proportion of non-cyclical business segments has increased significantly, laying a foundation for high-quality and sustainable development in the future.

During the Year, the revenue of the Group was RMB14,080.1 million, representing an increase of 40.4% as compared with the corresponding period of last year. Gross profit was RMB3,868.7 million, representing a year-on-year increase of 30.1%, and gross profit margin was 27.5%. Net profit was RMB2,565.6 million, representing a year-on-year increase of 30.1%, and net profit margin was 18.2%. Profit attributable to the Shareholders of the Company amounted to RMB2,308.5 million, representing a year-on-year increase of 31.6%. The basic earnings per share amounted to RMB1.67. Excluding the impact from extended value-added service businesses, total profit attributable to Shareholders in

respect of the Group's property management services, value-added services to property owners and city services recorded a significant year-on-year growth of 50.6% in the Year.

As at 31 December 2021, the GFA under management and contracted GFA of the Group were 488.9 million sq.m. and 663.1 million sq.m., respectively. Among which, the accumulated contracted GFA from Agile Group and Greenland Holdings Group Company Limited (綠地控股集團股份有限公司) ("Greenland Holdings") was 87.1 million sq.m. and 60.8 million sq.m., respectively. Thanks to the rapid market expansion and consolidation of the industry, the contracted GFA (including those contributed by the acquired companies) from third-party projects reached 515.2 million sq.m., representing a significant increase of 33.0% compared with that as at 31 December 2020, and accounting for 77.7% of the total contracted GFA. The third-party projects have become a major growth driver of the Group's management scale.

The Group further implemented the "Prosperous City Plan". Through the flexible multi-channel expansion approach, which was tailor-made for each city, the Group deepened its penetration in regional markets and diversified its business portfolio to actively take on the challenges of market competition. During the Year, the Group achieved remarkable results in market expansion, with newly increased contracted GFA of approximately 70.0 million sq.m. from third-party expansion (excluding M&A), maintained its top position in authoritative rankings such as "2021 TOP 50 Property Services Enterprises in China in terms of Third-party Market Expansion" and topped the list of "Listed Property Services Company in China for Market Expansion Capability". In terms of public buildings, the Group further strengthened its leading strengths in managing government office buildings, public venues, transportation hubs and tourist attractions and other niche markets, and obtained an array of benchmark projects such as Shanghai Planetarium, Credit Reference Center of the People's Bank of

China, Shenzhen East Lake Park, and a number of rail transportation projects in Shanghai and Nanjing. Leveraging its rich experience in managing public venues and serving large-scale international conferences and the combined capabilities of its flagship public building service brands and regional operation forces, the Group won the bid for providing service to Taizicheng Snow Town in Chongli, a supporting venue for the Beijing 2022 Winter Olympic Games, thus providing high-quality services that contributed to the success of the Winter Olympics while demonstrating the strength of a Chinese property management company. In residential segment, the Group leveraged its brand advantages to broaden the source of growth and accelerated the expansion in existing market of residential projects. It obtained a number of large, existing residential projects in Guangzhou and Zhengzhou and other cities, each with an annualized contract value of over RMB10 million. In commercial and office buildings as well as corporate services, the Group further enhanced its standardized service capability and market competitiveness, and obtained projects such as the four logistics parks from RRS of Haier Group in different regions across the country. During the Year, the Group extended its strategic cooperation with Greenland Holdings to 2025, for which the Group, as a strategic priority partner, will continue to provide high-quality services and actively explore the opportunities for diversified cooperation. During the Year, the Group also obtained the contracts to manage "Greenland Heart" commercial building in Xi'an High-speed Railway New Town (西安高鐵路新城綠地之心), and other super-high-rise urban landmark projects.

The Group has improved its geographical coverage and business portfolio through mergers and acquisitions by seizing the opportunities of industry consolidation, and retained high-quality resources and long-term strategic customers through joint venture cooperation, active participation in the mixed ownership reform of state-owned enterprises and strategic cooperation. During the Year, the Group completed the acquisition of the equity interest in Minrui Property Management



## Chairman's Statement (continued)

(Shanghai) Co., Ltd. ("New CMIG PM"), and increased its shareholding in Shandong Hongtai Property Development Company Limited (山東宏泰物業發展有限公司) ("Shandong Hongtai"), a quality member company under the Group, so as to deepen its presence in providing campus services and further shore up the weakness in its businesses. The Group has a well-established post-investment mechanism for integration and empowerment. During the Year, the Group focused on establishing its business and operation platforms, cultivated flagship brands in various regions and business portfolios, and deeply integrated its service capabilities. By further integrating the experience and advantages in niche markets, the Group formed a strong synergy in market expansion. During the Year, the Group cooperated with its regional operations and its member companies, and jointly won the bids for dozens of projects. The newly obtained projects through joint forces had a total annualized contract value of more than RMB50 million. Through the joint effort of the Group and its regional operations and its member companies, the Group will be able to provide consistent, high-standard services to a property owner who has a nationwide presence.

The Group actively implemented the "property services + living services" model, further rationalized its business lines and operational structure, gave full play to the advantages of its resource, as well as analyzed and estimated trends in the demand, so as to provide the most caring and convenient services to property owners and maximize the value on top of its property management business. In terms of operation management, the management model has been optimized to improve professionalism and standardization. The Group has set up business divisions to directly manage various value-added services to property owners in different regions. Specialized companies were also set up to coordinate the resources and undertake business development. Bolstered by its high-quality services, the Group took advantages of the resources it has accumulated in the projects under management and impeccably

matched the demand of property owners to allow them to experience the one-stop, closed-loop system for value-added services and products and bring brand-new service experience to property owners. During the Year, the Group retained high-quality and market-oriented partners through joint venture and M&A, and focused on developing the childcare business and the housekeeping business, including the cooperation with the high-end housekeeping service provider "51 Home Service" and the establishment of nearly 50 "Happy Whale" childcare centres. With advantage in management, the Group has achieved rapid business development and a nationwide presence.

The Group has been comprehensively upgraded to a comprehensive smart city service platform. During the Year, the Group successfully integrated a number of national and regional leading city service enterprises, and thus forming a preliminary nationwide presence, rapidly establishing its market expansion capability, and leading the industry in terms of the annualized contract value of newly obtained projects. By giving full play to its experience and advantages in public services and broad customer base and leveraging the brand and service capabilities acquired through the business development, the Group has rapidly built up its operation platform and independent capability for market expansion. Therefore, the Group was able to obtain the integrated sanitation projects in Yingzhou Town, Lingshui, Hainan and the road sanitation projects in Qujiang district, Xi'an, Shaanxi, thus further consolidating its advantages in regional markets. In the niche markets of city services, the Group made breakthroughs in marine sanitation, water body conservation and integrated urban improvement, and horizontally extended the scope of business from basic sanitation service to the personalized services to meet the clients' needs. The Group also set the standards and benchmarks for these projects and accumulated rich experience in operating the integrated service platform.

The Group firmly believes that quality and reputation are the foundation of any business development. In the



light of rapid urban development and property owners' ever higher requirements for the services, the Group has been improving the standardization, intelligence and personalization of its services and strove for excellence in service quality to become a preeminent quality service provider in China. Facing the sporadic recurring COVID-19 pandemic across the country and the challenges brought by natural catastrophes, including rainstorms, typhoons and snowstorms at the locations of the projects under its management, the Group remained committed to the mission of "lifelong caring", and preserved in providing property services at the front line to guard the life and properties of property owners, winning wide acclaim from the society and property owners. During the Year, the Group stepped up efforts in quality control and strove to thoroughly resolve the remaining quality issues through quality inspections and online supervision, etc., and revamped its service image by launching a "5-star Campaign" to keep polishing and improving the quality of its service. During the Year, various business portfolios of the Group set respective service models and established 16 benchmark projects to promote their service standards and share their experience nationwide. This, in turn, contributed to the Group's market expansion and penetration and helped improve its service standards. Thanks to excellent service quality and word of mouth of the property owners, the Group was awarded the titles of "2021 Top 100 Leading Property Management Companies in terms of Service Quality in China", "2021 Top 100 Leading Property Management Companies in terms of Customer Satisfaction in China", "Contract-abiding and Trustworthy Enterprises in Guangdong Province", etc.

During the Year, the Group further adjusted and optimized its structure under the principle of flat organization and efficient management to match its market-oriented strategy and the rapid diversification and development of the industry. The Group vertically simplified and consolidated the management levels, and horizontally integrated the operation, post-investment and value-added service platforms. It also set up the operation and management center and centralized

marketing center of the Group to combine its management and expansion capabilities as one so as to fully serve and support business operations and match strategic development needs. In terms of market team building, the Group cultivated a "wolf culture" and focused on improving per capita efficiency. During 2021, the year of brand building in China's property management industry, the Group revamped its brand image, integrated the brand advantages of its member companies, kept up with the times and the country's development, and came up with a new brand mission, vision and values.

In terms of intelligent services and technology upgrades, the Group accelerated the building of smart community and smart city service platform during the Year. Together with its partners in building the technology ecosystem, the Group upgraded more than 400 service scenarios in terms of hardware, software, technology and services. The moves were aim at effectively improving operational efficiency, management standards and service quality. During the Year, the Group reached strategic cooperation with Alibaba Cloud to build a technical base for digital upgrading and a standard system for digitalization of the property management industry for full informatization of business operation by combining the technical advantages of Alibaba Cloud and the Group's experience in professional service. During the Year, the Group also had strategic or in-depth cooperation with Alipay, DingTalk, LongShine Technology and Gemeite, achieving comprehensive improvement in information management system, operational quality control, contract and capital management, resource management and client service etc.

The Group maintained its industry leadership in terms of overall strength and ranked 4th continuously in the "2021 Top 100 Property Management Companies in China" and 4th in the "2021 Top 500 Property Management Companies in terms of Comprehensive Strength in China", respectively. The brand value of A-Living rose again and amounted to RMB14.8 billion, according to third-party assessment. The accolades

## Chairman's Statement (continued)

won by the Group such as the “2021 Leading Brand of High-end Property Services in China”, the “2021 Excellent Brand of Public Building Property Services in China”, the “2021 Outstanding Brand of Education Property Services in China” and the “2021 Leading Enterprise of Smart City Services in China” testified to the Group's brand leadership in various niche markets.

### Prospects and Strategy

In the past three decades, the property management industry has gone through stages of rapid growth in scale, market-oriented development and business diversification. Under the guidance of national policies and regulations, the property management industry has returned to the essence of service, promising healthier and more robust development in the future. There is a growing trend for the strong players to become stronger and for the property management market to become more concentrated at a faster pace. Only property management companies with high-quality and reputable brands, differentiating features and comprehensive service capabilities can keep ahead in the benign competition. Considering the changing competitive environment, the cyclical fluctuations in the real estate market, with continuously increasing GFA under management of the Group, the keys to long-term development lie in the ability to provide consistent services to property owners and to seek opportunities for sustainable growth along the value chain of the industry.

The year 2022 marks A-Living's 30th year of providing services to property owners. The Group will live up to the expectations of society and the times to show its gratitude for the trust and support of three million property owners, and undertake the mission of “lifelong caring for you, heartwarming service to city”. The Group will adhere to long-termism and preserve with its efforts to enhance integration of its core businesses. It will also focus on high-quality development of its core businesses

with quality as its lifeline, bring market-oriented level to a higher extend, increase its brand influence, strengthen its capability to expand and develop business independently, fully unleash its potentials, create values, and combine its capabilities of managing different portfolios and running various businesses with the aim of shaping A-Living's model for developing high-quality, intelligent service.

After nearly 30 years' development, the Group has gradually evolved from a residential property management arm of a property developer in the past into a market-oriented integrated property service provider with capability to expand independently. In the future, the Group will adhere to the market-oriented approach to ensure its market leadership in respect of its talents, standards, technologies and innovation. The Group will further build up its strong team for business development and combine it with a flexible mechanism for business expansion so that the Group's level of market orientation can sustain its long-term and sustainable growth in management scale. The Group will hone its industry-leading expertise and rich experience in managing various types of properties, set a benchmark for property services in the industry, cultivate and maintain key and long-term customers, and strive to improve service standards and experience. At the same time, in respect of the existing projects in the market, the Group will step up its market expansion, allocate more resources to support such move and adopt a word-of-mouth marketing strategy to increase number of projects in each city where it has presence. Leveraging its experience and advantage in industry consolidation and the development of the ecosystem of its businesses, the Group will actively seek opportunities for growth in value in various service scenarios under its asset-light strategy. This will enable the Group to maintain its status as a leading player in terms of management scale and comprehensive strength.

Along with its expanding management scale, the Group will actively explore the business opportunities along the value chain of value-added services to property owners that have a strong synergistic relationship with its service scenarios. It will also incubate innovative businesses in its own ecosystem with a light-asset approach so as to create the second curve for long-term growth in the future. While further expanding the range of its value-added services and increasing their penetration in the projects under management, the Group will expand the coverage of its value-added services and provide more products, seek growth not only restricted within the GFA under management and cultivate its capability to develop independently. For the existing well-developed and convenient value-added services, the Group will focus on enhancing its professional capabilities to create the best experience of “property services + living services” for the property owners. In terms of innovative value-added service businesses, the Group will make efforts to build strategically significant businesses that serve as benchmarks in new sectors based on its platform operation and the scale of its operation. This will enable the Group to further develop housekeeping, nursery and other businesses and expand market for them, thus increasing both the user traffic and revenue scale.

The Group's city services business is still in its preliminary stage of development. In the future, the Group will fully leverage its experience and resources in managing public buildings, position itself as a mid-to high-end provider of integrated urban services in the value chain of the industry, further improve its service offerings and develop efficient solutions for assistance in urban administration and governance. Moreover, exploiting technologies to constantly improve the quality of its services, the Group will build a smart city operation and service management platform and build benchmark

projects to enhance its brand awareness and influence. In the meantime, the Group will leverage the advantages of its platform management and pool together resources from governments, professional service providers and technology solution providers to create a platform-based, organized operation mechanism to address the pain points of city services. Besides, it will develop synergy among its regional operations by combining the strengths of its member companies so as to solidify the foundation for its platform-based development.

Service quality is, in every sense, a core competency and the cornerstone of development of the Group. Quality service has been and will always be the original aspiration across the Group. It will develop a regular and professional mechanism for quality management with the help of information technology, and will strive to set up industry-leading standards of property management in various segments of its business portfolio. The Group will further deepen the integration of its member companies and business segments, and maintain a relatively flat organization and a flexible mechanism to delegate authority. The Group will develop the support and sharing of resources and enhance the management efficiency by means of organizational integration and the synergy in management and give full play to its brand strengths. This will enable the Group to achieve synergy in management in the short term, form a combined force for business development in the medium term, and ultimately realize development for mutual benefit in the long term. Also, the Group will adopt the most market-oriented talent recruitment mechanism to meet the need of its development strategy. It will continue to attract talents, nurture the backbone of the personnel and build up teams so as to remain competitive in terms of its talents and recruitment mechanism.

## Chairman's Statement (continued)

To keep pace with the trend of intelligent upgrading of the industry, the Group will harness such core technologies as mobile internet, Internet of Things, big data and artificial intelligence to develop a standardization system of smart services across the whole business portfolio, the whole value chain of the industry and the nationwide operations, while stepping up efforts in the interconnection among organizations and cross-platform customers, as well as facilities and equipment. Such move is consistent with the strategic development of the Company, serves as an all-out support to the rapid development of the Group's business and optimizes operational efficiency constantly. In the future, the Group will join hands with intelligent technology partners to realize 100% cloud management of the Group's business, and create three platforms, namely, organizational workflow sharing platform, technological operation platform and smart city platform. The Group will foster four core capabilities, namely, contract management, personnel management, fee collection and payment management and quality management, throughout the entire life cycle of the projects. The development of such capabilities can comprehensively enhance the Group's efficiency in coordinating and managing the cross-organization communication, digitalized-operation capability and business innovation capability.

The property management industry is developing by leaps and bounds. Therefore, the Group has to adhere to its strategy unswervingly, pursue long-termism in its development, innovate and get ready to change proactively in order to stay ahead of other industry players in the fierce competition. The Group will continue to enhance its five core capabilities, namely service capability, market expansion, technology operation, integration and consolidation, and organizational efficiency. It will strive to be the most preferred service

provider of property owners, enterprises and cities, promote urban development with refined management, and achieve a better life for property owners with quality services. Under its 14th Five-Year Plan, the Group will focus on enhancing its capability, accelerating its business integration, and make faster progress towards the goal of becoming an outstanding quality service provider valued over "a hundred billion yuan" in China.

### **Acknowledgement**

On behalf of the board (the "Board") of directors (the "Directors") of the Company, we would like to extend our heartfelt gratitude to the enormous support from our Shareholders and customers, as well as the dedicated efforts of all our staff members, which contributed to the growth of the Group.

### **Chan Cheuk Hung/Huang Fengchao**

*Co-Chairman of the Board*

Hong Kong, 29 April 2022



# Management Discussion and Analysis

## Business Review

In 2021, the property management industry was faced with both opportunities and challenges. The PRC government issued policies such as the “Notice on Strengthening and Improving Residential Property Management 《關於加強和改進住宅物業管理工作的通知》” and “Opinions on Promoting the Construction of Quarter of an Hour Convenient Living Circle in the Cities 《關於推進城市一刻鐘便民生活圈建設的意見》” to promote the standardization and market-oriented development of the industry and encourage the development of living services and construction of intelligent infrastructure. Meanwhile, against the external backdrop of a fluctuant real estate market and recurrent epidemic outbreaks, the property management companies, including the Group, insisted on prioritizing service quality, actively explored diversified businesses such as value-added services and city services, thereby driving the industry towards high-quality, diversified and intelligent development.

During the Year, the Group geared itself up by optimizing the market-oriented development system, strengthening its industrial chain coverage, accelerating the implementation of innovative value-added services and developing city services. It also speeded up the market expansion by integrating resources across all regional offices and subsidiaries. Thus, the Group has managed to sustain the steady growth of its profitability and business scale. In 2021, the Group recorded a revenue of RMB14,080.1 million, representing a year-on-year increase of 40.4%. Profit attributable to the Shareholders amounted to RMB2,308.5 million, representing a year-on-year increase of 31.6%. The basic earnings per share amounted to RMB1.67. As at 31 December 2021, the GFA under management and contracted GFA of the Group reached 488.9 million sq.m. and 663.1 million sq.m., respectively.

The Group continues to maintain high service quality and management efficiency. The Group took measures such as building a digital operation system, strengthening post-acquisition management, empowering the acquired companies, and putting effort into talent system and brand building to solidify the foundation of corporate development and achieve long-term development. During the Year, the Group continued to hold the 4th spot of in “2021 Top 100 Property Management Companies in China” with its leading overall strength and received numerous recognitions from the society and the industry.

## Financial Review

### Revenue

The Group’s revenue was derived from four major business lines: (i) property management services; (ii) property owners value-added services; (iii) city services; and (iv) extended value-added services.

For the year ended 31 December 2021, the revenue of the Group amounted to RMB14,080.1 million (2020: RMB10,026.1 million), representing an increase of 40.4% as compared with the corresponding period of last year.

## Management Discussion and Analysis (continued)

Among which, for the year ended 31 December 2021, revenue from property management services, property owners value-added services and city services businesses of the Group totaled RMB11,223.1 million, representing a year-on-year increase of 49.0%, with an increase in the respective proportion of revenue to 79.7% from 75.2% in 2020.

|   | For the year ended 31 December |                               |                       |                               |                  |
|---|--------------------------------|-------------------------------|-----------------------|-------------------------------|------------------|
|   | 2021<br>(RMB million)          | Percentage<br>of revenue<br>% | 2020<br>(RMB million) | Percentage<br>of revenue<br>% | Growth rate<br>% |
| Property management                         | <b>8,658.4</b>                 | <b>61.5%</b>                  | 6,482.1               | 64.7%                         | 33.6%            |
| – Residential property projects             | <b>3,667.6</b>                 | <b>26.1%</b>                  | 2,792.8               | 27.9%                         | 31.3%            |
| – Non-residential property projects         | <b>4,990.8</b>                 | <b>35.4%</b>                  | 3,689.3               | 36.8%                         | 35.3%            |
| Property owners value-added services        | <b>1,866.6</b>                 | <b>13.2%</b>                  | 1,052.7               | 10.5%                         | 77.3%            |
| City services                               | <b>698.1</b>                   | <b>5.0%</b>                   | –                     | –                             | –                |
| Subtotal                                    | <b>11,223.1</b>                | <b>79.7%</b>                  | 7,534.8               | 75.2%                         | 49.0%            |
| Extended value-added services               | <b>2,857.0</b>                 | <b>20.3%</b>                  | 2,491.3               | 24.8%                         | 14.7%            |
| – Sales centre property management services | <b>1,232.6</b>                 | <b>8.8%</b>                   | 990.9                 | 9.9%                          | 24.4%            |
| – Other extended value-added services       | <b>1,624.4</b>                 | <b>11.5%</b>                  | 1,500.4               | 14.9%                         | 8.3%             |
| Total                                       | <b>14,080.1</b>                | <b>100.0%</b>                 | 10,026.1              | 100.0%                        | 40.4%            |

### Property management services

Property management services, which include security, cleaning, greening, gardening, repair and maintenance, etc., constitute the main source of revenue of the Group.

During the Year, revenue from property management services amounted to RMB8,658.4 million (2020: RMB6,482.1 million), representing an increase of 33.6% as compared with the corresponding period of last year. Among which, revenue from residential property projects amounted to RMB3,667.6 million (2020: RMB2,792.8 million), representing an increase of 31.3% as compared to the corresponding period of last year; revenue from non-residential property projects amounted to RMB4,990.8 million (2020: RMB3,689.3 million), representing an increase of 35.3% as compared to the corresponding period of last year.

Property management services are as among the core business segments of the Group, the excellent quality of which is the foundation of the Group. With the corporate vision of becoming “the preeminent quality service provider in China”, the Group constantly improves its service quality and operational efficiency. During the year, the Group focused on customer experience, operational efficiency and synergy of resources with “quality, products and operations” as its three cores. In terms of quality, the Group selected a slew of benchmark projects across its management portfolio, reinforced quality inspection, promoted the centralized operation of 400 Hotline Centre and carried out special rectification in response to the detected problems or feedback from property owners. Besides, the Group has strengthened the professional training for practitioners and enhanced its digitalized management capabilities to improve service quality. In terms of products, the Group further implemented standardization, created and continuously upgraded its product systems for different business portfolios while actively participated in the formulation of industrial standards such as the Guidelines on Green Property Management to amplify its influence in the industry. Meanwhile, the Group focused on the needs of property owners, carried out diversified community activities and created community culture to realize the enhancement of customer experience and brand building. In terms of operation, the Group has been improving the mechanism of post-acquisition collaboration management, continuously optimized the information system to satisfy the actual needs in business operation, strengthened the synergy in operation, expansion and resources, improved operational analysis and risk control, and promoted technological innovations such as energy conservation and emission reduction, as well as management of facilities and equipment, thereby enhancing the Group’s management efficiency.

In 2021, the overall management fee collection rate of the Group’s residential property projects reached 93.3% (2020: 94.1%) and the overall satisfaction rate of the Group’s property management services was 91.7%.

***The following table sets forth a breakdown of the Group’s GFA under management***

| Project sources                   | As at                               | Percentage<br>of areas<br>% | As at                               | Percentage<br>of areas<br>% | Growth<br>('000 sq.m.) | Growth rate<br>% |
|-----------------------------------|-------------------------------------|-----------------------------|-------------------------------------|-----------------------------|------------------------|------------------|
|                                   | 31 December<br>2021<br>('000 sq.m.) |                             | 31 December<br>2020<br>('000 sq.m.) |                             |                        |                  |
| Agile Group                       | 66,358                              | 13.5%                       | 59,797                              | 16.0%                       | 6,561                  | 11.0%            |
| Greenland Holdings                | 19,805                              | 4.1%                        | 13,922                              | 3.7%                        | 5,883                  | 42.3%            |
| Third-Party Projects <sup>1</sup> | 402,717                             | 82.4%                       | 301,070                             | 80.3%                       | 101,647                | 33.8%            |
| <b>Total</b>                      | <b>488,880</b>                      | <b>100.0%</b>               | <b>374,789</b>                      | <b>100.0%</b>               | <b>114,091</b>         | <b>30.4%</b>     |

*Note 1:* Including the GFA under management acquired by the Group through third-party expansion and the GFA under management contributed by the acquired subsidiaries.

## Management Discussion and Analysis (continued)

As at 31 December 2021, the Group's GFA under management was 488.9 million sq.m., representing an increase of 114.1 million sq.m. from 374.8 million sq.m. as at 31 December 2020, with a growth rate of 30.4%. The increase was mainly attributable to: (i) the Group's continuous effort to take over the projects developed by Agile Group, with a newly increased GFA under management of 6.6 million sq.m. during the year; (ii) the newly increased GFA of 5.9 million sq.m. from the projects of Greenland Holdings during the Year; (iii) the newly increased GFA under management of 101.6 million sq.m. from third-party projects, including 44.0 million sq.m. of newly increased GFA under management converted from third-party projects during the year, 42.6 million sq.m. of GFA incorporated from the acquisition of New CMIG PM, 39.4 million sq.m. of GFA under management incorporated from the acquisition of Shandong Hongtai, and excluding 24.4 million sq.m. of GFA under management due to the disposal of Lanzhou Chengguan Property Management Co., Ltd. ("Lanzhou Chengguan").

### ***The project portfolio for GFA under management***

The Group has established first-mover advantage in managing residential property, public buildings and commercial and office buildings, etc., forming a balanced and diversified business portfolio. As at 31 December 2021, for the GFA under management of the Group, the proportion of residential projects accounted for 42.5% (as at 31 December 2020, 40.4%) and the proportion of non-residential projects accounted for 57.5% (as at 31 December 2020, 59.6%) (public buildings accounting for 44.9%, commercial buildings and others accounting for 12.6%).

### ***The geographic coverage for GFA under management***

During the Year, the Group's projects under management reached 4,143, covering 31 provinces, municipalities and autonomous regions nationwide, in 217 cities.

As at 31 December 2021, by regions, 34.5% of the Group's GFA of projects under management were located in the Yangtze River Delta Region, 20.7% were located in the Guangdong-Hong Kong-Macao Greater Bay Area, 9.2% were located in the Shandong peninsula city cluster, 7.9% were located in the Chengdu-Chongqing city cluster, while the remaining spread across other regions in the PRC.

### ***The charging mode***

The revenue from property management services of the Group was mainly based on a lump sum contract basis, which accounted for 99.7% (2020: 99.4%) of revenue from property management services. The lump sum contract basis the Group primarily adopted is conducive to improving service quality and operational efficiency.



**The following table sets forth a breakdown of the Group's total contracted GFA**

| Project Sources                 | As at            |                     | As at            |                     | Growth         | Growth rate  |
|---------------------------------|------------------|---------------------|------------------|---------------------|----------------|--------------|
|                                 | 31 December 2021 | Percentage of areas | 31 December 2020 | Percentage of areas |                |              |
|                                 | ('000 sq.m.)     | %                   | ('000 sq.m.)     | %                   | ('000 sq.m.)   | %            |
| Agile Group                     | 87,082           | 13.1%               | 82,085           | 15.7%               | 4,997          | 6.1%         |
| Greenland Holdings              | 60,751           | 9.2%                | 53,089           | 10.2%               | 7,662          | 14.4%        |
| Third-party property developers | 515,239          | 77.7%               | 387,421          | 74.1%               | 127,818        | 33.0%        |
| <b>Total</b>                    | <b>663,072</b>   | <b>100.0%</b>       | <b>522,595</b>   | <b>100.0%</b>       | <b>140,477</b> | <b>26.9%</b> |

The contracted GFA, which is defined by the Group as areas agreed in the contracts signed with property developers or property owners for providing property management services, includes delivered and to-be-delivered GFA, and the to-be-delivered (reserved) contracted GFA that will become the Group's GFA under management and enlarge the source of the Group's revenue in the future.

As at 31 December 2021, the contracted GFA reached 663.1 million sq.m., representing an increase of 140.5 million sq.m. or a growth rate of 26.9% as compared with 522.6 million sq.m. as at 31 December 2020, which was mainly due to (i) the Group's newly increased contracted GFA of approximately 5.0 million sq.m. from Agile Group; (ii) newly increased contracted GFA of approximately 7.7 million sq.m. from Greenland Holdings, (iii) newly increased contracted GFA of 127.8 million sq.m. from third-party projects, in which newly increased contracted GFA of 69.3 million sq.m. was obtained from third-party expansion, 42.7 million sq.m. was incorporated from the acquisition of New CMIG PM, contracted GFA of 40.4 million sq.m. was incorporated from the acquisition of Shandong Hongtai, while Lanzhou Chengguan's contracted GFA of 24.6 million sq.m. was excluded due to its disposal.

### Property owners value-added services

Property owners value-added services mainly include living and comprehensive services, home improvement services, community space operation and other services, as well as the value-added services to institutions and enterprises, which focus on improving the community living experience of property owners and residents and realize the value preservation and appreciation of their properties.

During the Year, revenue from property owners value-added services amounted to RMB1,866.6 million, representing an increase of 77.3% as compared with RMB1,052.7 million in 2020, and accounting for approximately 13.2% of the total revenue (2020: 10.5%).

- (1) Living and comprehensive services include property maintenance, housekeeping, courtyard gardening, community group buying, express delivery, community second-hand leasing and sales service and comprehensive consulting services, etc. During the Year, the Group focused on making efforts to foster market-oriented service capabilities for living services, deepened the penetration of professional household product line, and strategically developed innovative businesses such as housekeeping service and nursery service.

## Management Discussion and Analysis (continued)

On the housekeeping services front, the Group strategically invested in “51 Home Service (51 家庭管家)”, a leading brand in mid-to-high-end housekeeping services in the country, thereby establishing a business collaboration mechanism. By optimizing the operation and management model, 51 Home Service was empowered to start business expansion nationwide. As a result, the whole year’s top-up amount exceeded RMB120 million, representing a year-on-year increase of 50%. Meanwhile, the Group has been enhancing the brand power and business coverage of housekeeping services by formulating nationwide IP-themed events, deepened the penetration of professional product lines in cleaning, maintenance and gardening, and piloting the businesses such as laundry, car maintenance and homestay services.

In response to the residents’ increasing demand for childcare and the call of national policies, the Group has incubated the leading childcare service brand in the Greater Bay Area – “Happy Whale”. By cultivating the market-oriented service capabilities in three scenarios of “community, family and enterprise”, Happy Whale has optimized its business model and achieved rapid expansion with nearly 50 childcare centres opened nationwide.

On the community new retail front, the Group focused on in-depth user operation and supply chain integration, introduced more than 100 high-quality suppliers and continuously enriched product categories. With Lexianghui platform and offline community activities as the two major marketing avenues, we forged ahead with the “hot-selling products” + “carnival ” model, resulting in a significant increase in sales.

As for leasing and sales services, the Group promoted professional operation, upgraded the operation model, optimized the business structure of leasing and sales services to realize efficient management through “coordination in group level + collaboration in regional and project level”, and created a partnership mechanism to drive the simultaneous growth of business scale and professionalism.

During the Year, revenue from living and comprehensive services amounted to approximately RMB850.6 million, representing an increase of 115.4% as compared with RMB394.9 million in 2020. It accounted for approximately 45.6% of revenue from property owners value-added services.

- (2) Home improvement services primarily include decoration, turnkey furnishing and community renewal services, etc. In 2021, the Group focused on professional and refined management and operation of home decoration business, vigorously promoted pre-marketing of home improvement business, paid close attention to supplier sourcing, carried out pre-sale activities and drew potential customers through showroom visit activities. It also enhanced resource integration and cooperated with well-known brands in the home decoration industry to enrich the core product categories. Such moves effectively improved property owners’ recognition and increased the conversion rate of home improvement business. During the Year, revenue from home improvement services amounted to approximately RMB242.7 million, representing an increase of 105.2% as compared with RMB118.3 million in 2020, and accounting for approximately 13.0% of revenue from property owners value-added service.

- (3) Community space operation and other services primarily include club house operation services, property operation services, community-based advertising operation, parking lot management services and community asset operation, etc. During the Year, the Group established a resource management system to strengthen the inventory and data analysis of community space resource. The Group also carried out special operation to utilize the idle core resources and effectively improved resources utilization ratio, so as to promote community marketing planning services and continuously enrich its service variety. During the Year, revenue from community space operation and other services amounted to approximately RMB455.6 million, representing an increase of 50.4% as compared with RMB303.0 million in 2020, and accounting for approximately 24.4% of revenue from property owners value-added service.
- (4) Value-added services to institutions and enterprises include featured value-added services for public buildings such as catering, commuting services and material procurement services, as well as featured value-added services for commercial and office buildings such as customised services for enterprises, conferencing services, as well as centralised procurement and retailing for enterprises, etc. Revenue from value-added service to institutions and enterprises amounted to approximately RMB317.7 million, representing an increase of 34.3% as compared with RMB236.5 million in 2020, and accounting for approximately 17.0% of revenue from property owners value-added services.

During the Year, the substantial growth in property owners value-added services was mainly due to the implementation of new strategic business, the improvement of refined management capability, enrichment of the product and service portfolio, increase in business coverage and penetration rate, as well as value-added services revenue from acquired companies.

### City services

City services mainly include street cleaning and maintenance, domestic refuse collection and transportation, refuse classification, landscaping and gardening maintenance, municipal facility maintenance, urban resource operation, community coordination and governance, smart city management solutions, etc. Currently, the Group's city service projects are mainly divided into single project contracting model and integrated sanitation services, etc.

The Group has established the city services business segment that focuses on the exploration of comprehensive services including urban space management, urban resource operation, community coordination and governance, and construction of smart city service system, aiming to build a comprehensive city service system covering developed cities, emerging urban and townships, thus establishing a leading all-scenario smart city service platform.

During the Year, the Group focused on market expansion and operation management. In terms of market expansion, the Group obtained more than a dozen urban sanitation projects each with an annualized contract value of over RMB10 million, including the market-oriented urban sanitation project in Huinan County, the road service and sanitation project in Qujiang district, Xi'an and other large-scale benchmark projects. According to the 2021 Development Report on the Marketization of Sanitation 《2021年度環衛市場化發展報告》 issued by the third-party institution, Huanjing Sinan, A-Living ranked the fourteenth in the industry in terms of contract amount obtained through expansion in 2021.

## Management Discussion and Analysis (continued)

On the operation management front, the Group established and improved the post-acquisition management system, built the centralized procurement management system and the business development technology system, optimized the quality operation system, and enhanced talent training and management. During the Year, the Group completed the acquisitions of 51% equity interest in Beijing Huifeng Qingxuan Environmental Technology Group Co., Ltd.\* (北京慧豐清軒環境科技集團有限公司) (“**Beijing Huifeng**”), 60% equity interest in Shaanxi Mingtang Sanitation Co., Ltd.\* (陝西明堂環衛有限公司) (“**Shaanxi Mingtang**”) and 51% equity interest in the urban environmental sanitation business of A-Living Mingri Environmental Development Co., Ltd.\* (雅生活明日環境發展有限公司) (formerly known as Dalian Mingri Environmental Development Co., Ltd.\* (大連明日環境發展有限公司)). The Group established a comprehensive post-acquisition management system to promote the brand integration of the Group and its member companies, for the member companies’ information systems for asset management and finance, and provide them with business support in market expansion technology and management support in governance, talent management, business analysis and risk control. In addition, the Group put emphasis on its operation quality, enhanced the standardization through full cycle of a project from its initiation to operation, and improved its professional capabilities, such as support for major events, sanitation works in special climates (e.g. snow removal in winter) and marine sanitation, etc. During the Year, the Group successfully provided environmental sanitation services for “The 14th National Games of China”, where its subsidiary Shaanxi Mingtang (陝西明堂) was awarded the “Outstanding Services Provider for the Event (賽事優秀保障企業)”.

During the Year, revenue from city services reached RMB698.1 million, accounting for approximately 5.0% of the total revenue.

### Extended value-added services

Extended value-added services primarily include sales centre property management services and other extended value-added services for property developers.

During the Year, the Group recorded revenue from extended value-added services of RMB2,857.0 million (2020: RMB2,491.3 million), representing an increase of 14.7% from the corresponding period of last year, and accounting for approximately 20.3% of the total revenue, including:

- (1) Sales centre property management services (accounting for 43.1% of the revenue from the extended value-added services): the revenue for the Year amounted to RMB1,232.6 million, representing an increase of 24.4% as compared with RMB990.9 million in 2020. The increase of revenue from sales centre property management services was primarily due to the increment arising from providing more customized services for developers so as to accelerate sales, as well as the increase of the third party sales centres arising from the expansion.
- (2) Other extended value-added services (accounting for 56.9% of the revenue from the extended value-added services): include property agency services and housing inspection services, etc. The revenue for the Year amounted to RMB1,624.4 million, representing an increase of 8.3% as compared with RMB1,500.4 million in 2020, mainly due to the increment arising from providing the digital and intelligent service for community in order to meet the demands of property owners for the intelligent service and digital operation.



### Cost of sales

The Group's cost of sales primarily consists of employee salaries and benefit expenses, cleaning expenses, security charges, maintenance costs, utilities, greening and gardening expenses, cost of consumables, depreciation and amortisation charges and others.

During the Year, the Group's cost of sales was RMB10,211.3 million (2020: RMB7,053.1 million), representing an increase of 44.8% year on year, which was primarily due to the increase in relevant costs in response to an increase in revenue and business diversification which was in line with the rapid development of the Group's businesses. Overall, the Group's growth of the cost of sales was higher than that of revenue, mainly due to further optimization of revenue structure, resulting in a decrease in the proportion of revenue from extended value-added services with a higher gross profit margin to 20.3% from 24.8% last year.

### Gross profit and gross profit margin

|                                      | For the year ended 31 December |                             |                               |                             |                     |
|--------------------------------------|--------------------------------|-----------------------------|-------------------------------|-----------------------------|---------------------|
|                                      | 2021                           |                             | 2020                          |                             |                     |
|                                      | Gross profit<br>(RMB million)  | Gross profit<br>margin<br>% | Gross profit<br>(RMB million) | Gross profit<br>margin<br>% | Growth<br>rate<br>% |
| Property management services         | 1,741.9                        | 20.1%                       | 1,414.0                       | 21.8%                       | 23.2%               |
| Property owners value-added services | 852.7                          | 45.7%                       | 559.8                         | 53.2%                       | 52.3%               |
| City services                        | 154.0                          | 22.1%                       | –                             | –                           | –                   |
| Subtotal                             | 2,748.6                        | 24.5%                       | 1,973.8                       | 26.2%                       | 39.3%               |
| Extended value-added services        | 1,120.1                        | 39.2%                       | 999.2                         | 40.1%                       | 12.1%               |
| Total                                | 3,868.7                        | 27.5%                       | 2,973.0                       | 29.7%                       | 30.1%               |

During the Year, the Group's gross profit amounted to RMB3,868.7 million, representing an increase of 30.1% as compared with that of RMB2,973.0 million in 2020. Gross profit margin decreased by 2.2 percentage points to 27.5% from 29.7% in 2020.

Excluding the impact from extended value-added service businesses, gross profit from property management services, property owners value-added services and city services businesses of the Group totaled RMB2,748.6 million, representing a year-on-year increase of 39.3% as compared with RMB1,973.8 million in 2020. The gross profit from these businesses increased to 71.0% of total gross profit from 66.4% in 2020. The consolidated gross profit margin of these businesses was 24.5%, representing a year-on-year decrease of 1.7 percentage points.

## Management Discussion and Analysis (continued)

- The gross profit margin of property management services was 20.1% (2020: 21.8%), representing a decrease of 1.7 percentage points as compared with that of 2020, which was mainly due to an increase of the proportion of third-party projects. If excluding the effect of amortisation of intangible assets due to the M&A, the gross profit was RMB1,878.5 million and gross profit margin was 21.7%.
- The gross profit margin of property owners value-added services was 45.7% (2020: 53.2%), representing a decrease of 7.5 percentage points as compared with that of 2020, which was mainly due to the implementation of new strategic businesses, and some businesses were in the growing period during the Year, which led to a relatively low gross profit margin; At the same time, the Group tapped deeper into the demand of property owners and continued to enrich the product categories, and recorded an increased proportion of the home improvement and new retail businesses with lower gross profit margins.
- The gross profit margin of city services was 22.1%.
- The gross profit margin of extended value-added services was 39.2% (2020: 40.1%), representing a decrease of 0.9 percentage point as compared with that of 2020, which was mainly due to an increased labor and other costs resulting from the improvement of the quality of sales centre management services and epidemic prevention and control.

### Selling and marketing expenses

During the Year, the Group's selling and marketing expenses amounted to RMB141.6 million (2020: RMB77.1 million), accounting for 1.0% of the revenue, an increase of 0.2 percentage point as compared with that of the last year, which was mainly attributable to the increase in marketing expenses brought by the effective third-party market expansion.

### Administrative expenses

During the Year, the Group's administrative expenses amounted to RMB778.1 million, representing an increase of 41.9% as compared with RMB548.3 million in 2020, and accounting for 5.5% of the revenue, which remained stable.

### Other income

During the Year, other income of the Group amounted to RMB178.1 million (2020: RMB198.5 million), representing a year-on-year decrease of 10.3%, which was mainly due to the decrease of government subsidies.

### Income tax

During the Year, the Group's income tax expense was RMB510.0 million (2020: RMB515.0 million). The income tax rate was 16.6% (2020: 20.7%). The income tax rate for the year represented a year-on-year decrease of 4.1 percentage points, which was mainly because the Group enjoyed various preferential tax policies issued by the PRC government in recent years and applied for a number of enterprise income tax preferences, such as the preferential income tax treatment for Small and Micro Enterprise, "Hainan Free Trade Port", "Great Western Development Strategy" and High and New Technology Enterprise, etc., which reduced the overall tax burden.

## Profit

During the Year, the Group's net profit was RMB2,565.6 million, representing an increase of 30.1% as compared with RMB1,972.7 million in 2020, which was mainly attributable to economies of scale brought by the overall business expansion of the Group. Net profit margin was 18.2%, representing a decrease of 1.5 percentage points as compared with 19.7% in 2020. Excluding the effect of the amortisation of intangible assets and depreciation of appraisal appreciation of fixed assets due to the M&A, the net profit margin was 19.1%. Profit attributable to the Shareholders of the Company was RMB2,308.5 million, representing an increase of 31.6% as compared with RMB1,754.4 million in the corresponding period of last year. Basic earnings per share were RMB1.67.

|                                      | For the year ended 31 December |                           |                             |                           |                  |
|--------------------------------------|--------------------------------|---------------------------|-----------------------------|---------------------------|------------------|
|                                      | 2021                           |                           | 2020                        |                           | Growth rate<br>% |
|                                      | Net profit<br>(RMB million)    | Net profit<br>margin<br>% | Net profit<br>(RMB million) | Net profit<br>margin<br>% |                  |
| Property management services         | 1,022.9                        | 11.8%                     | 804.4                       | 12.4%                     | 27.2%            |
| Property owners value-added services | 616.5                          | 33.0%                     | 394.4                       | 37.5%                     | 56.3%            |
| City services                        | 94.1                           | 13.5%                     | –                           | –                         | –                |
| Subtotal:                            | 1,733.5                        | 15.4%                     | 1,198.8                     | 15.9%                     | 44.6%            |
| Extended value-added services        | 832.1                          | 29.1%                     | 773.9                       | 31.1%                     | 7.5%             |
| Total                                | 2,565.6                        | 18.2%                     | 1,972.7                     | 19.7%                     | 30.1%            |

Excluding the impact from extended value-added service businesses, net profit from property management services, property owners value-added services and city services was RMB1,733.5 million, representing a year-on-year increase of 44.6% as compared with RMB1,198.8 million in 2020, an increase accounting for the total profit from 60.8% in 2020 to 67.6%. The profit structure was further optimized. The net profit margin of these businesses was 15.4%, representing a year-on-year decrease of 0.5 percentage point.

- The net profit margin in respect of property management services was 11.8% (2020: 12.4%), representing a slightly decrease of 0.6 percentage point as compared with that of 2020.
- The net profit margin in respect of property owners value-added services was 33.0% (2020: 37.5%), representing a decrease of 4.5 percentage points as compared with that of 2020, which was mainly attributable to the implementation of new strategic businesses, and some businesses were in the growing period during the Year, which led to a relatively low profit margin.
- The net profit margin in respect of city services was 13.5%.
- The net profit margin in respect of extended value-added services was 29.1% (2020: 31.1%), representing a decrease of 2.0 percentage points as compared with that of 2020, which was mainly attributable to an increase labor and other costs resulting from the improvement of the quality of extended value-added services.

## Management Discussion and Analysis (continued)

Excluding the impact from extended value-added service businesses, profit attributable to the Shareholders from property management services, property owners value-added services and city services was RMB1,476.4 million, representing a year-on-year increase of 50.6% as compared with RMB980.5 million in 2020, an increase accounting for the total profit attributable to the Shareholders from 55.9% in 2020 to 64.0%.

### **Current assets, reserve and capital structure**

During the Year, the Group maintained a sound financial position. As at 31 December 2021, current assets amounted to RMB13,411.0 million, representing an increase of 47.4% from RMB9,100.1 million as at 31 December 2020. As at 31 December 2021, cash and cash equivalents of the Group amounted to RMB4,390.5 million (31 December 2020: RMB5,057.0 million).

As at 31 December 2021, the Group's total equity was RMB12,910.9 million, representing an increase of RMB4,253.5 million or 49.1% as compared with RMB8,657.4 million as at 31 December 2020, which was primarily due to a significant increase in the profit after tax of the Group and the placing of new H Shares conducted during the Year resulting in an increase in equity of HK\$3,242 million.

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

The Group's property, plant and equipment mainly comprise buildings, office equipment, machinery equipment and other fixed assets. As at 31 December 2021, the net value of the Group's property, plant and equipment amounted to RMB506.8 million, representing an increase of 98.7% as compared with RMB255.0 million as at 31 December 2020, which was primarily derived from the new addition of property, plant and equipment from the acquisition of companies.

### **Other intangible assets**

As at 31 December 2021, the net book value of other intangible assets of the Group was RMB1,350.7 million, representing an increase of 40.5% as compared with RMB961.2 million as at 31 December 2020. Intangible assets of the Group mainly included (i) RMB63.3 million from the trademark value of acquired companies; (ii) RMB1,592.1 million generated from customer relationship and backlogs attributable to acquired companies; (iii) the software developed and purchased by the Group; and (iv) partially offset by amortisation of trademarks, customer relationships and software. Trademarks, customer relationship and software had a specific validity period and were carried at cost less accumulated amortisation.

### **Goodwill**

As at 31 December 2021, the Group recorded goodwill of RMB3,123.2 million, representing an increase of 43.1% as compared with RMB2,182.0 million as at 31 December 2020. The increase of goodwill during the Year was mainly derived from the acquisition of New CMIG PM, Shandong Hongtai and city services companies. The goodwill was primarily derived from the expected future business developments of the acquired companies, expansion of market coverage, diversification of service portfolio, integration of value-added services and improvement of management efficiency.

There was no significant goodwill impairment risk as at 31 December 2021.



### **Trade and other receivables and prepayments**

As at 31 December 2021, trade and other receivables and prepayments (including current and non-current portions) amounted to RMB5,456.3 million, representing an increase of 49.1% from RMB3,659.3 million as at 31 December 2020, which was mainly due to the impact of trade and other receivables and prepayments amounted to RMB1,436.6 million brought by the consolidation of newly acquired companies and the continuous expansion of the Group's business.

### **Trade and other payables**

As at 31 December 2021, trade and other payables (including current and non-current portions) amounted to RMB4,843.2 million, representing an increase of 41.5% as compared with RMB3,421.9 million as at 31 December 2020, which was primarily attributable to an increase in the cost of various materials procurement, labor outsourcing and energy consumption brought by the business expansion of the Group.

### **Borrowings**

As at 31 December 2021, the Group had short-term borrowings of RMB66.1 million with a term of less than one year and borrowings of RMB12.4 million with a term of more than one year.

### **Gearing ratio**

The gearing ratio is calculated as total borrowings divided by total equity, which is the sum of long-term and short-term interest-bearing bank loans and other loans as at the corresponding date divided by the total equity as at the same date. As at 31 December 2021, the gearing ratio was 0.6%.

### **Current and deferred income tax liabilities**

As at 31 December 2021, the current income tax liabilities of the Group amounted to RMB547.2 million, representing an increase of 28.7% as compared with RMB425.3 million as at 31 December 2020, which was mainly because of the increase in the Group's profit before income tax. Deferred income tax liabilities increased to RMB351.1 million from RMB225.3 million as at 31 December 2020, which was primarily attributable to the temporary differences arising from the increase of appraised assets value of newly acquired companies.

### **Proceeds from the Listing**

The Company's H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Hong Kong Stock Exchange") on 9 February 2018 (the "Listing"), with a total of 333,334,000 new H Shares issued. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK\$3,958.8 million (equivalent to RMB3,199.3 million).

As disclosed in the annual report of the Company for the year ended 31 December 2020, approximately RMB245.25 million of the net proceeds from the Listing, which were allocated for the working capital and general corporate purposes of the Group (representing approximately 7.67% of all net proceeds from the Listing), remained unused. During the Year, all such net proceeds have been used up in accordance with its purpose, i.e. as working capital and general corporate purposes.

## Management Discussion and Analysis (continued)

### Placing of new H shares under general mandate

On 28 May 2021, the Company and Citigroup Global Markets Limited (as a placing agent) entered into a placing agreement, pursuant to which the Company agreed to appoint the placing agent, and the placing agent agreed to act as the agent of the Company, to procure, on a fully-underwritten basis, placees for an aggregate of 86,666,800 new H Shares (the “Placing Shares”) at a placing price of HK\$37.60 per H Share (the “Placing”). Based on a nominal value of RMB1.00 per Placing Share, the Placing Shares have an aggregate nominal value of RMB86,666,800.

The Placing Shares have been placed by the placing agent to not less than six placees, who/which are professional, institutional and/or other investors procured by the placing agent. To the best knowledge and reasonable belief of the Company, these placees and their ultimate beneficial owners are independent of and not connected with the Company and connected persons of the Company, and none of such placees have become a substantial shareholder of the Company immediately upon completion of the Placing.

The placing price is HK\$37.60 per H Share and represents: (i) a discount of approximately 6.58% to the closing price of HK\$40.25 per H Share as quoted on the Hong Kong Stock Exchange on 27 May 2021, being the last trading day for the H Shares prior to the signing of the relevant placing agreement (the “Last Trading Day”); (ii) a discount of approximately 1.34% to the average closing price of HK\$38.11 per H Share as quoted on the Hong Kong Stock Exchange for the last five (5) consecutive trading days prior to and including the Last Trading Day; and (iii) a premium of approximately 2.20% over the average closing price of HK\$36.79 per H Share as quoted on the Hong Kong Stock Exchange for the last ten (10) consecutive trading days prior to and including the Last Trading Day.

The gross proceeds and net proceeds to be received by the Company from the Placing, after deducting related fees and expenses, were approximately HK\$3,259 million and approximately HK\$3,242 million respectively, representing a net issue price of approximately HK\$37.40 per Placing Share. Details of the planned use and actual use of net proceeds from the Placing were as follows:

| Use of the net proceeds                        | Percentage<br>of the allocation<br>% | Available<br>amount<br>RMB million | Used amount                                 | Remaining   | Expected<br>timeline<br>for utilising<br>the remaining<br>unused net<br>proceeds <sup>(Note)</sup><br>Day/month/year |
|--|--------------------------------------|------------------------------------|---|---|--|
|  |                                      |                                    | as at<br>31 December<br>2021<br>RMB million | balance as at<br>31 December<br>2021<br>RMB million |  |
| Working capital and general corporate purposes | 100%                                 | 3,242                              | 3,214                                       | 28  | On or before<br>31 December 2024   |
| Total  | 100%                                 | 3,242                              | 3,214                                       | 28  |  |

(Note) The expected timeline for utilising the remaining unused proceeds is based on the best estimation of the present and future business market conditions in the PRC made by the Board. It will be subject to change based on the current and future development of the market conditions.

Backed by favorable policies, the property management industry has experienced rapid development in recent years and meets the window of transformation and upgrade. After the Placing, the Group will seize critical opportunities in industry consolidation, further expand its management scale, consolidate its leading position in industry, extend industrial chain layout in innovative areas, upgrade intelligent technology application to enhance client experience, build itself as an all-scenario smart city services provider, and realize quality and sustainable long-term growth.

The Board considered that the Placing represented an opportunity to raise capital for the Company while broadening its Shareholder and capital base. The Directors were of the view that the Placing would strengthen the financial position of the Group and provide working capital to the Group, and the terms of the placing agreement (including the placing price) were fair and reasonable and in the interests of the Company and the Shareholders as a whole.

For details, please refer to the Company's announcement dated 28 May 2021.

### **Significant investments held, major acquisitions and disposals of subsidiaries, associates and joint ventures**

#### ***Acquisition of equity interest in New CMIG PM***

On 25 September 2019, the Company entered into an equity transfer agreement in relation to, inter alia, the acquisition of the 60% equity interest in CMIG PM at a consideration of approximately RMB1.56 billion. On 12 December 2019, the Group entered into an equity transfer agreement (as supplemented on 30 November 2020 and 22 February 2021, respectively) to conditionally acquire 60% equity interest in New CMIG PM at the final consideration of RMB344,250,000 from Guangdong Fengxin Yinglong Equity Investment Partnership (Limited Partnership). The consideration for these acquisitions was determined after arm's length negotiations between the parties, with reference to 12.5 times of the net profit guarantee set out in the relevant agreements, and was funded in instalments by internal resources of the Group. The Company completed such acquisitions of equity interest in CMIG PM and New CMIG PM in the first half of 2020 and April 2021 respectively. CMIG PM and New CMIG PM are non-wholly owned subsidiaries of the Group.

CMIG PM and New CMIG PM have established an extensive presence in economically developed city clusters across the country, covering a wide range of business portfolios such as public buildings, commercial offices and residential properties. They have several leading brands in the niche property markets to manage numerous city landmark projects, and have leading market shares and strong brand reputation in public buildings and other niche markets in different regions nationwide. Upon completion of these acquisitions, CMIG PM and New CMIG PM can effectively complement the Group's existing businesses and geographical presence, consolidate its leading position and create synergies. In addition, these acquisitions can effectively enhance the management scale, profitability and brand competitiveness of the Group, thereby strengthening the Group's position as a leading property management service enterprise with nationwide layout, comprehensive business portfolio and reputable brands.

Save as disclosed above, the Group had no other significant investments, major acquisitions or disposals of subsidiaries, associates or joint venture during the year ended 31 December 2021.

## Management Discussion and Analysis (continued)

### **Foreign exchange risk**

The Group's businesses were principally located in the PRC. Except for bank deposits, other receivables and financial assets at FVPL denominated in HK\$ and US\$, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

### **Employees and remuneration policies**

As at 31 December 2021, the Group had 87,603 employees, representing an increase of 56.7% as compared with 55,888 employees as at 31 December 2020. Total staff costs amounted to RMB5,267.4 million, representing an increase of 29.6% as compared with RMB4,064.1 million in 2020. The increase in staff costs was mainly due to (i) the increase brought by the acquired companies; (ii) the increased demand for high-quality talents in response to the requirements of the Group's business development.

The compensation plan of the Group is determined with reference to the market levels as well as employees' performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training programs appropriate to the employees' needs.

Apart from taking into account the advice from the remuneration and appraisal committee of the Board and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for Directors. Appropriate benefit schemes are in place for the Directors.

### **Subsequent events**

#### ***Continuing connected transaction***

On 22 April 2022, the Company entered into a parking space leasing and sales agency services framework agreement with Agile Holdings, which sets out the principal terms for the provision of exclusive parking space sales and leasing agency services by the Group to the Agile Group.



## Business Development

The Group has changed its corporate mission to “lifelong caring for you, heartwarming service to city”, continued to extend its industrial chain layout, consolidated its leading edge in management scale, actively explored property owners value-added services, and strove to provide high-quality and diversified service experience for property owners, so as to become a preeminent quality service provider in China.

### **Focus on the core with integration and sustainable development**

The Group has formed a comprehensive business portfolio layout and the whole industry chain business coverage, providing property management services, property owners value-added services, city services and extended value-added services. The Group focused on sustainable business segments and achieved rapid growth in non-cyclical businesses during the Year. At the same time, the Group acquired a diversified brand combination and comprehensive service capabilities through the consolidation of leading companies in different regions and business portfolios and integrated the benchmark service capabilities of various industries to provide consistent, high-quality services to property owners.

### **Speed up market expansion and extend industrial chain coverage**

The Group has a diversified business portfolio and balanced sources of growth in scale with a full-range portfolio covering residential properties, commercial and office buildings, public buildings and industrial parks, etc. The Group continued to lead the industry in market expansion and won a number of benchmark projects, further consolidating its leading position in serving public venues and transportation hubs. Leveraging on its experience and resources in public services, the Group further extends its industrial layout and launches city services business to provide integrated smart and comprehensive services to cities and facilitate city development.



Business Development (continued)

Mid- to high-end residential projects and large-scale vacation property projects



Agile Chairman Tianjin



Agile North City County Xi'an



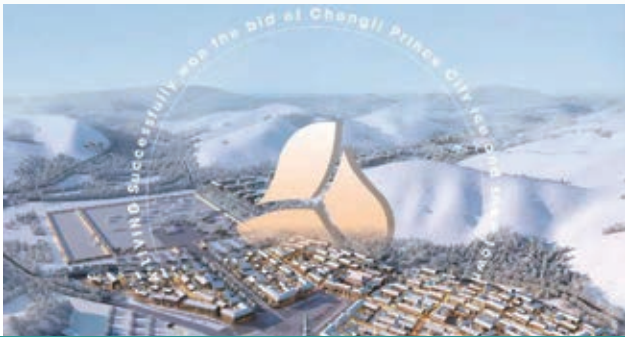
Agile Garden Hanzhong



Agile Eden Yunnan

**Public buildings and commercial building benchmark projects**

**Public venues**



Supporting Facilities for Beijing Winter Olympic Games –  
Taizicheng Snow Town in Chongli District



Shanghai Astronomy Museum

**Governmental and institutional office buildings**



Guangdong Higher People's Court



Data Center of Agricultural Bank of China

## Business Development (continued)

### Industrial parks



R&D Center of Chongqing Changan Automobile



Haier Gooday Logistics Park

### Business segments

#### Property management services

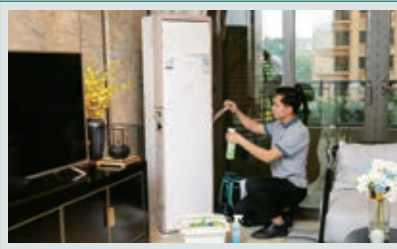
Property management services include security, cleaning, greening, gardening, repair and maintenance, etc. Property management service is one of the Group's core business segments and a major source of income.





### Property owners value-added services

Property owners value-added services mainly include living and comprehensive services, home improvement services, community space operation and other services, as well as the value-added services to institutions and enterprises. Property owners value-added services focus on improving the community living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties.



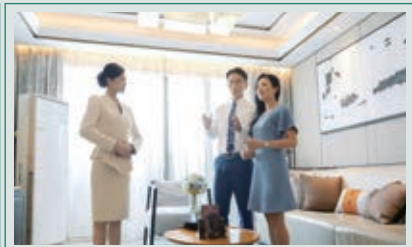
### City services

The Group launched its city services business during the Year. City services mainly include street cleaning and maintenance, domestic refuse collection and transportation, refuse classification management, landscaping and gardening maintenance, municipal facility maintenance, urban resource operation, community coordination and governance, smart city management solutions, etc.



### Extended value-added services

Extended value-added services primarily include sales center property management services and other extended value-added services for property developers.



## Investor Relations

Investor relations management is to maximize the value of the relevant stakeholders through managing the communication channels between a company and the public. With the higher degree of marketization of capital transactions and the improvement in capital market operation mechanism, investor relations management becomes significantly important to listed companies. The Group recognizes the importance of continuous communication with its Shareholders and investors, and is dedicated to establishing a professional, open and efficient communication mechanism for investor relations. By upholding the principles of truthfulness, accuracy, completeness, timeliness and fairness, the Group disseminates information such as operating results, business developments as well as other compliance disclosures to the capital market in accordance with the rules and regulations for listed companies.

In 2021, the Group actively maintained close communication with Shareholders, potential investors and sell side analysts based on the market dynamics in a timely manner, responded to issues which investors were concerned about, fostered effective interaction with various parties in the capital market through diversified communication channels. The Group's Investor Relations Department continued to improve the two-way communication mechanism between internal and external parties, updated business operation and development strategies to the market, conducted regular internal communication with the management and business units, transmitted the voices of the market in time, and prepared disclosures based on the information demands in capital market while making the special disclosures on the Group's major business updates, M&A, material strategic collaboration, corporate financing and other material events, and strived to make the disclosure documents and communication materials complete and readable.

### Diversified forms of communication

In 2021, the Group embraced the investor-oriented philosophy, actively responded to the impact of COVID-19, and adopted diversified ways to maintain close communication with the capital market and the public by holding online investor presentations, conference calls and roadshow meetings, participating in corporate day and investor summits held by sell-side institutions, as well as posting press releases via the Group's WeChat official account and other media channels. The Group communicated with over 2,400 investors throughout the year. During the Year, the Investor Relations Department organized reverse roadshows for investors so that investors and sell-side institutions could visit and gain insight on the business development of the Group's innovative property owners value-added services and other businesses. The Investor Relations Department invited the senior management to share the overall development strategy of the Group, coordinated the persons in charge of businesses to introduce the industry overview, business model, development progress and planning in detail, and conducted in-depth communications through Q & A, so that the investors and sell-side institutions can learn about the latest updates on business operations of the Company.

### Regular communication and feedback

During the Year, the Investor Relations Department regularly sorted out the communication and feedbacks from the Shareholders and investors on a monthly basis, and reported the opinions and suggestions of the Shareholders and investors to the Board and the management by submitting capital market work reports or special reports on major issues that investors were concerned about, such as sustainable development, thereby assisting the Group in timely understanding and responding to the communication needs from the capital market.



## Normalization of corporate disclosure

During the Year, the Investor Relations Department assisted in quarterly disclosure, actively and timely updating the capital market about the Group's business operations and developments, such as market expansion, business progress, investment and business cooperation in the form of Quarterly Newsletter in the first and third quarters.

In 2021, the Group was included in the Hang Seng Composite MidCap Index and eligible stocks of Shanghai-Hong Kong Stock Connect, which reflected the capital market's recognition on the Group's business performance, development prospects and communication with capital market.

In the future, the Group will continuously practice professionalism, efficiency and compliance in investor relations work, enhance the public's understanding of, recognition on and trust in the Company. The Group believes that an effective, stable and diversified communication mechanism will help the capital market fully understand the investment value of the Company. The Investor Relations Department will continue to disseminate the Company's corporate culture, business philosophy and development strategies to the market in time in accordance with the rules and regulations for listed companies, facilitate the communication between the Company and its Shareholders, investors, analysts and the public and create value for the Shareholders.



2020 Annual Results Presentation



2021 Interim Results Presentation



Reverse Roadshow for Investors



Site Visit of Housekeeping Business

## Biographies of Directors

**Mr. Chan Cheuk Hung (陳卓雄)**, aged 65, has been re-designated as an executive Director and co-chairman of the Board with effect from 31 May 2018. Prior to such, he was a non-executive Director since 21 July 2017. He has been the co-chairman of the Board since 27 August 2017 and is a member of the risk management committee of the Board. Mr. Chan is responsible for the formulation of development strategies and provision of guidance for the overall development of the Group. He has been an executive director of Agile Holdings (stock code of Hong Kong Stock Exchange: 3383), since August 2005. Mr. Chan is an executive director and vice president of Agile Holdings and is mainly responsible for providing guidance for the overall operation of Agile Holdings. Mr. Chan is also a director of certain subsidiaries of the Company. Mr. Chan has over 29 years of experience in real estate development and related businesses.

Mr. Chan received various awards including pioneer worker (先進工作者) for the year of 1998 by Zhongshan Individual Workers Association (中山市個體勞動者協會) and Zhongshan Private Enterprise Association (中山市私營企業協會) and the Outstanding Contribution Award for Community Development (小區建設突出貢獻獎) in the Evaluation of the National Representative Well-off Residential Community (國家小康住宅示範小區評比) by the Ministry of Construction of the PRC (中華人民共和國國家建設部) in 2000. Mr. Chan also served as an executive director of the second council of Zhongshan Private Enterprise Association (中山市私營企業協會第二屆理事會) and the fourth council of the Zhongshan Individual Workers Association (中山市個體勞動者協會第四屆理事會) in 1999, and a director and executive director of Guangdong Real Estate Association (廣東省房地產業協會) in 2004.

**Mr. Huang Fengchao (黃奉潮)**, aged 59, has served as an executive Director and the chairman of the Board of the Company since 21 July 2017, and has been the co-chairman of the Board since 27 August 2017. He is also the chairman of the nomination committee and the risk management committee of the Board, and a member of the remuneration and appraisal committee. Mr. Huang performed the duties of the president (general manager) and chief executive officer of the Company from 9 November 2018, and was officially appointed on 28 May 2019 and later resigned on 21 July 2020. Mr. Huang is also a director of certain subsidiaries of the Company. He is responsible for formulating the overall strategic development strategies and policies of the Group and monitoring their implementation. Mr. Huang has over 22 years of experience in real estate development and property management. Mr. Huang joined Agile Holdings in October 1999 and has successively served as a general manager of Zhongshan Agile Real Estate Development Co., Ltd. (中山市雅居樂房地產開發有限公司), head of the real estate management center of Agile Holdings and general manager of Guangzhou Nanhu Agile Real Estate Development Co., Ltd. (廣州南湖雅居樂房地產開發有限公司) and Guangzhou Huadu Agile Real Estate Development Co., Ltd. (廣州花都雅居樂房地產開發有限公司). Mr. Huang has been the vice president of Agile Holdings since January 2005 and has been responsible for the development of real estate projects across the country and property management. Mr. Huang has also served as president of the Hainan and Yunnan regions since 2008 and in charge of the tourism real estate development management. Mr. Huang has been serving as an executive director and vice president of Agile Holdings since March 2014.

Mr. Huang graduated from Guangdong Petroleum School (廣東石油學校) (now known as Guangdong University of Petrochemical Technology (廣東石油化工學院)) in the PRC in July 1983 majoring in turbine management.

**Mr. Li Dalong (李大龍)**, aged 37, has been an executive Director, the president (general manager) and chief executive officer of the Company since 21 July 2020. He is also a member of each of the remuneration and appraisal committee, the nomination committee and the risk management committee of the Board. He was the chief financial officer from August 2016 to July 2020, the joint company secretary from August 2017 to July 2020, and the executive vice president from November 2019 to May 2020. He is responsible for overall strategic decisions, business planning and major operational decisions of the Group. Mr. Li is also a director of certain subsidiaries of the Company. He has over 17 years of experience in operations, finance, investment and capital markets.

Mr. Li has profound management experience as well as solid industry knowledge. Since the listing of the Group, he has been assisting the Board in formulating and implementing development strategies and highly enhanced the recognition of the Group in the industry and capital markets. Mr. Li has executed Group's strategy of industry consolidation and led the team completing several quality acquisitions including the acquisitions of CMIG PM and New CMIG PM, to enhance the Group's business portfolio layout and to establish the leading advantages.

Prior to joining the Group, from November 2013 to June 2016, Mr. Li was a senior manager of the capital market department at PricewaterhouseCoopers (Hong Kong), an accounting firm, where he primarily provided a series of professional services in connection with capital markets transactions. From August 2005 to November 2013, Mr. Li successively served as auditor, senior auditor, manager and senior manager at PricewaterhouseCoopers Zhongtian LLP (Shanghai), an accounting firm.

Mr. Li is a member of the Chinese Institute of Certified Public Accountants in the PRC. He obtained his bachelor's degree in literature in July 2005, and second bachelor's degree in administration management in June 2005, from Shanghai Jiao Tong University (上海交通大學).

**Mr. Wei Xianzhong (魏憲忠)**, aged 58, has served as a non-executive Director of the Company since 21 August 2017 and is responsible for provision of the guidance for the overall development of the Group.

Mr. Wei served as an engineer at Xi'an Design and Research Institute of the Ministry of Coal Industry (煤炭工業部西安設計研究院), a company primarily engaged in coal mine survey, mining area construction, and project planning and design, where he was responsible for project budget and accounting, and technical and economic analysis from August 1985 to February 1993. He successively served as office manager, manager of business department and assistant general manager at Shanghai Jiabin Real Estate Development Company (上海佳信房地產開發公司), a real estate development company, where he was responsible for project marketing and company administration from February 1993 to December 2001. Mr. Wei served as sales director at Shanghai Zhongjian Real Estate (Group) Co., Ltd. (上海中建房產(集團)有限公司), a real estate development company, where he was responsible for project marketing from January 2002 to December 2002. Since February 2003, Mr. Wei has successively served as marketing director and deputy general manager of business division, and general manager of marketing management department at Greenland Holdings Group Company Limited (綠地控股集團股份有限公司) ("Greenland Holdings"), where he was responsible for project marketing.

## Biographies of Directors (continued)

Mr. Wei obtained his bachelor's degree in coal mine management engineering from China Mining Institute (中國礦業學院) (now known as China University of Mining and Technology (中國礦業大學)) in the PRC in July 1985.

Mr. Wei was awarded as a meritorious character for the "20th anniversary of Greenland Holdings" (綠地20年功勳人物) by Greenland Holdings.

**Ms. Yue Yuan (岳元)**, aged 46, has served as a non-executive Director of the Company since 28 May 2019. She is the vice president of Agile Group and its property group and an assistant to chairman of the Agile Group. Ms. Yue joined the Agile Group in 2006. She is mainly responsible for the management of the operation centre, centralized procurement centre and the president office of the Agile Group, the management of the operation centre, cost and procurement centre of the property group of the Agile Group. Ms. Yue holds a Bachelor of Engineering degree from Lanzhou Jiaotong University (蘭州交通大學) (formerly known as Lanzhou Railway University (蘭州鐵道學院)) and a Master of Science degree in Construction Project Management from the University of Hong Kong. She is a PRC intermediate economist, a PRC registered budgeting engineer and a member of the Royal Institution of Chartered Surveyors.

**Mr. Wan Kam To (尹錦滔)**, aged 69, has served as an independent non-executive Director of the Company since 21 August 2017. He is also the chairman of the audit committee of the Board, a member of each of the remuneration and appraisal committee, the nomination committee and the risk management committee of the Board. Mr. Wan is a former partner of PricewaterhouseCoopers with extensive experience in auditing and financial management.

Mr. Wan currently serves as an independent non-executive director of China Resources Land Limited (stock code of Hong Kong Stock Exchange: 1109), Fairwood Holdings Limited (stock code of Hong Kong Stock Exchange: 52), KFM Kingdom Holdings Limited (stock code of Hong Kong Stock Exchange: 3816), Haitong International Securities Group Limited (stock code of Hong Kong Stock Exchange: 665), and an independent director of China World Trade Center Co. Ltd (stock code of Shanghai Stock Exchange: 600007).

Mr. Wan served as an independent non-executive director of Kerry Logistics Network Limited (stock code of Hong Kong Stock Exchange: 636) from November 2013 to May 2019, an independent non-executive director of Huaneng Renewables Corporation Ltd. (stock code of Hong Kong Stock Exchange: 958) from August 2010 to June 2019, an independent non-executive director of Shanghai Pharmaceuticals Holding Co., Ltd (stock code of Hong Kong Stock Exchange: 2607; stock code of Shanghai Stock Exchange: 601607) from June 2013 to June 2019, an independent non-executive director of Harbin Bank Co., Ltd. (stock code of Hong Kong Stock Exchange: 6138) from October 2013 to October 2019; and an independent non-executive director of Target Insurance (Holdings) Limited (stock code of Hong Kong Stock Exchange: 6161) from November 2014 to August 2021.

Mr. Wan is a fellow member of Hong Kong Institute of Certified Public Accountants and the Association of Chartered Certified Accountants.

Mr. Wan graduated from the accountancy department of Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) with a higher diploma in 1975.



**Ms. Wong Chui Ping Cassie (王翠萍)**, aged 57, has served as an independent non-executive Director of the Company since 21 July 2020. She is also a member of each of the audit committee, the remuneration and appraisal committee, the nomination committee and the risk management committee of the Board. She is a former partner of PricewaterhouseCoopers China with over 30 years of professional experience in the field of China and international taxation. She spent a majority of her career working in Shanghai and Beijing where she and her team provided comprehensive and quality tax and business advisory services to multi-national and domestic corporations. As a pre-eminent tax expert in China and international taxation, Ms. Wong has been cited as one of the leading tax advisors in China and was named one of the 100 female entrepreneurs in Greater China by the China Outstanding Female Entrepreneurs Association in 2011.

From 2003 to 2017, Ms. Wong lived in Beijing and took up various senior executive management roles for PwC China until her retirement as a Managing Partner in 2017.

Ms. Wong is a US Certified Public Accountant and a member of Texas State Board of Public Accountancy.

Ms. Wong obtained her Bachelor's degree in Business Administration, Accounting (Highest Honors) from University of Texas at Arlington in 1985.

**Mr. Weng Guoqiang (翁國強)**, aged 62, has served as an independent non-executive Director of the Company since 21 January 2022. He is also the chairman of the remuneration and appraisal committee, a member of each of the audit committee and the nomination committee of the Board. He has extensive experience in the property management industry in Shanghai for over 22 years. He had served as a general manager of Shanghai Lujiazui Property Management Co., Ltd. (上海陸家嘴物業管理有限公司) from October 1999 to May 2008 and as a general manager of Wuxi Dongzhou Property Management Company Limited (無錫東洲物業管理有限公司) from May 2008 to December 2009. Since January 2010, Mr. Weng has taken up the positions of general manager and subsequently executive director in Shanghai Tonglai Property Management Company Limited (上海同涑物業管理有限公司).

Mr. Weng currently serves as an independent non-executive director of Riverine China Holdings Limited (the shares of which are listed on the Stock Exchange (stock code: 1417)) since November 2017.

Mr. Weng was the vice president of China Property Management Institute (中國物業管理協會) from 2002 to September 2014. Since October 2014, he has been the senior consultant of China Property Management Institute. Since 1999, Mr. Weng has been the vice president of Shanghai Property Management Industry Institute (上海市物業管理行業協會) (during the period between 2016 and 2017 served as the chairman of Shanghai Property Management Industry Institute).

Mr. Weng graduated with a Bachelor degree in Applied Mathematics from the Tongji University in the PRC in July 1982 and a Master degree in Public Administration from the University of Macau in Macau in September 2003.

Mr. Weng was accredited as a National Vocational Qualification Level 2 Vocational Management Professional (國家職業資格二級職業經理人) in May 2003 and a Level 1 Senior Vocational Management Professional (一級高級職業經理人) in September 2004 by the Shanghai Vocational Skill Testing Authority (上海市職業技能鑒定中心). Mr. Weng was also accredited as a Certified Property Manager by the Personnel Department of Shanghai (上海市人事局) in October 2006 and an Advanced Economist (高級經濟師) by the Personnel Department of Jiangsu Province (江蘇省人事廳) in September 2009.



## Biographies of Supervisors

**Mr. Liu Jianrong (劉劍榮)**, aged 42, has served as a Supervisor and the president of the Supervisory Committee since 21 July 2020. He has been the general manager of the internal audit department of the Company since May 2018. Mr. Liu joined Agile Holdings in September 2015 as a senior manager of the internal audit department.

Prior to joining Agile Holdings, from July 2002 to September 2015, Mr. Liu served as an officer and a first-level police officer (deputy section-level) of the Tangxia police station in Tianhe District of Guangzhou Municipal Public Security Bureau.

Mr. Liu obtained the legal professional qualification certificate from the Ministry of Justice of the PRC. He obtained his bachelor's degree in international economic law in June 2002 from Nanjing University (南京大學).

**Ms. Huang Zhixia (黃智霞)**, aged 39, has served as a Supervisor since 21 July 2017. She has been the administrative manager of the Company since April 2015 and is responsible for administration. Ms. Huang has over 16 years of experience in administration. Ms. Huang joined Agile Holdings in June 2004 as an administrative manager and was responsible for administration and management of Agile Holdings.

Ms. Huang graduated from Guangdong AIB Polytechnic College (廣東農工商職業技術學院) in the PRC with a major in e-commerce in June 2003 and graduated from Sun Yat-sen University (中山大學) in the PRC with major of business management through online education in July 2013.

**Mr. Shi Zhengyu (施征宇)**, aged 49, has served as a Supervisor since 21 July 2017. Mr. Shi held various positions in Agricultural Bank of China from July 1995 to May 2017, where he last served as a general manager of real estate finance department of the Shanghai branch and was responsible for overall business development and planning, and market expansion of real estate sector. Since June 2017, he has been a deputy general manager and person in charge of finance at Greenland Financial Overseas Investment Group Co., Ltd. (綠地金融海外投資集團有限公司), where he is responsible for corporate accounting management, financial management and supervision, establishment of internal control and major financial affair supervision.

Mr. Shi obtained his master's degree in applied economics from Xi'an Jiaotong University (西安交通大學) in the PRC in June 2005.

**Mr. Wang Gonghu (王功虎)**, aged 47, has served as a Supervisor since 21 July 2020. He is currently president of CMIG Futurelife Holdings Group Company Limited (中民未來控股集團有限公司), the chairman of Suzhou Yangtze New Materials Co., Ltd. (蘇州揚子江新型材料股份有限公司) (stock code of Shenzhen Stock Exchange: 002652), and the chairman of Binnan Ecological Environment Group Co., Ltd. (濱南生態環境集團股份有限公司). He worked as a financial manager of Beijing Founder Electronics Co., Ltd. (北京北大方正電子有限公司), a financial director of Shanghai Hinge Software Co., Ltd. (上海和勤軟件技術有限公司), a deputy general manager of Copious Zhenjiang Fertilizer Co., Ltd. (科比斯鎮江肥業有限公司) and a financial director of Shanghai QST Corporation (上海矽睿科技有限公司).

Mr. Wang is a senior accountant and a member of the Chinese Institute of Certified Public Accountants in the PRC.

Mr. Wang obtained his bachelor's degree in economics and management from Nanjing University in 2002 and his master's degree in accounting from Shanghai University of Finance and Economics in 2010.

**Mr. Wang Shao (王韶)**, aged 50, has served as a Supervisor since 21 August 2017.

Mr. Wang has been serving Guangdong Real Estate Association (廣東省房地產行業協會) since October 1994, and is currently the president where he is responsible for its overall management, including strategic planning, public relations and presiding the council meeting. Since June 2003, he has also served various positions in Southern Real Estate Magazine (南方房地產雜誌社), an affiliate to Guangdong Real Estate Association, where he is currently the president and is responsible for its overall management, including planning, management by objectives and communications and cooperations.

Mr. Wang currently serves as an independent non-executive director of Aoyuan Healthy Life Group Company Limited (stock code of Hong Kong Stock Exchange: 3662).

Mr. Wang graduated from Sun Yat-sen University (中山大學) in the PRC majoring in real estate brokerage and management in June 1994, and his bachelor's degree in administration management from the same university in July 1999.

Mr. Wang is currently a director of China Real Estate Association (中國房地產業協會).

## Biographies of Senior Management

**Mr. Feng Xin (馮欣)**, aged 51, has been the vice president of the Group since January 2017. From July 2017 to July 2020, Mr. Feng served as an executive Director of the Company and was responsible for assisting the chief executive officer of the Company with business planning, overall management of property management and business development of the Group. Mr. Feng is also a director of certain subsidiaries of the Company. Mr. Feng has over 29 years of experience in property management. Mr. Feng joined the Company as the property manager in Nanhai project in June 2002 and was promoted to deputy director of Foshan region in March 2008, managing director of South China region in March 2012, and general manager of property management center in April 2015.

Prior to joining the Group, from February 1993 to April 1995, Mr. Feng was a director of Guangzhou World Trade Center Complex Property Management Co., Ltd. (廣州世界貿易中心大廈物業管理有限公司), which is under Pearl River Property Hotel Management Co., Ltd. (珠江物業酒店管理有限公司), a company primarily engaged in hotel and property management. In May 1995, he was promoted to manager of one of the subsidiaries of Pearl River Property Hotel Management Co., Ltd. and was responsible for the management and operations of commercial properties. In April 1997, Mr. Feng was further promoted to deputy general manager of outsourcing projects and was responsible for the overall management of outsourcing projects.

Mr. Feng graduated from Jinan University (暨南大學) in the PRC majoring in Chinese language and literature in July 1992 and graduated from Beijing International University (北京外事研修學院) majoring in English in the PRC in July 2007.

Mr. Feng was elected as an elite representative in March 2016 and as an elite in the property management industry in September 2016 by Guangdong Property Management Industry Institute (廣東省物業管理行業協會). Since July 2019, Mr. Feng has been the deputy secretary general of the standardization working committee at China Property Management Institute (中國物業管理協會). He was awarded the “Top 100 Property Managers in China” (中國物業經理人100強) in December 2019 and the Leading Figure of the Guangzhou Property Management Industry Association (廣州市物業管理行業協會「領軍人物」) in August 2020. He obtained the China Certification & Accreditation Association’s service certification in general knowledge training examiner certificate (服務認證審查員通用知識培訓合格證書) in December 2019. Mr. Feng was awarded the 25th Anniversary Leader of the Guangzhou Property Management Industry Association (廣州市物業管理行業協會成立25周年領軍人物) in 2021, and the 40th Anniversary Meritorious Person of the Guangdong Property Management Industry Development (廣東省物業管理行業發展四十周年功勳人物) in October 2021.

**Ms. Zhao Yu (趙昱)**, aged 42, joined Agile Holdings since February 2007 and served as the vice general manager of Agile's city company in Xi'an. From 2013 to June 2020, she was the vice president of Agile Holdings in Western China Region. Since July 2020, Ms. Zhao Yu has been re-designated as the vice president of the Group and is responsible for assisting the chief executive officer of the Group with strategic management of the Group, and in charge of the business of city services, human resources and administration and brand management of the Group.

Ms. Zhao Yu obtained the certificate of human resources manager (national qualification class 1) of the PRC and bachelor's degree in business administration from Xi'an University of Technology.

**Ms. Wu Jieying (鄔潔穎)**, aged 38, has been the chief financial officer of the Company since July 2020, and is responsible for the financial management, accounting and operational management of the Group. She joined the Group as financial controller in February 2017 and was the finance general manager since December 2018.

Prior to joining the Group, from August 2006 to February 2017, Ms. Wu successively served as auditor, senior auditor, manager and senior manager at PricewaterhouseCoopers Zhongtian LLP (Shanghai), an accounting firm.

Ms. Wu is a member of the Chinese Institute of Certified Public Accountants in the PRC. She obtained her bachelors' degree in economics in July 2006 from Fudan University.

# Corporate Governance Report

## Corporate Governance Structure



The board of directors (the “Board”) of A-Living Smart City Services Co., Ltd. (the “Company”, together with its subsidiaries, the “Group”) believes that good governance is essential for sustainable development and growth of the Company, enhancement of credibility as well as value of shareholders of the Company (the “Shareholders”). As such, the Board has adopted and reviewed corporate governance practices in light of the regulatory requirements and the needs of the Company. The Company is committed to maintaining a high level of corporate governance and adheres to the principles of integrity, transparency, accountability and independence.

The Board plays a major role in the supervision of corporate governance to ensure that the Company maintains a sound governance framework and the long-term sustainable Shareholders’ value.

## Compliance with CG Code

The Company fully complied with the provisions of the Corporate Governance Code (the “CG Code”) as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) for the year ended 31 December 2021.



## The Board and Management

The Board takes Shareholders' interests as its priority in promoting and maintaining successful development of business so as to achieve consistent long-term financial returns, while taking due account of the interests of those with whom the Group does business and others. The Board is accountable for formulating the business and management directions of the Group and that they are managed in such a way as to achieve the objectives of the Company. The Board's responsibilities are to formulate corporate strategy and long-term business model of the Group and to monitor and control operating and financial performance in pursuit of strategic objectives of the Group.

The Board delegates day-to-day operations of the Group to the management of the Company. The Board and the management have clearly defined their authorities and responsibilities under various internal control and check and balance mechanisms. The Board does not delegate matters to the Board committee(s), executive Directors or management to an extent that would significantly hinder or reduce the ability of the Board as a whole to perform its functions.

### Board Composition

The Company currently comprises eight Directors, consisting of three executive Directors, two non-executive Directors and three independent non-executive Directors. The details of the Board composition are as follows:

#### **Executive Directors**

Mr. Chan Cheuk Hung (*Co-chairman*)

Mr. Huang Fengchao (*Co-chairman*)

Mr. Li Dalong (*President (General Manager) and Chief Executive Officer*)

#### **Non-executive Directors**

Mr. Wei Xianzhong

Ms. Yue Yuan

#### **Independent Non-executive Directors**

Mr. Wan Kam To

Ms. Wong Chui Ping Cassie

Mr. Weng Guoqiang

The biographical information of the Directors are set out in the section headed "Biographies of Directors" on pages 42 to 45 of this annual report. None of the members of the Board is related to one another.

### **Co-chairman and Chief Executive Officer**

The co-chairman of the Board of the Company (the “Co-chairman”) provides leadership for the Board and ensures the effectiveness of the Board in fulfilling its roles and responsibilities and the establishment of sound corporate governance practices and procedures for the Company. The Co-chairman is also responsible for formulating the overall development strategies and policies of the Group and monitoring their implementation. Meanwhile, the chief executive officer of the Company (the “Chief Executive Officer”) shall be delegated the authority by the Board to lead the senior management of the Company (the “Senior Management”) for the daily operation and business management of the Group in accordance with the objectives, directions, and risk management and internal control policies laid down by the Board.

The then applicable code provision A.2.1 of the CG Code requires that the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of the co-chairman of the Board have been assumed by Mr. Chan Cheuk Hung and Mr. Huang Fengchao while the president (general manager) and chief executive officer of the Company has been assumed by Mr. Li Dalong.

### **Independent non-executive Directors**

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 decisions. They are experienced professionals in areas such as financial accounting and financial management. Their extensive experiences significantly contribute to enhancing the decision-making of the Board and achieving a sustainable and balanced development of the Group. In particular, they bring impartial views and opinions on issues of the Company’s strategy, performance and control, and take the lead in solution where potential conflicts of interests arise. The Board believes that its culture of openness and debate facilitates the effective contribution of Directors, non-executive Directors and independent non-executive Directors in particular, to the Board and ensures constructive relationship among executive Directors, non-executive Directors and independent non-executive Directors.

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

Save for Mr. Wang Peng who was removed as an independent non-executive Director on 21 January 2022, the Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence as set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### **Appointment and Re-election of Directors**

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

Each of the Directors is engaged on a service agreement (for executive Directors and non-executive Directors) or an appointment letter (for independent non-executive Directors) for a term of three years and their re-election are subject to the provisions of the Company's articles of association (the "Articles of Association"), no Directors are required to be re-elected at the forthcoming annual general meeting of the Company.

### **Board and Board Committee Meetings**

The Board meets at least four times each year. Directors may participate in meetings either in person or through electronic means of communication. The schedule of regular meetings for the next year will be presented to all Directors in the last Board meeting of the year so that they can have a better arrangement for the meetings. All Directors are given not less than fourteen days' notice for regular Board meetings. For other Board and Board committee meetings, reasonable notice will be given.

The company secretary of the Company (the "Company Secretary") assists the Co-chairman in preparing the agenda of regular Board meetings and circulates the draft Board meeting agenda to all Directors for their perusal and comment. Directors are invited to include any matters in the agenda which they think appropriate. The Board meeting agenda will be issued by the Company Secretary after incorporating all the comments of Directors (if any). Relevant meeting materials are provided to the Directors at least three days before the meetings to ensure that they are given sufficient review time and are adequately prepared for the meetings.

Each Director shall have access to the Senior Management and the Company Secretary and they may also seek independent professional advice at the expense of the Company. Any matter involving interest of substantial Shareholder(s) or Director(s) shall be subject to the consideration and approval by the Board at a physical Board meeting. Directors who have interest may attend the meeting, but shall not be counted towards quorum and shall abstain from voting on the relevant matter. All Directors may require the Company Secretary to provide advice and services on relevant aspects, including the follow-up of, or the provision of support to, any matters, ensuring that the Board procedures and all applicable rules and regulations are observed.

The management will submit relevant reports to the Directors for review as part of meeting materials for every regular Board meeting. After the briefing given to the Directors, the management will answer any enquiry made by the Directors. The Board may make informed assessment on the financial and other information submitted to them for their approval. Sufficient time will be allowed for the Directors to discuss.

The minutes of the Board meetings and Board committees meetings are drafted and kept by the Company Secretary. All meeting minutes will set out in detail the matters discussed and considered at the meetings, including, among others, any queries made or views expressed by the Directors. The Company Secretary will distribute the draft meeting minutes to all Directors for their comment and final version of the meeting minutes to all Directors for their record within reasonable time after holding of the meetings.

## Corporate Governance Report (continued)

During the Year, the Board held a total of four meetings. Each Director's attendance record for the Board meetings, Board committee meetings and general meetings is set out as follow:

### Board Meetings

|  | <b>Number of meetings eligible to attend</b> | <b>Attendance in person</b> | <b>Attendance by proxy</b> | <b>Absence</b> |
|--|--|-----------------------------|----------------------------|----------------|
| Mr. Chan Cheuk Hung ( <i>Co-chairman</i> )                                       | 4  | 3                           | 1                          | 0              |
| Mr. Huang Fengchao ( <i>Co-chairman</i> )  | 4  | 4                           | 0                          | 0              |
| Mr. Li Dalong ( <i>President (General Manager) and Chief Executive Officer</i> ) | 4  | 4                           | 0                          | 0              |
| Mr. Wei Xianzhong  | 4  | 4                           | 0                          | 0              |
| Ms. Yue Yuan   | 4  | 0                           | 4                          | 0              |
| Mr. Wan Kam To   | 4  | 4                           | 0                          | 0              |
| Ms. Wong Chui Ping Cassie  | 4  | 4                           | 0                          | 0              |
| Mr. Wang Peng  | 4  | 1                           | 1                          | 2              |

### Audit Committee Meetings

|  | <b>Number of meetings eligible to attend</b> | <b>Attendance in person</b> | <b>Attendance by proxy</b> | <b>Absence</b> |
|--|--|-----------------------------|----------------------------|----------------|
| Mr. Wan Kam To ( <i>Committee Chairman</i> ) | 2  | 2                           | 0                          | 0              |
| Ms. Wong Chui Ping Cassie                    | 2  | 2                           | 0                          | 0              |
| Mr. Wang Peng                                | 2  | 1                           | 0                          | 1              |

## Remuneration and Appraisal Committee Meeting

|   | Number of meetings eligible to attend | Attendance in person | Attendance by proxy | Absence |
|---|---------------------------------------|----------------------|---------------------|---------|
| Mr. Wang Peng ( <i>Committee Chairman</i> ) | 2                                     | 1                    | 0                   | 1       |
| Mr. Huang Fengchao                          | 2                                     | 2                    | 0                   | 0       |
| Mr. Li Dalong                               | 2                                     | 2                    | 0                   | 0       |
| Mr. Wan Kam To                              | 2                                     | 2                    | 0                   | 0       |
| Ms. Wong Chui Ping Cassie                   | 2                                     | 2                    | 0                   | 0       |

## Nomination Committee Meeting

|  | Number of meetings eligible to attend | Attendance in person | Attendance by proxy | Absence |
|--|---------------------------------------|----------------------|---------------------|---------|
| Mr. Huang Fengchao ( <i>Committee Chairman</i> ) | 2                                     | 2                    | 0                   | 0       |
| Mr. Li Dalong                                    | 2                                     | 2                    | 0                   | 0       |
| Mr. Wan Kam To                                   | 2                                     | 2                    | 0                   | 0       |
| Ms. Wong Chui Ping Cassie                        | 2                                     | 2                    | 0                   | 0       |
| Mr. Wang Peng                                    | 2                                     | 1                    | 0                   | 1       |

## Risk Management Committee Meetings

|  | Number of meetings eligible to attend | Attendance in person | Attendance by proxy | Absence |
|--|---------------------------------------|----------------------|---------------------|---------|
| Mr. Huang Fengchao ( <i>Committee Chairman</i> ) | 2                                     | 1                    | 1                   | 0       |
| Mr. Chan Cheuk Hung                              | 2                                     | 0                    | 2                   | 0       |
| Mr. Li Dalong                                    | 2                                     | 2                    | 0                   | 0       |
| Mr. Wan Kam To                                   | 2                                     | 2                    | 0                   | 0       |



**General Meetings**

|  | <b>Number of meetings eligible to attend</b> | <b>Attendance in person</b> | <b>Attendance by proxy</b> | <b>Absence</b> |
|--|--|-----------------------------|----------------------------|----------------|
| Mr. Chan Cheuk Hung ( <i>Co-chairman</i> )                                       | 2  | 0                           | 2                          | 0              |
| Mr. Huang Fengchao ( <i>Co-chairman</i> )  | 2  | 1                           | 1                          | 0              |
| Mr. Li Dalong ( <i>President (General Manager) and Chief Executive Officer</i> ) | 2  | 2                           | 0                          | 0              |
| Mr. Wei Xianzhong  | 2  | 2                           | 0                          | 0              |
| Ms. Yue Yuan   | 2  | 0                           | 2                          | 0              |
| Mr. Wan Kam To   | 2  | 2                           | 0                          | 0              |
| Ms. Wong Chui Ping Cassie  | 2  | 2                           | 0                          | 0              |
| Mr. Wang Peng  | 2  | 1                           | 1                          | 0              |

All the executive Directors, non-executive Directors and independent non-executive Directors have allocated a reasonable amount of time to follow and deal with various affairs of the Company during the Year. In addition to attending the meetings of the Board and its committees, each Director has allocated sufficient time on reviewing materials provided by the Company from time to time. Furthermore, each member of the Audit Committee also spent sufficient time on reviewing internal audit reports provided by the internal audit centre. The Co-chairman met once with the independent non-executive Directors without the presence of other Directors.

**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 laws, the Listing Rules, laws and other regulatory requirements and governance policies, enabling the Directors to discharge their duties properly. The Company Secretary maintains proper records of training attended by the Directors.

During the Year, the summary of training received by the Directors is as follows:

| <b>Directors</b>   | <b>Training Matters</b><br><i>(Note)</i> |
|--|--|
| <b>Executive Directors</b>   |  |
| Mr. Chan Cheuk Hung ( <i>Co-chairman</i> )                                       | A, B                                     |
| Mr. Huang Fengchao ( <i>Co-chairman</i> )  | A, B                                     |
| Mr. Li Dalong ( <i>President (General Manager) and Chief Executive Officer</i> ) | A, B                                     |
| <b>Non-executive Directors</b>   |  |
| Mr. Wei Xianzhong  | A, B                                     |
| Ms. Yue Yuan   | A, B                                     |
| <b>Independent Non-executive Directors</b>                                       |  |
| Mr. Wan Kam To   | A, B                                     |
| Ms. Wong Chui Ping Cassie  | A, B                                     |
| Mr. Wang Peng  | A, B                                     |

Note: A. corporate governance  
B. regulatory

### **Board Diversity**

In order to achieve a diversity of perspectives among members of the Board, the Company has formulated a policy to consider a number of factors when deciding on appointments to the Board and the continuation of those appointments. Such factors include but are not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

## Corporate Governance Report (continued)

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

### Number of Directors

|   |               |                                     |                  |   |                   |
|---|---------------|-------------------------------------|------------------|---|-------------------|
| 8 | Female        | Independent non-executive Directors | 61–70            | Financial management, taxation  | 31 years or above |
| 7 |               |                                     |                  |   |                   |
| 6 | Male          | Non-executive Directors             | 51–60            | Property development, property management and sales, corporate governance | 21 to 30 years    |
| 5 |               |                                     |                  |   |                   |
| 4 |               |                                     |                  |   |                   |
| 3 |               | Executive Directors                 | 35–50            |   | 15 to 20 years    |
| 2 |               |                                     |                  |   |                   |
| 1 |               |                                     |                  |   |                   |
|   | <b>Gender</b> | <b>Designation</b>                  | <b>Age Group</b> | <b>Skill/industry experience</b>  | <b>Experience</b> |

The Board is highly diversified in terms of position, age, professional experience, skills and knowledge. The Nomination Committee reviews and monitors the implementation of the Board diversity policy from time to time to ensure its effectiveness. The Board will set measurable objectives for achieving Board diversity as appropriate.

### Dividend Policy

The Company has adopted its dividend policy, pursuant to which the Company expects to pay a final dividend equivalent to 25% of the profit after tax each year. The payment and amounts of dividends (including final dividend and special dividend, if any) depend on the Company's results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by the Company, future prospects and other factors which the Board considers relevant.

### **Nomination Policy**

According to the Nomination Policy of the Company, the Nomination Committee will consider the following major factors when nominating suitable candidates to the Board for it to consider and make recommendations to Shareholders for election as directors at general meetings.

- gender, age, race, language, cultural and educational background, industry experience and professional qualification;
- effect on the Board's composition and diversity;
- commitment of the candidate to devote sufficient time to effectively carrying out his/her duties. In this regard, the number and nature of offices held by the candidate in public companies or organizations, and other executive appointments or significant commitments will be considered;
- potential/actual conflicts of interest that may arise if the candidate is selected;
- independence of the candidate; and
- in the case of a proposed re-appointment of an independent non-executive Director, the number of years he/she has already served.

### **Nomination Procedures**

During the Year, after receiving a list of candidates, recommended by members of the Board, for the replacement and appointment of new Directors, the Nomination Committee requested the candidate to provide his biographical information and other information deemed necessary. The Nomination Committee reviewed and took reasonable steps to verify the information obtained from the candidate and seek clarification, where required. The Nomination Committee may, at its discretion, invite any candidate to meet with the Nomination Committee members to assist them in their consideration of the proposed nomination or recommendation. The Nomination Committee then submitted its nomination proposal to the Board for consideration and making recommendation to the Shareholders for approval.

### **Directors, Supervisors and Senior Management Liability Insurance**

The Company has arranged appropriate insurance covering the potential legal actions against its Directors, Supervisors and Senior Management in connection with the discharge of their responsibilities.

### **Board Committees**

The Company has established four Board Committees, namely, the Remuneration and Appraisal Committee, the Nomination Committee, the Audit Committee and the Risk Management Committee. All Board Committees of the Company are established with specific written terms which deal clearly with their authority and duties. The terms of reference of each of the Board Committees are posted on the Company's website ([www.agileliving.com.cn](http://www.agileliving.com.cn)) and The Stock Exchange of Hong Kong Limited's (the "Hong Kong Stock Exchange") website ([www.hkex.com.hk](http://www.hkex.com.hk)) and are available to the Shareholders upon request.

The list of the chairman and members of each Board committee is set out under the section headed "Corporate Information" on page 2 of this annual report.

### Remuneration and Appraisal Committee

The Remuneration and Appraisal Committee consists of five members, namely Mr. Huang Fengchao (executive Director), Mr. Li Dalong (executive Director), Mr. Wan Kam To (independent non-executive Director), Ms. Wong Chui Ping Cassie (independent non-executive Director) and Mr. Weng Guoqiang (independent non-executive Director). Mr. Weng Guoqiang is the chairman of the Remuneration and Appraisal Committee.

The terms of reference of the Remuneration and Appraisal Committee are of no less exacting terms than those set out in the CG Code. The major duties of the Remuneration and Appraisal Committee are to make recommendations to the Board on the Company's policy and structure for the remuneration of all Directors and Senior Management and on the establishment of a formal and transparent procedure for developing remuneration policy, as well as to ensure that no Director or any of his/her associates is involved in deciding his/her own remuneration.

Remuneration packages include benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of office or appointment. In determining remuneration of Directors and Senior Management, the Board will consider the remuneration level of comparable companies, the time commitment and responsibilities of the Directors and Senior Management and employment conditions elsewhere in the Group, individual performance of respective Directors and the Company's performance. No Director shall be involved in deciding his/her own remuneration.

During the Year, the Remuneration and Appraisal Committee held a meeting in March and December respectively, the agenda of which was mainly (i) to confirm the remuneration of executive Directors, non-executive Directors and independent non-executive Directors for 2020; (ii) to discuss and determine the recommendation on the remuneration adjustments of executive Directors, non-executive Directors and independent non-executive Directors for 2021; and (iii) to discuss and determine the recommendation on the remuneration of the candidate for independent non-executive Director.

Details of the 5 individuals with the highest emoluments are set out in note 8(c) to the consolidated financial statements.

The remuneration of the members of senior management by band for the Year is set out below:

| <b>Emolument bands (in HK\$)</b> | <b>Number of members of senior management</b> |
|----------------------------------|---|
| HK\$1,000,001 - HK\$1,500,000    | 1   |
| HK\$1,500,001 - HK\$2,000,000    | 1   |
| HK\$2,000,001 - HK\$2,500,000    | 0   |
| HK\$2,500,001 - HK\$3,000,000    | 1   |

### Nomination Committee

The Nomination Committee consists of five members, namely Mr. Huang Fengchao (executive Director), Mr. Li Dalong (executive Director), Mr. Wan Kam To (independent non-executive Director), Ms. Wong Chui Ping Cassie (independent non-executive Director) and Mr. Weng Guoqiang (independent non-executive Director). Mr. Huang Fengchao is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The major duties of the Nomination Committee are to review the Board composition, to identify individuals suitably qualified to become Board members, to make recommendations to the Board on the appointment, re-appointment and succession planning of Directors, to assess the independence of independent non-executive Directors and to review the Board diversity policy and the nomination policy of the Company.

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board diversity policy, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience, etc. The Nomination Committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expense of the Company.



During the Year, the Nomination Committee held a meeting in March and December respectively, the agenda of which was mainly (i) to assess the independence of the independent non-executive Directors; (ii) to consider and review the structure, number of members and composition of the Board; and (iii) to make recommendations to the Board on the proposed candidate for independent non-executive Director.

### **Audit Committee**

The Audit Committee consists of three independent non-executive Directors, namely Mr. Wan Kam To, Ms. Wong Chui Ping Cassie and Mr. Weng Guoqiang. Mr. Wan Kam To is the chairman of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The major duties of the Audit Committee are to review accounting policy, to monitor the performance of the Company's external auditor and the internal audit centre, to review financial information, to oversee the financial reporting system, risk management and internal control systems, to consider and review the adequacy of resources, qualifications and experience of staff of the Company's accounting and financial reporting function, and to report the results to the Board. The Audit Committee, if necessary, may seek independent professional opinions when discharging their duties at the fees and expenses of Company.

During the Year, the Audit Committee held a meeting in March and August respectively, the agenda of which is set out below:

- reviewing annual results of 2020 and annual report of 2020, interim results of 2021 and interim report of 2021;
- reviewing audit and review reports of the auditors, recommendation reports of internal control and management;
- discussing and reviewing internal control management reports, audit monitoring plans and audit timetables of the internal audit centre;
- reviewing the continuing connected transactions;
- considering the re-appointment of external auditor of the Company;
- reviewing the resources of accounting and financial reporting functions of the Group;
- reviewing the effectiveness of the Company's internal audit function; and
- reviewing staff malpractices monitoring reports.

The Audit Committee meets with the external auditor, at least once annually, in the absence of management, to discuss matters relating to its audit fees, any issue arising from the audit and any other matters the auditor may wish to raise. The Audit Committee and the Board have no disagreement in relation to the recommendation of the re-appointment of PricewaterhouseCoopers as the external auditor.

## Corporate Governance Report (continued)

### External Auditor

At the 2020 annual general meeting of the Company, the Shareholders approved the re-appointment of PricewaterhouseCoopers as the auditor of the Group. For the year ended 31 December 2021, remuneration paid and payable to PricewaterhouseCoopers in relation to audit and non-audit services is detailed as below:

|  | 2021<br>RMB | 2020<br>RMB |
|--|-------------|-------------|
| Fee for audit services (including Hong Kong Standard on Review Engagements 2410 review on interim results) | 14,680,000  | 6,455,000   |
| Fee for non-audit services:  |             |             |
| Provision of audit and review services for the proposed acquired companies                                 | –           | 2,014,000   |
|  | 14,680,000  | 8,469,000   |

### Risk Management Committee

The Risk Management Committee consists of five members, namely Mr. Chan Cheuk Hung (executive Director), Mr. Huang Fengchao (executive Director), Mr. Li Dalong (executive Director), Mr. Wan Kam To (independent non-executive Director) and Ms. Wong Chui Ping Cassie (independent non-executive Director). Mr. Huang Fengchao is the chairman of the Risk Management Committee.

The major duties of the Risk Management Committee are to consider and formulate risk management framework, to review and assess the effectiveness of the Group's risk management framework, to monitor the implementation of risk control and ensure it is effectively implemented.

During the Year, the Risk Management Committee held a meeting in March and August respectively, the agenda of which is set out below:

- discussing and reviewing internal control management reports, monitoring plans and timetables of the internal audit centre; and
- reviewing the changes of nature and extent of major risks and the response measures.

### Corporate Governance Functions

The Audit Committee is delegated by the Board to perform the functions set out in the code provision D.3.1 of the CG Code contained in Appendix 14 of the Listing Rules. The terms of reference of the Audit Committee include (1) to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board; (2) to review and monitor the training and continuous professional development of directors and senior management of the Company; (3) to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; (4) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and directors of the Company; and (5) to review the Company's compliance with the code and disclosure in the Corporate Governance Report of the Company.

## Risk Management and Internal Control

The Group considers that effective risk management is of high importance for the Group to achieve sustainable development and long-term business success.

### Responsibilities of the Board and the Management

The Board recognises its responsibilities to evaluate and determine the nature and level of risks to be exposed of for achieving the Group's strategic objectives, and to ensure that the Group establishes and maintains applicable and effective risk management and internal control systems, and to oversee the management in design, implementation and monitoring of the risk management and internal control systems. Such 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.

The management is responsible for designing, implementing and monitoring the risk management system and the internal control system, and provides the recognition of the effectiveness of risk management and internal control to the Board.

## Risk Management

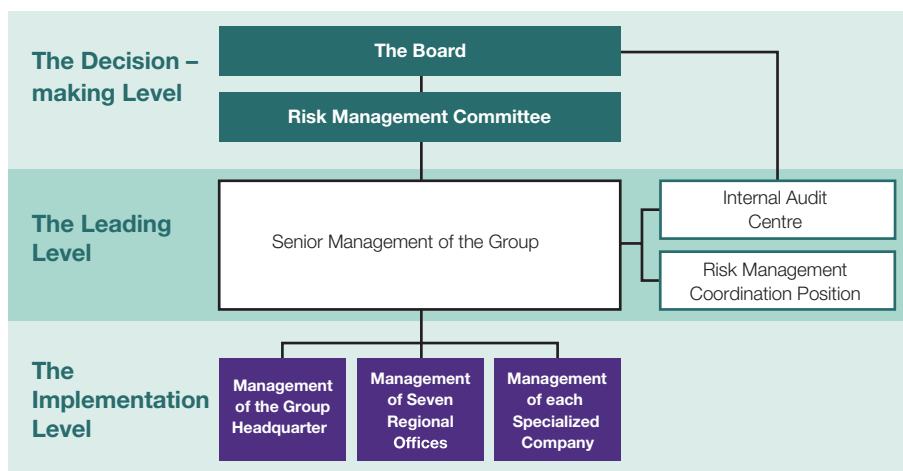
### The design, implementation and maintenance of the risk management system

**1) Establishing the Risk Management Committee:** The Board has established the Risk Management Committee to oversee the design, implementation and maintenance of the risk management system of the Group and has issued the "Terms of Reference of the Risk Management Committee":

- Authorizing the Risk Management Committee and define its duties: the Risk Management Committee's duties regarding risk management and its authorisation have been recognised in the "Terms of Reference of the Risk Management Committee";
- Determining the organisation of the Risk Management Committee: providing the composition and quorum, requirements of the attendance at meetings, frequency of meetings and the manner of meetings; and
- Determining the procedure of reporting to the Board: stipulating the time of reporting to the Board by the Risk Management Committee, including the minutes mechanism.

**2) Establishing the structure of the risk management organisation:** It has built up the official risk management organisation structure from the level of the Group to its subsidiaries (see figure 1 below: risk management organisation chart of the Company), and confirmed the direct management obligation of risk management and the risk information reporting procedure and frequency, and clarified the responsibilities of risk management positions, including integrating the requirement of risk management into the functional description of each position. The main features of the risk management organisation structure comprised:

- Clear levels and responsibilities: the levels of risk management organisation included the Risk Management Committee at the decision-making level, with the composition of leading level and implementation level and carrying out the division of the duties of risk management. It has confirmed the direct management obligation and the risk information reporting procedure and frequency;
- The wide span of level: the structure of risk management organisation is from the senior management of the Group to its managements of seven regional offices and specialized company; and
- Specific communication mechanism: it has confirmed that the management of each level communicate with each other with regard to the responsibilities, reporting procedure and reporting frequency of the risk management.



(Figure 1: risk management organisation chart of the Company)

The roles and major responsibilities of different levels under the risk management structure are shown below:

| The roles in the risk management structure   | Major responsibilities  |
|--|---|
| The Board (decision-making level)  | <ul style="list-style-type: none"> <li>— To evaluate and determine the nature and extent of the risks that the Group willing to take in achieving the strategic objectives</li> <li>— To ensure that the effective risk management and internal control systems are established and maintained</li> <li>— To oversee management in the design, implementation and monitoring of the risk management and internal control systems</li> </ul>   |
| The Risk Management Committee (decision-making level)                                      | <ul style="list-style-type: none"> <li>— To review and formulate the framework of risk management</li> <li>— To review and assess the effectiveness of the framework of the risk management of the Group on a regular basis</li> <li>— To coordinate and assist the Group's senior management in promoting risk management works</li> <li>— To oversee each business segment for setting up and implementing risk response programme and measures</li> <li>— To report any material risk management matters and recommend solutions to the Board</li> <li>— To monitor the frequency of major control failures or weak points, resulting in the extent of unforeseen consequences or emergencies which have caused, may have caused or will cause material impact on the financial performance or condition of the Company</li> </ul> |
| The senior management of the Group (leading organisation)                                  | <ul style="list-style-type: none"> <li>— To carry out risk assessment from the Group's holistic perspective and each business segment, in order to formulate risk management measures</li> <li>— To design, implement and monitor the risk management and internal control systems</li> <li>— To confirm the effectiveness of risk management and internal control systems to the Board</li> </ul>  |
| The Group headquarter and the management of its subsidiaries (implementation organisation) | <ul style="list-style-type: none"> <li>— To formulate and implement the relevant risk response programme of their business segment</li> <li>— To promote and implement specific risk management measures</li> <li>— To monitor and control different risks of their business and adjust risk management measures in time</li> </ul>   |



**The roles in the**

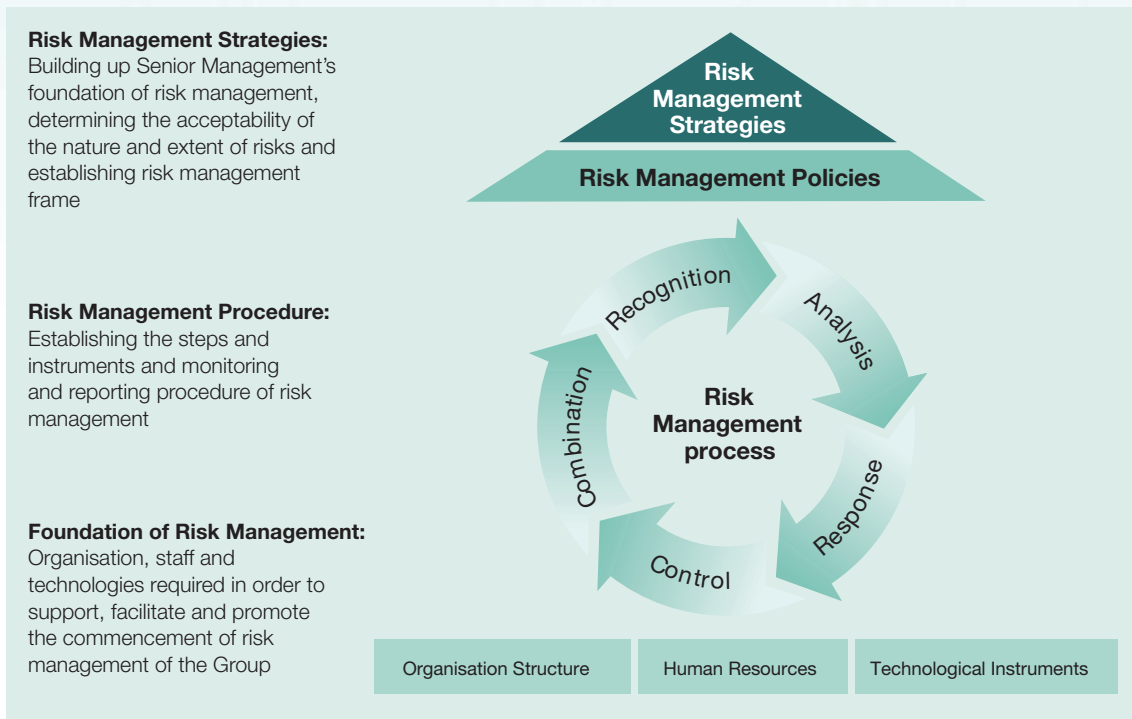
**risk management structure**

**Major responsibilities**

|   |   |
|---|---|
| The Internal Audit Centre                 | <ul style="list-style-type: none"> <li>— To coordinate the commencement of risk recognition and assessment</li> <li>— To prepare periodic risk assessment report and propose the summary of the report to the risk management leading team</li> <li>— To organise and coordinate risk management training and guidance</li> <li>— To act as the risk management monitoring organisation and be responsible for overseeing and evaluating risk management works implemented by the Group and its subsidiaries</li> </ul> |
| The risk management coordination position | <ul style="list-style-type: none"> <li>— The Office of the Secretary of the Board acts as the role of risk management coordination, including organising Risk Management Committee meetings and preparing minutes for record</li> </ul>   |

**3) Establishing a systematic risk management system structure**, which comprised the following main elements and features:

- Comprehensive framework of risk management: the model of risk management framework has been established as the risk management system foundation (see figure 2 below for details: the model of risk management) including the main elements such as risk management strategies, risk management process and risk management basic structure;
- Clear risk management procedure: the risk management procedure includes recognition, analysis, response, monitor and control, and summarizing and reporting, which form a closed loop to control and manage the risks continuously; and
- Appropriate standard of risk assessment for the Group: according to the industry nature and operation features, strategic objectives of the Group as well as the risk preference of management, set up the applicable dimension and standard of risk assessment to each business segment. By using mutually agreed assessment method and standard, carry out assessment to the risks which are most likely to affect the achievement of corporate objectives in order to obtain the risk assessment result which is actually fitted with corporation.



(Figure 2: The model of risk management)

Through the above efforts, the Group has clarified direct management obligation of risk management and risk information reporting procedure and frequency, and established an official risk management framework which recognises, analyses, evaluates and determines procedure of corporate risks to integrate with and control risks systematically.

**The commencement of risk assessment for the Group in 2021**

Based on risk management system of the Group as mentioned above, the Senior Management, with the assistance from external advisory bodies, sustained its intensive risk management works in 2021.

Management has adopted a systematic evaluation to review the changes of nature and extent of major risks, recognised material risks exposed, streamlined the current condition of risk control and the next response measures and key risk management program, and reported to the Risk Management Committee with the assessment result.

The Risk Management Committee, on behalf of the Board, reviews and assesses the changes of nature and extent of major risks. It has finished the review of risk management system. The Risk Management Committee reviewed and reported the results to the Board, and suggested that with the rapid growth of the Group’s business scale, the increasingly diversified business development and the continuous changes in the market environment, the Group’s risk management system should be considered in a broader and comprehensive perspective, the framework of risk management should be continuously optimized, and all related departments of the Group should be linked up to enhance the workflow of risk management in order to support the development of the innovative business of the Group. Management will report major risks control formally to the Risk Management Committee on a half-yearly basis, strengthen the effectiveness of risk management system and broaden the scope of risk management so as to identify other potential risks situation.

## The Internal Control

The Board is responsible for formulating proper internal control system for the Group to safeguard the assets of the Group and the interests of the Shareholders. The Audit Committee shall conduct regular review on the effectiveness of the internal control system to ensure that the system is adequate.

The internal audit centre of the Group is accountable and reports directly to the Audit Committee. It is responsible for constantly monitoring the work flow and risk assessment of each department of the Group, to assist the Board and Senior Management in complying with the regulatory requirements and guidelines, so as to improve the efficiency of internal control system. Through continuous internal audit and reporting from time to time, the internal audit centre shall ensure the effective operation of the internal control system.

In order to standardise information management works, the Board has formulated an information management system (the "System"). The System includes procedures and internal controls for the handling and dissemination of inside information. The System provides, including but not limited to, the procedures of the obligation and execution of the management and publication of inside information, confidentiality arrangement, collection and evaluation of information and the manner of publication to ensure timely reporting of inside information to the Board and communication with the Group's stakeholders.

During the Year, the internal audit functions have been carried out under the leadership of the Board and the Audit Committee. The Audit Committee reviewed the effectiveness of internal control system of the Group in respect of finance, operation, compliance and business matters and reported the results to the Board. Should any material fault or any material weakness in monitoring is found, the internal audit centre will report the same to the Audit Committee in timely manner.

The Group shall review the efficiency of the internal control system at least twice every year to ensure the effectiveness and adequacy of the system.

## The Review and Summary of the Effectiveness of the Risk Management and Internal Control Systems

The Board has continuously overseen the management in the design, implementation and monitoring of the risk management and internal control systems, and conducted a comprehensive review of the risk management and internal control systems of the Company during the Year and continuously oversaw major risks and regularly review the implementation of management and control measures covering the period of 2021. There were no significant uncontrollable risks during the period. The Board considered that the operation of the systems is reasonably effective and sufficient. Meanwhile, the Board has accepted the reports of the Risk Management Committee and the Audit Committee on the review results of the Group's risk management and internal control system and agreed that such systems should be continuously reviewed and improved in line with the rapid growth of the Group's business scale, the increasingly diversified business development and the continuous changes in the market environment.

## The Review of Accounting, Financial Reporting and Internal Audit Functions

The Audit Committee reviewed and was satisfied with the adequacy of the resources, staff qualifications and experience, training programmes and budget of the Group's accounting, financial reporting and internal audit functions.

## **Directors' Responsibility in Respect of the Consolidated Financial Statements**

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

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

The statement of the independent auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the section headed "Independent Auditor's Report" on pages 104 to 111 of this annual report.

## **Company Secretary**

Ms. Lai Kuen, the company secretary of the Company, is a full-time employee of the Company. She has confirmed that she has received relevant professional trainings of no less than 15 hours during the Year.

All Directors have access to the advice and services of the company secretary of the Company on corporate governance and board practices and matters.

## **Shareholders' Rights**

The Company engages with Shareholders through various communication channels and a shareholders' communication policy is in place to ensure that Shareholders' views and concerns are appropriately addressed. The policy is regularly reviewed to ensure its effectiveness.

To safeguard shareholder interests and rights, separate resolution should be proposed for each substantially separate issue at general meetings, including the election of individual Director. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Hong Kong Stock Exchange after each general meeting.

### **Convening an extraordinary general meeting**

Extraordinary general meetings may be convened by the Board on requisition of Shareholder(s) individually or jointly holding 10% or more of the Company's issued shares carrying voting rights in writing.

### **Putting forward proposals at general meetings**

When a general meeting is convened by the Company, the Board, Supervisory Committee and Shareholders who individually or jointly hold more than 3% or more of the Shares may propose resolutions to the Company.

Shareholders who individually or jointly hold more than 3% of the Shares may submit ad hoc proposals in writing to the convener of the general meeting 10 days before the holding of the general meeting. The convener will issue a supplemental notice of the general meeting within two days upon receipt of the proposals.

## Corporate Governance Report (continued)

### **Putting forward enquiries to the Board**

For putting forward any enquiries to the Board, Shareholders may send written enquiries to the Company to the following:

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

### **Communication with Shareholders and Investor Relations**

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

### **Compliance with the Model Code for Securities Transactions by Directors and Supervisors**

The Company has adopted a code for securities transactions by Directors of the Company and a code for securities transactions by Supervisors as its own codes of conduct governing Directors' and Supervisors' dealings in the Company's securities (the "Securities Dealing Codes") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors and they have confirmed that they had complied with the Securities Dealing Codes during the year ended 31 December 2021.

The Company has also established written guidelines (the "Employees Written Guidelines") no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2021.

### **Constitutional Documents**

The Articles of Association were approved for amendment by the Shareholders at the annual general meeting of the Company held on 25 May 2021. The change was mainly to reflect the increase of total number of issued shares of the Company upon completion of the placing of 86,666,800 new H Shares.

The Articles of Association is available on the Company's website and the Hong Kong Stock Exchange's website.





# Environmental, Social and Governance Performance

Against the backdrop of global warming and the spread of the COVID-19, stakeholders not only focus on the economic performance of an enterprise, but also measure the sustainability of an enterprise from multiple dimensions including environmental, social and governance (ESG) performance. The Group has a deep understanding that quality ESG management is conducive to improve operational efficiency, reduce risks and enhance the adaptability to complex environment, and can create a long-term value for the Group and its stakeholders. Therefore, the Group integrates sustainable development into its strategic development, continuously improves ESG management, and endeavors to achieve coordinated development of economy, environment and social benefits, so as to create a long-term value for stakeholders.

## Protecting the Environment Diligently at All Times

The Group strictly abides by the laws and regulations on environmental protection stipulated by the central government and local governments in China, formulates environmental management system which provides a clear division of responsibility for the Group's environmental management, and maps out clear guidelines for reducing pollutant emissions, energy consumption control and waste management, committed to alleviating the possible impact of its business operations on the ecological environment. The Group continues to optimize the standardized environmental management system and will promote sustained and effective operation of the environmental management system. Currently, a number of its projects have obtained the certification of environmental management system ISO14001:2015.

In active response to the country's goal of "achieving carbon dioxide peaking before 2030 and carbon neutrality before 2060", the Group integrated the concept of "innovation, environmental protection, convenience and technology" into its operations. To fulfil the operational objective of low energy consumption, great comfort and sustainability, the Group further enhanced energy efficiency, reduced greenhouse gas emissions and minimized the negative impacts of its production and operations on the environment. The Group required each of its regional offices and projects to implement control requirements and measures relating to energy saving and emission reduction, water saving and waste reduction, advocated the green and low-carbon development philosophy when providing services in cities and communities, and participated in environmental protection activities together with stakeholders to contribute to the construction of ecological civilization. The Group put relevant plans to address climate change into action, identified and coped with climate risks to and impacts on its business operations to reduce the negative impacts of climate change, and seized opportunities arising from green and low-carbon transformation. In addition, the Group further developed city services including refuse collection and transportation, marine sanitation, river ecological restoration, sanitation support for major sporting events, and integrated operation solutions for smart city sanitation, contributing to the improvement of the sanitation and hygiene quality and environmental governance in multiple scenarios in cities.

## Ensuring Compliant Management and Performing Duties with Integrity

The Group attaches great importance to risk management in relation to environmental, social and governance. The Board of Directors, at the highest level of decision-making in ESG works, is responsible for establishing appropriate risk management and internal control mechanisms for the Group and reviewing their effectiveness on a regular basis. The Risk Management Committee and the Sustainable Development Supervision Group have been established under the Board to carry out ESG governance, including monitoring and reviewing the Group's policies and practices relating to risk management and internal control, supervising the implementation of the Group's ESG management policies and practices, urging the Group's business segments to set ESG management goals based on their

## Environmental, Social and Governance Performance (continued)

operations, and regularly reviewing the reasonableness of those goals and the implementation of internal control measures, so as to ensure that the ESG goals can be achieved. Meanwhile, the Group rigorously complies with laws and regulations and code of business ethics and scrupulously implements internal control and risk management procedures to ensure the Company's compliant operations and efficient information disclosure to the public.

During the Year, the Group urged all employees to observe law and discipline and perform work with integrity through constraints imposed by Anti-corruption Policy, improvement of the mechanism for disciplinary violation reporting and whistleblower protection, participation in exchanges with industry peers on anti-fraud, all senior management members taking the annual anti-corruption oath, declaration of integrity information, integrity training and education activities and other measures, thereby creating an atmosphere of incorruptibility and integrity.

### **Adhering to Craftsmanship and Improving Services**

The Group always carries on with the mission of “lifelong caring for you, heartwarming service to city”, stays true to its original aspiration to pursue excellent operations, keeps providing standardized and professional quality services, proactively explores technological and business innovation, and builds digital smart communities and develops city services in an all-round way, to provide exquisite living experience for property owners and clients.

In 2021, the Group upgraded its brand strategy in all respects with a view of becoming a preeminent quality service provider in China. The Group actively enhanced its industrial chain coverage, increased its market expansion capability in various niche market and consolidated its first-mover advantages in business portfolios such as residential properties, public buildings and commercial and office buildings. It proactively promoted the “property management service + living services” model which deeply caters to the needs of property owners, enhanced property owners value-added services, and also deepened its business deployment in the city services segment and further enhanced its market expansion and service capabilities.

During the Year, the Group held onto the service philosophy of craftsmanship and integrity, proceeded to optimize the service quality and client experience and promoted the construction of smart cities and communities. During the Year, the Group implemented special programs for service quality improvement such as standardized service system construction, professional training and assessment, “5-Star campaign” and “On-the-spot service action”. Leveraging technologies such as Internet, Internet of Things and cloud computing, the Group sorted out and integrated major living scenarios in communities and improved the management level from multiple dimensions through digital innovation initiatives, application of intelligent technologies and facilities and other means, striving to provide high-standard, high-quality and sustainable services. Meanwhile, the Group's projects organized a variety of activities in communities to facilitate interaction and communication among neighborhoods and create a warm and comfortable community environment. In addition, the Group continued to promote innovative services in communities and introduced diversified community value-added services such as home services including high-end housekeeping services and childcare services, home improvement services and community new retail, so as to provide property owners with a shared living space to enjoy happiness together. Through high-quality and attentive services, the Group has won the praise and recognition of property owners. In 2021, the overall customer satisfaction rate of the Group reached 91.7%. Besides, the Group actively participated in the preparation of industry standards, industry summits and other activities, dedicated to promoting standardization construction of property management industry in terms of high-quality services and management.

### **Persevering with Sincerity and Achieving Win-win Results**

The Group always hews to the purpose of “putting people first, caring for employees”, has established a sound human resource management system and protects the basic rights and interests of employees. During the Year, the Group continued to improve the training system with A-Living Institute as the major platform to promote the ongoing progress of the team. The Group strengthened the construction of a diversified and inclusive corporate culture, provided various employee welfare policies, comforting activities and a multi-channel communication and complaint mechanism, and embraced the needs of employees into its business development.

Placing a particular emphasis on the integration and post-acquisition empowerment of its member companies, the Group provides comprehensive supports regarding information system, management efficiency, market expansion, corporate culture and other respects to meet their development needs, so as to assist in cultural integration and rapid growth of its member companies.

The Group continues to build an ecosystem to achieve win-win results with its suppliers and improves the whole-process management of suppliers to ensure the supply quality. Meanwhile, the Group pays attention to the suppliers’ performance in environmental and social responsibilities, actively communicating with them to promote win-win cooperation among multiple parties.

### **Always Maintaining Heartiness and Giving back to Society**

2021 was a year full of turmoil and challenges including public emergencies and natural disasters such as the COVID-19, rainstorm and flooding, which significantly affected the daily life of people across China. As a corporate citizen caring about the people, the Group effectively guarded the personal and property safety of employees and property owners by taking measures to build a solid barrier to fend off the pandemic and flooding, such as planning and implementing a regular COVID-19 prevention and control mechanism and establishing a special team of Zhengzhou flood fighting and control.

## Environmental, Social and Governance Performance (continued)

The Group also earnestly built harmonious communities and extended warmth and goodwill to the public by organizing activities including poverty alleviation activities, voluntary medical examination, elderly care and voluntary blood donation.

As a Hong Kong listed company, the Group strictly complies with the information disclosure requirements of the Hong Kong Stock Exchange and will publish a separate ESG report in accordance with the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules to provide a full picture of its ESG management performance for the year 2021.



Renewable energy transformation engineering for the projects' garages



Various cultural activities for communities



An industry meeting on internal anti-fraud and compliance enhancement work



“Engine Action” – Development training for project managers



Providing guidance on standardized engineering to member companies



Love activity entitled “Caring for education and poverty alleviation”





# Report of the Board of Directors

The board (the “Board”) of directors (the “Directors”) of A-Living Smart City Services Co., Ltd. (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 (the “Year”).

## Principal Place of Business

The Company is established and has its registered office in the People’s Republic of China (the “PRC” or “China”). The Company’s principal place of business in Hong Kong is situated at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong.

## Principal Activities

The Group is principally engaged in property management, property sales, property inspection, advertising and tourism services.

## Results and Overall Performance

The Group’s results for the year ended 31 December 2021 are set out on pages 6 to 7 of this annual report.

## Business Review

The business review of the Group during the Year and a discussion of the Group’s future business development and the major risks and uncertainties of the Group are set out in the section headed “Chairman’s Statement” on pages 11 to 18 of this annual report and the section headed “Management Discussion and Analysis” on pages 19 to 34 of this annual report, respectively. An analysis of the Group’s performance during 2021 based on the financial key performance indicators is set out on pages 221 to 222 of this annual report under the section headed “Five-Year Financial Summary”.

The Group believes that sustainable development is crucial to the development of a corporate and actively implements the concept of sustainable development at every level of the operation so as to create a better future for the community and the corporate. The Company will issue separately an Environmental, Social and Governance Report under the Environmental, Social and Governance Reporting Guide as specified in Appendix 27 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

## Consolidated Financial Statements

The profit of the Group for the year ended 31 December 2021 and the state of the Group’s affairs as at 31 December 2021 are set out in the consolidated financial statements on pages 112 to 220 of this annual report.

## Environmental Protection and Compliance with Laws and Regulations

The Group is principally engaged in property management, property sales, property inspection, advertising and tourism services in China. As a property management 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.



## Relationship with Stakeholders

The Group is of the view that its employees, customers and business partners are important to its sustainable development. The Group is committed to maintaining close relationship with its employees, providing high quality services to customers and strengthening the cooperation with its business partners. The Company provides a fair and safe workplace, promotes diversity to the staff, provides competitive remuneration and benefits and career development opportunities based on their merits and performance. The Group also puts ongoing efforts to provide adequate trainings and development resources to the employees so that they can keep abreast of the latest development of the market and the industry and, at the same time, improve their performance and self-fulfillment in their positions.

The Group understands that it is important to maintain good relationship with customers and provide the products in a way that satisfy the needs and requirements of the customers. The Group enhances the relationship by continuous interaction with customers to gain insight on the changing market demand for the services so that the Group can respond proactively. The Group has also established procedures in place for handling customers' complaints to ensure customers' complaints are dealt with in a prompt and timely manner.

The Group is also dedicated to developing good relationship with suppliers and contractors as long-term business partners to ensure stability of the Group's business. The Group reinforces business partnerships with suppliers and contractors by ongoing communication in a proactive and effective manner so as to ensure quality and timely delivery.

## Final dividend

The Board proposed the distribution of a final dividend of RMB0.41 per share (before tax) for the year ended 31 December 2021 ("Final Dividend"), the dividend payout ratio will be equivalent to 25.2%, and the amount of which will be subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 17 June 2022 ("2021 AGM"). Final Dividend payable to the shareholders of Domestic Shares will be paid in Renminbi, whereas Final Dividend payable to the shareholders of the H Shares will be declared in Renminbi and paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Markets and the Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets, whose Final Dividend will be paid in Renminbi), the exchange rate of which will be calculated based on the average exchange rate of RMB against Hong Kong dollars published by The People's Bank of China five business days prior to the 2021 AGM. Subject to the approval of the 2021 AGM, the Final Dividend will be paid on or about Tuesday, 2 August 2022.

According to the Enterprise Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法》 which came into effect on 1 January 2008, and amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China 《中華人民共和國企業所得稅法實施條例》 which took effect on 1 January 2008, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) 《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008] 897 號), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders.

Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Final Dividend as enterprise income tax, distribute the Final Dividend to non-resident enterprise shareholders whose names appear on the H Shares register of members of the Company, i.e. any shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or shareholders of H Shares registered in the name of other organizations and groups. After receiving dividends, the non-resident enterprise shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

In accordance with requirement of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) 《關於個人所得稅若干政策問題的通知》(財稅字[1994] 020 號)) which was promulgated by the Ministry of Finance and the State Administration of Taxation and came into effect on 13 May 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign-invested enterprises. Therefore, as a foreign-invested enterprise, the Company will not withhold PRC individual income tax on behalf of overseas individual shareholders whose names appear on the H Shares register of members of the Company when the Company distributes the dividends.

### Final Dividend for Investors of Southbound Trading

For investors (including enterprises and individuals) investing in the H Shares listed on the Hong Kong Stock Exchange through Shanghai Stock Exchange and Shenzhen Stock Exchange (collectively the “Southbound Trading”), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading with China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited or the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors for Southbound Trading, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of Southbound Trading through its depository and clearing system. The cash dividends of the investors of Southbound Trading will be distributed in Renminbi.

According to the provisions of the Notice on the Relevant Tax Policies Concerning the Pilot Program of an Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Connect (Cai Shui [2014] No. 81) 《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014] 81 號)) and the Notice on the Relevant Tax Policies Concerning the Pilot Program of an Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) 《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016] 127 號)), the income tax implications on dividends and bonuses received by Mainland individual investors, Mainland securities investment funds and Mainland enterprise investors are as follows:

- (i) for Mainland individual investors, H share companies shall withhold the individual income tax for these investors at the tax rate of 20% on dividends and bonuses received by them from investing in H Shares listed on the Hong Kong Stock Exchange via Southbound Trading;
- (ii) for dividends and bonuses received by Mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the individual income tax shall be levied in accordance with the above provisions; and

## Report of the Board of Directors (continued)

- (iii) for dividends and bonuses received by Mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the income tax on the Mainland enterprises shall not be withheld by the H share companies. The tax payable shall be declared and paid by the enterprises.

For dividends and bonuses received by the Mainland resident enterprises after holding the H shares for 12 months continuously, the enterprise income tax will be exempted according to laws.

The record date and the date of distribution of cash dividends and other time arrangements for the investors of Southbound Trading will be the same as those for the shareholders of H Shares.

### Closure of Register of Members for the 2021 AGM

The 2021 AGM will be held on Friday, 17 June 2022 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Wednesday, 18 May 2022 to Friday, 17 June 2022, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the 2021 AGM, shareholders of H Shares whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Tuesday, 17 May 2022.

### Closure of Register of Members for the Entitlement of Final Dividend

Upon obtaining approval of the Shareholders at the forthcoming 2021 AGM, the Final Dividend will be payable to Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 28 June 2022. For the purpose of determining the entitlement of shareholders of H Shares to the Final Dividend, the H Share register of members of the Company will be closed from Thursday, 23 June 2022 to Tuesday, 28 June 2022, both days inclusive, during which period no transfer of H Shares will be registered. In order for shareholders of H Shares to qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 22 June 2022.

### Share Capital

Details of the movements in the share capital of the Company for the year ended 31 December 2021 and as at 31 December 2021 is set out in note 24 to the consolidated financial statements.

### Reserves and Distribution Reserve

Details of the movements in the reserves of the Company and of the Group for the year ended 31 December 2021 are set out in note 37(a) and note 25 to the consolidated financial statements and pages 116 to 117 of this annual report under the section headed "Consolidated Statement of Changes in Equity".

As of 31 December 2021, the Company's aggregate amount of reserve available for distribution to equity shareholders was approximately RMB1,275.5 million.

## 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 15(a) to the consolidated financial statements.

## Intangible Assets

Details of the movements in intangible assets of the Group for the year ended 31 December 2021 are set out in note 17 to the consolidated financial statements.

## Borrowings

As at 31 December 2021, the Group had short-term borrowings of RMB66.1 million with a term of less than one year and borrowings of RMB12.4 million with a term of more than one year. Details of the borrowings of the Group are set out in note 26 to the consolidated financial statements.

## Charitable Donations

The Group did not make any charitable donations for the year ended 31 December 2021.

## Retirement Benefit Scheme

There are no provisions under the retirement benefit scheme of the Group whereby forfeited contributions may be used to reduce future contributions. Details of retirement benefit scheme of the Group are set out in note 8 to the consolidated financial statements.

## Five Years Financial Summary

A summary of the results and of the assets and liabilities of the Group for the past five financial years is set out on pages 221 to 222 of this annual report.

## Purchase, Sale or Redemption of the Company's Listed Securities

During 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.

## Future Plans for Material Investments or Capital Assets

Save as disclosed in this annual report, the Group has no other future plans for material investments and capital assets as at 31 December 2021.

## Pledge of assets

Details of the pledge of assets of the Group for the year ended 31 December 2021 are set out in notes 15(a) and 23(b) to the consolidated financial statements.

## Pre-Emptive Rights

There is no arrangement of pre-emptive rights in accordance with the laws of the PRC and the requirements of the Articles of Association.

## Directors and Supervisors

The Directors and the supervisors of the Company (the “Supervisors”) during 2021 and up to the date of this annual report are:

### Directors

#### *Executive Directors*

Mr. Chan Cheuk Hung (*Co-chairman*)

Mr. Huang Fengchao (*Co-chairman*)

Mr. Li Dalong (*President (General Manager) and Chief Executive Officer*)

#### *Non-executive Directors*

Mr. Wei Xianzhong

Ms. Yue Yuan

#### *Independent non-executive Directors*

Mr. Wan Kam To

Ms. Wong Chui Ping Cassie

Mr. Weng Guoqiang (*appointed on 21 January 2022*)

Mr. Wang Peng (*removed on 21 January 2022*)

### Supervisors

Mr. Liu Jianrong (*President of the Supervisory Committee, Employee representative Supervisor*)

Ms. Huang Zhixia (*Employee representative Supervisor*)

Mr. Shi Zhengyu (*Shareholder representative Supervisor*)

Mr. Wang Gonghu (*External Supervisor*)

Mr. Wang Shao (*External Supervisor*)

## Independence Confirmation

Save for Mr. Wang Peng who was removed as an independent non-executive Director on 21 January 2022, the Company has received from each of the independent non-executive Directors an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.



### **Directors' and Supervisors' Service Contracts**

Each of the executive Directors, the non-executive Directors and the Supervisors has entered into a service contract with the Company and each of the independent non-executive Directors has signed an appointment letter with the Company.

The appointment of all the Directors is effective from the respective appointment date until the expiry of the term of the second session of the Board. The appointment of all the Supervisors is effective from the respective appointment date until the expiry of the term of the second session of the Supervisory Committee.

No Director or Supervisor has a service contract/letter of appointment with the Company which is not terminable by the Company within one year without payment of compensation (other than statutory compensation).

### **Directors' and Supervisors' Interests in Transactions, Arrangements or Contracts of Significance**

Other than those transactions disclosed in note 38 to the consolidated financial statements, no Director or Supervisor had a material beneficial interest in, either directly or indirectly, any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party during the Year.

### **Directors' and Supervisors' Interest in Competing Business**

During the Year, none of the Directors, the Supervisors or their respective close associates had engaged in or had any interest in any business which competes or may compete, either directly or indirectly, with the businesses of the Group.

### **Management Contracts**

No contract concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Year.

### **Permitted Indemnity Provision**

According to the duty indemnity policy for the Directors, the Supervisors and the Senior Management, each Director, Supervisor and Senior Management is entitled to be indemnified by the Company against all losses or liabilities which he/she may sustain or incur in carrying out his/her functions. The Company has also arranged appropriate insurance in respect of potential legal actions against the Directors, the Supervisors and the Senior Management arising out of corporate activities.

## Compliance with the Deed of Non-Competition

None of the controlling shareholders of the Company (the “Controlling Shareholders”) is interested in any business which is, whether directly or indirectly, in competition with our business. To ensure that competition will not exist in the future, each of the Controlling Shareholders has entered into the Deed of Non-Competition (as defined below) in favor of the Company.

Each of the Controlling Shareholders has undertaken to the Company in the deed of non-competition and compensation (the “Deed of Non-Competition”) on 22 January 2018 that it/he/she will not, and will procure its/his/her close associates (other than members of the Group) not to directly or indirectly be involved in or undertake any business (other than the Group’s business) that directly or indirectly competes, or may compete, with the Group’s business, which includes providing property management services, property sales services, property inspection services, advertising and tourism services to non self-owned or non self-leased properties or non self-developed projects (collectively referred to as the “Restricted Activities”), or hold shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time except where the Controlling Shareholders and their close associates hold less than 5% of the total issued share capital of any company (whose shares are listed on the Hong Kong Stock Exchange or any other stock exchange) which is engaged in any business that is or may be in competition with any business engaged by any member of the Group and they do not control 10% or more of the composition of the board of directors of such company.

The Deed of Non-Competition will lapse automatically if the Controlling Shareholders and their close associates cease to hold, whether directly or indirectly, 50% or above of the Shares with voting rights or the Shares cease to be listed on the Hong Kong Stock Exchange.

For details of the above Deed of Non-Competition, please refer to the section headed “Relationship with Our Controlling Shareholders” in the prospectus of the Company dated 29 January 2018.

Each of the Controlling Shareholders has provided written confirmation to the Company, pursuant to which it/he/she confirmed that during the Year, (1) each of them has fully complied with all terms and requirements of the Deed of Non-Competition, (2) each of them not to directly or indirectly be involved in or undertake any business (other than our business) that directly or indirectly competes, or may compete, with the Restricted Activities, and (3) each of them does not hold more than 5% of the shares or interest in any companies or business that compete directly or indirectly with the business engaged by the Group from time to time and controls 10% or more of the composition of the board of directors of such company.

The independent non-executive Directors have reviewed all the necessary information provided by the Controlling Shareholders for compliance with the Deed of Non-Competition and confirmed that during the Year, the Controlling Shareholders had fully complied with and did not breach all terms and requirements of the Deed of Non-Competition.

## **Biographical Details of Directors, Supervisors and Senior Management**

Biographical details of the Directors, the Supervisors and Senior Management are set out in the sections headed “Biographies of Directors”, “Biographies of Supervisors” and “Biographies of Senior Management”, respectively, of this annual report.

## **Changes in Information of Directors, Supervisors and Chief Executives of the Company**

Pursuant to Rule 13.51B of the Listing Rules, there have been no changes in information of Directors, Supervisors and chief executives of the Company subsequent to the date of the 2021 interim report.

## **Equity Linked Agreement**

No equity linked agreements were entered into by the Company during 2021.

## **Directors’, Supervisors’ and the Chief Executives’ Interests and/or Short Positions in Shares, Underlying Shares or Debentures of the Company or any of its Associated Corporations**

As of 31 December 2021, the interests and short positions of the Directors, Supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange pursuant to the Securities Dealing Codes as defined in the Corporate Governance Report in this annual report (the “Securities Dealing Codes”), were as follows:

## Report of the Board of Directors (continued)

### (i) Interest in Shares of the Company

| Name of Director                   | Nature of Interest                   | Class of Shares | Number of Shares <sup>(1)</sup> | Approximate Percentage of the Company's Issued Share Capital |
|------------------------------------|--------------------------------------|-----------------|---------------------------------|--|
| Mr. Chan Cheuk Hung <sup>(2)</sup> | Beneficiary of a trust               | H Shares        | 683,265,483 (L)                 | 48.11%   |
|                                    |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Mr. Huang Fengchao <sup>(3)</sup>  | Interest of a controlled corporation | H Shares        | 80,000,000 (L)                  | 5.63%  |
| Mr. Li Dalong <sup>(4)</sup>       | Interest of a controlled corporation | H Shares        | 80,000,000 (L)                  | 5.63%  |
|                                    | Spouse                               | H Shares        | 200,000 (L)                     | 0.01%  |

#### Notes:

- (1) The letter "L" denotes the person's long position in the shares, while the letter "S" denotes the person's short position in the shares.
- (2) Mr. Chan Cheuk Hung is the beneficiary of a family trust ("Chen's Family Trust", which is deemed to be interested in 683,265,483 long position and 87,991,267 short position in H shares of the Company). Therefore, Mr. Chan Cheuk Hung is deemed under the SFO to be interested in the shares of the Company held by Chen's Family Trust.
- (3) Mr. Huang Fengchao is the sole proprietor of Zhangjiajie Fengxin Commercial Center\* 張家界奉欣商業中心 ("Zhangjiajie Fengxin") which is a limited partner of and owns 99.9% interest in Tianjin Fengxin Commercial Center (Limited Partnership)\* 天津奉欣商業中心(有限合夥) ("Tianjin Fengxin"). Tianjin Fengxin is a limited partner of and respectively owns 94.96% and 95% interest in Shanghai Baoya Business Consultancy Limited Partnership\* 上海葆雅商務諮詢合夥企業(有限合夥) ("Shanghai Baoya") and Shanghai Bingya Business Consultancy Limited Partnership\* 上海秉雅商務諮詢合夥企業(有限合夥) ("Shanghai Bingya"). Mr. Huang is also a general partner of Shanghai Baoya and Shanghai Bingya respectively, and has full control over Shanghai Baoya and Shanghai Bingya. Shanghai Baoya is a general partner of Shanghai Yongya Business Consultancy Limited Partnership\* 上海詠雅商務諮詢合夥企業(有限合夥) ("Shanghai Yongya") and has full control over Shanghai Yongya. Shanghai Bingya is a limited partner of and owns 50% interest in Shanghai Yongya. Shanghai Yongya is a limited partner of and owns 45% interest in Gongqingcheng A-Living Investment Management Limited Partnership\* 共青城雅生活投資管理合夥企業(有限合夥) ("Gongqingcheng Investment") which owns 80,000,000 H shares of the Company. Mr. Huang is a limited partner of and owns 4.99% interest in Gongqingcheng Investment. Hence, Mr. Huang Fengchao is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.

- (4) Mr. Li Dalong is the sole proprietor of Zhangjiajie Chaotai Commercial Center\* 張家界朝泰商業中心("Zhangjiajie Chaotai") which is a limited partner of and owns 99% interest in Tianjin Chaotai Commercial Center (Limited Partnership)\* 天津朝泰商業中心(有限合夥) ("Tianjin Chaotai"). Tianjin Chaotai is a limited partner of and owns 47.5% interest in Shanghai Yanya Business Consultancy Limited Partnership\* 上海焰雅商務諮詢合夥企業(有限合夥) ("Shanghai Yanya") and Shanghai Chengya Business Consultancy Limited Partnership\* 上海澄雅商務諮詢合夥企業(有限合夥)("Shanghai Chengya") respectively. Mr. Li is also a general partner of and owns 2.5% interest in Shanghai Yanya and Shanghai Chengya respectively, and has full control over Shanghai Yanya and Shanghai Chengya. Shanghai Yanya is a limited partner of and owns 50% interest in Shanghai Yeya Business Consultancy Limited Partnership\* 上海燁雅商務諮詢合夥企業(有限合夥) ("Shanghai Yeya"). Shanghai Chengya is a general partner of Shanghai Yeya and has full control over Shanghai Yeya. Shanghai Yeya is a limited partner of and owns 45% interest in Gongqingcheng Investment. Mr. Li is a general partner of Tianjin Fengxin and has full control over Tianjin Fengxin. Tianjin Fengxin is a limited partner of and owns 94.96% interest in Shanghai Baoya. Tianjin Fengxin is a limited partner of and owns 95% interest in Shanghai Bingya. Shanghai Baoya is a general partner of Shanghai Yongya and has full control over Shanghai Yongya. Shanghai Bingya is a limited partner of and owns 50% interest in Shanghai Yongya. Shanghai Yongya is a limited partner of and owns 45% interest in Gongqingcheng Investment which owns 80,000,000 H shares of the Company. Mr. Li is a limited partner of and owns 2.5% interest in Gongqingcheng Investment. Hence, Mr. Li Dalong is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment. By virtue of the SFO, Mr. Li Dalong is deemed to be interested in the shares of the Company held by his spouse, Ms. Fei Fan.

**(ii) Interest in Shares of Associated Corporation of the Company**

**(I) Shares**

| Name of Director    | Name of Associated Corporation | Nature of Interest     | Number of Shares  | Approximate Percentage of Shareholding Interest |
|---------------------|--------------------------------|------------------------|-------------------|---|
| Mr. Chan Cheuk Hung | Agile Group Holdings Limited   | Beneficiary of a trust | 2,453,096,250 (L) | 62.63%  |
| Mr. Huang Fengchao  | Agile Group Holdings Limited   | Beneficial owner       | 1,400,000 (L)     | 0.04%   |
| Ms. Yue Yuan        | Agile Group Holdings Limited   | Beneficial owner       | 42,000 (L)        | 0.00%   |

Note: The letter "L" denotes the person's long position in the shares.

\* for identification purposes only



## Report of the Board of Directors (continued)

### (II) Debentures

| Name of Director             | Name of Associated Corporation | Type  | Personal Interests | Approximate Percentage of the Debentures |
|------------------------------|--------------------------------|---|--------------------|--|
| Ms. Wong Chui Ping<br>Cassie | Agile Group Holdings Limited   | 6.7% senior notes in an aggregate principal amount of US\$500 million due by 2022 | US\$200,000        | 0.04%                                    |

Save as disclosed above, as of 31 December 2021, neither any of the Directors, the Supervisors nor the chief executives had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (i) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO); or (ii) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Securities Dealing Codes.

### Substantial Shareholders' Interests and Short Positions in Shares or Underlying Shares of the Company

So far as known to any Director or chief executives of the Company, as of 31 December 2021, the persons (other than Directors, Supervisors or chief executives of the Company) or corporations who had interest or short positions in the shares and underlying shares of the Company which were required to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO were as follows:

| Name of Shareholder  | Nature of Interest                   | Class of Shares | Number of Shares <sup>(1)</sup>   | Approximate Percentage of the Company's Issued Share Capital |
|--|--------------------------------------|-----------------|-----------------------------------|--|
| Zhongshan A-Living Enterprises Management Services Co., Ltd.*<br>(中山雅生活企業管理服務有限公司) | Beneficial owner                     | H shares        | 676,065,483 (L)<br>36,734,517 (S) | 47.61%<br>2.59%  |
| Deluxe Star International Limited <sup>(2)</sup>                                   | Interest of a controlled corporation | H shares        | 676,065,483 (L)<br>36,734,517 (S) | 47.61%<br>2.59%  |
|  | Beneficial owner                     | H shares        | 7,200,000 (L)                     | 0.50%  |
| Makel International (BVI) Limited <sup>(3)</sup>                                   | Interest of a controlled corporation | H shares        | 683,265,483 (L)<br>36,734,517 (S) | 48.11%<br>2.59%  |

\* for identification purpose only

| Name of Shareholder                                     | Nature of Interest                   | Class of Shares | Number of Shares <sup>(1)</sup> | Approximate Percentage of the Company's Issued Share Capital |
|---|--------------------------------------|-----------------|---------------------------------|--|
| Genesis Global Development (BVI) Limited <sup>(4)</sup> | Interest of a controlled corporation | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 36,734,517 (S)                  | 2.59%  |
| Eastern Supreme Group Holdings Limited <sup>(5)</sup>   | Interest of a controlled corporation | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Agile Group Holdings Limited <sup>(6)</sup>             | Interest of a controlled corporation | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Full Choice Investments Limited <sup>(7)</sup>          | Trustee of a trust                   | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Top Coast Investment Limited <sup>(8)</sup>             | Interest of a controlled corporation | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Mr. Chen Zhuo Lin <sup>(9)</sup>                        | Beneficiary of a trust               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Mr. Chan Cheuk Yin <sup>(9)</sup>                       | Beneficiary of a trust               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Ms. Luk Sin Fong, Fion <sup>(9)</sup>                   | Beneficiary of a trust               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Mr. Chan Cheuk Hei <sup>(9)</sup>                       | Beneficiary of a trust               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Mr. Chan Cheuk Nam <sup>(9)</sup>                       | Beneficiary of a trust               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Ms. Zheng Huiqiong <sup>(10)</sup>                      | Spouse                               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Ms. Lu Liqing <sup>(11)</sup>                           | Spouse                               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Ms. Lu Yanping <sup>(12)</sup>                          | Spouse                               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |
| Ms. Chan Siu Na <sup>(13)</sup>                         | Spouse                               | H shares        | 683,265,483 (L)                 | 48.11%   |
|   |                                      |                 | 87,991,267 (S)                  | 6.20%  |

\* for identification purpose only

## Report of the Board of Directors (continued)

| Name of Shareholder  | Nature of Interest                   | Class of Shares | Number of Shares <sup>(1)</sup> | Approximate Percentage of the Company's Issued Share Capital |
|--|--------------------------------------|-----------------|---------------------------------|--|
| Gongqingcheng Investment   | Beneficial owner                     | H shares        | 80,000,000 (L)                  | 5.63%  |
| Gongqingcheng Yagao Investment Management Co., Ltd.*<br>(共青城雅高投資管理有限公司) <sup>(14)</sup>                          | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Pan Zhiyong <sup>(15)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Shanghai Yongya <sup>(16)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Shanghai Bingya <sup>(17)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Shanghai Baoya <sup>(18)</sup>   | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Tianjin Fengxin <sup>(19)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Zhangjiajie Fengxin <sup>(20)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Shanghai Yeya <sup>(21)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Shanghai Yanya <sup>(22)</sup>   | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Shanghai Chengya <sup>(23)</sup>   | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Tianjin Chaotai <sup>(24)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Tianjin Taoju Commercial Center (Limited Partnership)* 天津韜聚商業中心(有限合夥) (“Tianjin Taoju”) <sup>(25)</sup>          | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Zhangjiajie Chaotai <sup>(26)</sup>  | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Zhangjiajie Taoju Commercial Center (Limited Partnership)* 張家界韜聚商業中心(有限合夥) (“Zhangjiajie Taoju”) <sup>(27)</sup> | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |
| Feng Xin <sup>(28)</sup>   | Interest of a controlled corporation | H shares        | 80,000,000 (L)                  | 5.63%  |

\* for identification purpose only

*Notes:*

- (1) The letters “L” denotes the person’s/corporation’s long position in the shares, while the letter “S” denotes the person’s short position in the shares.
- (2) Zhongshan A-Living Enterprises Management Services Co., Ltd.\* is wholly-owned by Deluxe Star International Limited and Deluxe Star International Limited is deemed under the SFO to be interested in the shares of the Company held by Zhongshan A-Living Enterprises Management Services Co., Ltd.\*.
- (3) Deluxe Star International Limited is wholly-owned by Makel International (BVI) Limited and Makel International (BVI) Limited is deemed under the SFO to be interested in the shares of the Company held by Deluxe Star International Limited.
- (4) Makel International (BVI) Limited is wholly-owned by Genesis Global Development (BVI) Limited and Genesis Global Development (BVI) Limited is deemed under the SFO to be interested in the shares of the Company held by Makel International (BVI) Limited.
- (5) Genesis Global Development (BVI) Limited is wholly-owned by Eastern Supreme Group Holdings Limited and Eastern Supreme Group Holdings Limited is deemed under the SFO to be interested in the shares of the Company held by Genesis Global Development (BVI) Limited.
- (6) Eastern Supreme Group Holdings Limited is wholly-owned by Agile Group Holdings Limited and Agile Group Holdings Limited is deemed under the SFO to be interested in the shares of the Company held by Eastern Supreme Group Holdings Limited.
- (7) Full Choice Investments Limited is the trustee of Chen’s Family Trust, therefore, Full Choice Investments Limited is deemed under the SFO to be interested in the shares of the Company held by Chen’s Family Trust.
- (8) Top Coast Investment Limited is the settlor of Chen’s Family Trust, therefore, Top Coast Investment Limited is deemed under the SFO to be interested in the shares of the Company held by Chen’s Family Trust.
- (9) Each of Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam is the beneficiary of Chen’s Family Trust, therefore, Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei and Mr. Chan Cheuk Nam are deemed under the SFO to be interested in the shares of the Company held by Chen’s Family Trust. In addition, by virtue of the SFO, Ms. Luk Sin Fong, Fion is deemed to be interested in the shares of the Company held by her spouse, Mr. Chen Zhuo Lin.
- (10) By virtue of the SFO, Ms. Zheng Huiqiong is deemed to be interested in the shares of the Company held by her spouse, Mr. Chan Cheuk Yin.
- (11) By virtue of the SFO, Ms. Lu Liqing is deemed to be interested in the shares of the Company held by her spouse, Mr. Chan Cheuk Hung.
- (12) By virtue of the SFO, Ms. Lu Yanping is deemed to be interested in the shares of the Company held by her spouse, Mr. Chan Cheuk Hei.
- (13) By virtue of the SFO, Ms. Chan Siu Na is deemed to be interested in the shares of the Company held by her spouse, Mr. Chan Cheuk Nam.

## Report of the Board of Directors (continued)

- (14) Gongqingcheng Yagao Investment Management Co., Ltd.\* is a general partner of and has full control over Gongqingcheng Investment. Gongqingcheng Yagao Investment Management Co., Ltd.\* is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (15) Gongqingcheng Yagao Investment Management Co., Ltd.\* is wholly-owned by Mr. Pan Zhiyong, and Mr. Pan Zhiyong is a senior management member of Agile Group Holdings Limited. Mr. Pan Zhiyong is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Yagao Investment Management Co., Ltd.\*.
- (16) Shanghai Yongya is a limited partner of and owns 45% interest in Gongqingcheng Investment. Shanghai Yongya is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (17) Shanghai Bingya is a limited partner of and owns 50% interest in Shanghai Yongya. Shanghai Bingya is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (18) Shanghai Baoya is a general partner of and owns 50% interest in Shanghai Yongya. Shanghai Baoya is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (19) Tianjin Fengxin is a limited partner of and owns 94.96% and 95% interest in Shanghai Baoya and Shanghai Bingya respectively. Tianjin Fengxin is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (20) Zhangjiajie Fengxin is a limited partner of and owns 99.9% interest in Tianjin Fengxin. Zhangjiajie Fengxin is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (21) Shanghai Yeya is a limited partner of and owns 45% interest in Gongqingcheng Investment. Shanghai Yeya is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (22) Shanghai Yanya is a limited partner of and owns 50% interest in Shanghai Yeya. Shanghai Yanya is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (23) Shanghai Chengya is a general partner of and owns 50% interest in Shanghai Yeya. Shanghai Chengya is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (24) Tianjin Chaotai is a limited partner of and owns 47.5% interest in Shanghai Yanya and Shanghai Chengya respectively. Tianjin Chaotai is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.



- (25) Tianjin Taoju is a limited partner of and owns 47.5% interest in Shanghai Yanya and Shanghai Chengya respectively. Tianjin Taoju is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (26) Zhangjiajie Chaotai is a limited partner of and owns 99.9% interest in Tianjin Chaotai. Zhangjiajie Chaotai is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (27) Zhangjiajie Taoju is a limited partner of and owns 99.9% interest in Tianjin Taoju. Zhangjiajie Taoju is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.
- (28) Mr. Feng Xin is the sole proprietor of Zhangjiajie Taoju and a general partner of Tianjin Chaotai. Mr. Feng Xin is deemed under the SFO to be interested in the shares of the Company held by Gongqingcheng Investment.

Save as disclosed above, as of 31 December 2021, the Directors, the Supervisors and the chief executives of the Company are not aware of any other person or corporation having an interest or short position in the shares and underlying shares of the Company which would require to be disclosed to the Company under the provisions of Division 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

### Major Customers and Suppliers

For the year ended 31 December 2021, the aggregate sales and purchases attributable to the Group's five largest customers and suppliers were approximately 21.8% of the Group's total revenue and approximately 3.7% of the Group's total purchase during the Year respectively.

As at 31 December 2021, each of Agile Holdings and Greenland Holdings, holding approximately 54.31% and 3.52% of the issued share capital of the Company respectively, is one of the Group's five largest customers.

Save as disclosed above, none of the Directors, Supervisors and their respective close associates nor any Shareholders (who are interested in more than 5% of the issued shares of the Company according to the knowledge of the Directors) had any interests in any of the five largest customers or suppliers of the Group.

### Employee and Remuneration Policies

As at 31 December 2021, the Group had 87,603 employees, representing an increase of 56.7% as compared with 55,888 employees as at 31 December 2020. Total staff costs amounted to RMB5,267.4 million, representing an increase of 29.6% as compared with RMB4,064.1 million in 2020. The increase in staff costs was mainly due to (i) the increase brought by the acquired companies; (ii) the increased demand for high-quality talents in response to the requirements of the Group's business development.

## Report of the Board of Directors (continued)

The compensation plan of the Group is determined with reference to the market levels as well as employees' performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training programs appropriate to the employees' needs.

Apart from taking into account the advice from the remuneration and appraisal committee of the Board and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for Directors. Appropriate benefit schemes are in place for the Directors.

### Controlling Shareholders' Interests in Contracts of Significance

Save as disclosed in the paragraph headed "Continuing Connected Transactions" below, there was no contract of significance (whether for the provision of services to the Company or not) in relation to the Group's business to which the Company or any of its subsidiaries was a party and a controlling Shareholder or any of its subsidiaries is the other party during the Year or subsisted as at 31 December 2021.

### Related Party Transactions

A summary of all related party transactions, in accordance with the Hong Kong Financial Reporting standards, entered into by the Group during the year ended 31 December 2021 is contained in note 36 to the consolidated financial statements. Save for those disclosed in the section headed "Continuing Connected Transactions" below, certain transactions reported under "Rental expenses" of note 36 also fell under the definition of "continuing connected transactions" under Chapter 14A of the Listing Rules but are fully exempt from the reporting, annual review, announcement and the independent shareholders' approval requirements. The transactions reported under "Provision of services" of note 36, except for the transactions entered into between the Group, Guangzhou Lihe Property Management Co., Ltd.\* (廣州利合物業管理有限公司), Kaifeng Guokong Songdu Property Co., Ltd.\* (開封國控宋都置業有限公司), Zhongshan Yingxuan Property Development Co., Ltd.\* (中山市盈軒房地產開發有限公司), Guangzhou Lihe Real Estate Development Co., Ltd.\* (廣州利合房地產開發有限公司), Nanjing Qiya Real Estate Co., Ltd.\* (南京奇雅置業有限公司) and Holiday Inn Resort Hainan Clearwater Bay of Zhonghe Hotel Management (Guangzhou) Co., Ltd.\* (中和酒店管理(廣州)有限公司海南清水灣假日度假酒店) fell under the definition of "continuing connected transactions" as disclosed in the section headed "Continuing Connected Transactions" below. Other related party transactions did not constitute "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules.

Save for the continuing connected transactions disclosed below, during the Year, there were no other transactions which, in the opinion of the Directors, constituted connected transactions or continuing connected transactions that were subject to the reporting requirements under the Listing Rules.

The Company has complied with the disclosure requirements prescribed in Chapter 14A of the Listing Rules with respect to the connected transactions or continuing connected transactions entered into by the Group during the year ended 31 December 2021.

## Continuing Connected Transactions

For the year ended 31 December 2021, the Group entered into the following continuing connected transactions, as defined in the Listing Rules, with connected persons of the Company.

### (1) Continuing connected transactions subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirement

#### (i) Property Management Services Framework Agreement

On 23 September 2020, the Company entered into a property management services framework agreement (the "Property Management Services Framework Agreement") with Agile Holdings, pursuant to which the Group will provide to Agile Group property management services, including but not limited to (i) onsite security, cleaning, greening and gardening, repair and maintenance services as well as customer services to the property sales centers of Agile Group at the pre-delivery stage; (ii) operations and management services for the unsold property units; (iii) disinfection and hygiene services; (iv) property management services for the diversified businesses of Agile Holdings, including but not limited to environmental protection, urban renewal and real estate construction management; and (v) properties owned by Agile Group requiring the above services.

Pursuant to the Property Management Services Framework Agreement, the annual caps for the transactions contemplated under the Property Management Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB1,030,000,000, RMB1,300,000,000 and RMB1,530,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Property Management Services Framework Agreement was approximately RMB937,247,000, which is within the annual cap of RMB1,030,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Management Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Property Management Services Framework Agreement were approved by the independent Shareholders by way of ordinary resolution at the Company's extraordinary general meeting held on 9 November 2020.

**(ii) Property Agency Services Framework Agreement**

On 23 September 2020, the Company entered into a property agency services framework agreement (the “Property Agency Services Framework Agreement”) with Agile Holdings, pursuant to which the Group will provide to Agile Group property agency services, including but not limited to, providing marketing and sales services for properties developed by Agile Group.

Pursuant to the Property Agency Services Framework Agreement, the annual caps for the transactions contemplated under the Property Agency Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB1,400,000,000, RMB1,800,000,000 and RMB2,350,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Property Agency Services Framework Agreement was approximately RMB1,235,605,000, which is within the annual cap of RMB1,400,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Agency Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Property Agency Services Framework Agreement were approved by the independent Shareholders by way of ordinary resolution at the Company’s extraordinary general meeting held on 9 November 2020.

**(iii) Framework Referral Agreement**

On 23 September 2020, the Company entered into a framework referral agreement (the “Framework Referral Agreement”) with Agile Holdings, pursuant to which the Group will provide marketing referral services in respect of the sales of residential properties and car parking spaces by Agile Group in their development projects to Agile Group including but not limited to (i) marketing activities through the utilisation of the community resources and other sales channel of the Group; (ii) customers’ information collection; and (iii) customers’ referrals.

Pursuant to the Framework Referral Agreement, the annual caps for the transactions contemplated under the Framework Referral Agreement for the three years ending 31 December 2023 are expected not to exceed RMB550,000,000, RMB735,000,000 and RMB985,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Framework Referral Agreement was approximately RMB362,769,000, which is within the annual cap of RMB550,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Framework Referral Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review, announcement, circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules. The transactions contemplated under the Framework Referral Agreement were approved by the independent Shareholders by way of ordinary resolution at the Company’s extraordinary general meeting held on 9 November 2020.

**(2) Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirement**

**(i) Property Lease Framework Agreement**

On 23 September 2020, the Company entered into a property lease framework agreement (the "Property Lease Framework Agreement") with Agile Holdings, pursuant to which the Company may lease from Agile Group office, clubhouse, employees dormitory and parking lot premises.

Pursuant to the Property Lease Framework Agreement, the annual caps for the transactions contemplated under the Property Lease Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB8,230,000, RMB8,830,000 and RMB9,310,000, respectively. For the year ended 31 December 2021, the annual fee paid by the Company to Agile Holdings under the Property Lease Framework Agreement was approximately RMB2,499,000, which is within the annual cap of RMB8,230,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Property Lease Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

**(ii) Turnkey Furnishing Services Framework Agreement**

On 23 September 2020, the Company entered into a turnkey furnishing services framework agreement (the "Turnkey Furnishing Services Framework Agreement") with Agile Holdings, pursuant to which the Group will provide turnkey furnishing consultancy services and relevant design, supervision, acceptance and ancillary consultancy services for properties developed by Agile Group.

Pursuant to the Turnkey Furnishing Services Framework Agreement, the annual caps for the transactions contemplated under the Turnkey Furnishing Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB68,000,000, RMB82,000,000 and RMB99,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Turnkey Furnishing Services Framework Agreement was approximately RMB60,410,000, which is within the annual cap of RMB68,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Turnkey Furnishing Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.



**(iii) Advertising and Public Relations Services Framework Agreement**

On 23 September 2020, the Company entered into an advertising and public relations services framework agreement (the “Advertising and Public Relations Services Framework Agreement”) with Agile Holdings, pursuant to which the Group will provide to Agile Group services such as advertisement design, media agent and public relations.

Pursuant to the Advertising and Public Relations Services Framework Agreement, the annual caps for the transactions contemplated under the Advertising and Public Relations Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB120,000,000, RMB160,000,000 and RMB200,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Advertising and Public Relations Services Framework Agreement was approximately RMB70,139,000, which is within the annual cap of RMB120,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Advertising and Public Relations Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

**(iv) Pre-delivery Inspection Services Framework Agreement**

On 23 September 2020, the Company entered into a pre-delivery inspection services framework agreement (the “Pre-delivery Inspection Services Framework Agreement”) with Agile Holdings, pursuant to which the Group will provide to Agile Group pre-delivery inspection services, including but not limited to conducting house inspection on properties developed by Agile Group upon completion of construction and before delivery of the same to homeowners.

Pursuant to the Pre-delivery Inspection Services Framework Agreement, the annual caps for the transactions contemplated under the Pre-delivery Inspection Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB160,000,000, RMB190,000,000 and RMB230,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Pre-delivery Inspection Services Framework Agreement was approximately RMB141,952,000, which is within the annual cap of RMB160,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Pre-delivery Inspection Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

**(v) Technology Services Framework Agreement**

On 23 September 2020, the Company entered into a technology services framework agreement (the “Technology Services Framework Agreement”) with Agile Holdings, pursuant to which the Group will provide technology products and relevant services to Agile Holdings and/or its subsidiaries, including but not limited to (i) intelligent products; (ii) software products; (iii) intelligent home and sale of residential accessory products; (iv) software development; (v) information system integration services; (vi) intelligent design; (vii) intelligent engineering services; (viii) software platform technology services; and (ix) relevant consultancy services.

Pursuant to the Technology Services Framework Agreement, the annual caps for the transactions contemplated under the Technology Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB210,000,000, RMB230,000,000 and RMB250,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Technology Services Framework Agreement was approximately RMB123,242,000, which is within the annual cap of RMB210,000,000.

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Technology Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders’ approval requirements under Chapter 14A of the Listing Rules.

**(vi) Consultation Services Framework Agreement**

On 23 September 2020, the Company entered into a consultation services framework agreement (the “Consultation Services Framework Agreement”) with Agile Holdings, pursuant to which the Group will provide consultation services in relation to property management to the property projects of Agile Group at their preparation stage, design stage, assessment of construction design stage, construction stage and delivery stage, including but not limited to (i) formulation of consultation services plan in accordance with the construction of the project and the target customers; (ii) provision of consultation on the master plan of the project and relevant design in relation to accessory facilities; (iii) inspection of construction progress and quality; (iv) related preparations for preliminary project planning, sourcing of materials and project execution in the property development projects of the Agile Group; and (v) monitoring of repair and rectification service.

Pursuant to the Consultation Services Framework Agreement, the annual caps for the transactions contemplated under the Consultation Services Framework Agreement for the three years ending 31 December 2023 are expected not to exceed RMB237,000,000, RMB240,000,000 and RMB250,000,000, respectively. For the year ended 31 December 2021, the annual fee paid by Agile Holdings to the Group under the Consultation Services Framework Agreement was approximately RMB177,119,000, which is within the annual cap of RMB237,000,000.

## Report of the Board of Directors (continued)

Agile Holdings is the Controlling Shareholder and therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions under the Consultation Services Framework Agreement constitute continuing connected transactions for the Company which are subject to the reporting, annual review and announcement requirements but exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### Confirmation of Independent Non-Executive Directors

Pursuant to Rule 14A.55 of the Listing Rules, all the independent non-executive Directors have reviewed the above continuing connected transactions and confirmed that they have been entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms; and
- (iii) in accordance with the relevant framework agreements on terms that are fair and reasonable and in the interests of Shareholders as a whole.

### Confirmation of the Auditors

The Company's auditor was engaged to report on the Group's continuing connected transactions for the year ended 31 December 2021 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 its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Hong Kong Stock Exchange.

### Events after the Reporting Period

On 22 April 2022, the Company entered into a parking space leasing and sales agency services framework agreement with Agile Holdings, which sets out the principal terms for the provision of exclusive parking space sales and leasing agency services by the Group to the Agile Group.

### Litigation

During the year ended 31 December 2021, the Company was not involved in any litigation or arbitration of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatening against the Company.

### Public Float

Based on the information that is publicly available to the Company and within the knowledge of its Directors, for the year ended 31 December 2021 and as of the date of this annual report, the Company had maintained sufficient public float as required under the Listing Rules.

### Corporate Governance

The Company had adopted the principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 of the Listing Rules and complied with the then applicable code provisions throughout the Year.

## Auditor

The consolidated financial statements of the Group for the year ended 31 December 2021 have been audited by PricewaterhouseCoopers, Certified Public Accountants, who shall retire at the 2021 AGM. A resolution will be proposed at the 2021 AGM to re-appoint PricewaterhouseCoopers, Certified Public Accountants, as auditor of the Company.

## Audit Committee

The audit committee of the Company had discussed with the management, and reviewed, the audited consolidated financial statements of the Group for the year ended 31 December 2021 as set out in this annual report.

## 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.

## Sustainable Development

The Group believes that promoting sustainability is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainability in its operations. Moreover, it values opportunities to learn more about the needs and expectations of the communities in which it operates, as well as those of other stakeholders. The Group is committed to strengthening its management efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate its commitment to transparency and accountability to its stakeholders, the Company will issue separately an Environmental, Social and Governance Report under Environmental, Social and Governance Reporting Guide as specified in Appendix 27 to the Listing Rules. The report will present the Company's commitment to sustainable development during the Year under review, and it will cover the significant economic, environmental and social achievements and impacts arising from the activities of the Group and its joint ventures.

On behalf of the Board

**A-Living Smart City Services Co., Ltd.**

**Chan Cheuk Hung/Huang Fengchao**

*Co-chairman of the Board*

Hong Kong, 29 April 2022

# Report of the Supervisory Committee

## I. Composition of the Supervisory Committee

As of 31 December 2021, the supervisory committee of the Company (the “Supervisory Committee”) consisted of five members, of which there were two employee representative Supervisors, one shareholder representative Supervisor and two external Supervisors (collectively, the “Supervisors”). The terms of office of Supervisors shall be three years, and is renewable upon re-election after the expiry of his/her term in accordance with the requirements of the articles of association of the Company (the “Articles of Association”).

The composition of the Supervisory Committee is as follows:

| Name             | Position   | Date of Appointment | Responsibilities   |
|------------------|--|---------------------|--|
| Mr. Liu Jianrong | President of the Supervisory Committee, employee representative Supervisor | 21 July 2020        | Presiding the work of the Supervisory Committee, responsible for supervising the board of directors (the “Board”) and the senior management of the Company |
| Ms. Huang Zhixia | Employee representative Supervisor   | 21 July 2017        | Responsible for supervising the Board and the senior management of the Company   |
| Mr. Shi Zhengyu  | Shareholder representative Supervisor                                      | 21 July 2017        | Responsible for supervising the Board and the senior management of the Company   |
| Mr. Wang Gonghu  | External Supervisor  | 21 July 2020        | Responsible for supervising the Board and the senior management of the Company   |
| Mr. Wang Shao    | External Supervisor  | 21 August 2017      | Responsible for supervising the Board and the senior management of the Company   |

## II. Major Works of the Supervisory Committee in 2021

In 2021, being accountable to all shareholders of the Company (the “Shareholders”), the members of the Supervisory Committee of the Company strengthened the coordination and cooperation between the Board and the senior management and seriously performed the duties of supervision, for purposes of better playing a supervisory role of the Supervisory Committee, promoting the standardized operation and healthy development of the Company, and safeguarding the rights and interests of the Company and the Shareholders.



**(i) Convening meetings of the Supervisory Committee according to law, and earnestly performing supervisory duties**

In 2021, the Supervisory Committee held a total of 4 meetings of the Supervisory Committee.

The Supervisors carefully reviewed the meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee. The Supervisors attended meetings of the Supervisory Committee and earnestly performed supervisory duties. The details of Supervisors attendance at the meetings of the Supervisory Committee held are as follows:

| Name             | Number of<br>supervisory<br>meetings<br>eligible to<br>attend | Attendance<br>in person | Attendance<br>by proxy | Absence |
|------------------|---|-------------------------|------------------------|---------|
| Mr. Liu Jianrong | 4   | 4                       | 0                      | 0       |
| Ms. Huang Zhixia | 4   | 4                       | 0                      | 0       |
| Mr. Shi Zhengyu  | 4   | 4                       | 0                      | 0       |
| Mr. Wang Gonghu  | 4   | 4                       | 0                      | 0       |
| Mr. Wang Shao    | 4   | 4                       | 0                      | 0       |

**(ii) Supervising the Directors and Senior Management of the Company in their performance of duties**

In 2021, the members of the Supervisory Committee reviewed the resolutions of the Board by attending board meetings, examined the daily operation and management of the Company and supervised the directors and senior management of the Company in their performance of duties.

**(iii) Supervising the Continuing Connected Transactions of the Company with connected persons**

In 2021, the members of the Supervisory Committee reviewed the continuing connected transactions of the Company by attending Supervisory Committee meetings. The members of the Supervisory Committee also attended the 2020 annual general meeting held on 25 May 2021.

**(iv) Monitoring Company's Operation**

In 2021, members of the Supervisory Committee participated in discussions of major operating decisions, reviewed proposals submitted to the Board for consideration and examined and monitored the operation of the Company through attending Board meetings and general meetings of the Shareholders held by the Company. The Supervisory Committee is of the opinion that the business activities of the Company complied with relevant laws and regulations and the Articles of Association. Meanwhile, the Directors and senior management of the Company have diligently performed their duties and earnestly implemented the resolutions of the general meetings of the shareholders to safeguard the interests of the Shareholders and the benefit of the Company. In the course of examining the operation of the Company and supervising the performance of duties of the Directors and senior management, the Supervisory Committee has not found any of their behaviors that contravened any applicable laws and regulations or the Articles of Association or any issues that has caused damage to the interests of the Shareholders and the Company.

**(v) Focusing on strategy fulfillment and implementation of effective supervision**

The Supervisory Committee actively supported the Company's major work and paid close attention to the Company's major events and performed well in supervision and promotion duties.

### **III. Independent Opinions of Supervisory Committee**

**(i) Lawful Operation**

In 2021, the Company's operations were in compliance with laws and regulations, and its decision-making procedures conformed to relevant laws, regulations and the Articles of Association. Directors and senior management of the Company duly performed their duties. The Supervisors Committee is not aware of any breach of laws, regulations and the Articles of Association or any actions which might be detrimental to the interests of the Company when Directors and senior management were performing their duties.

**(ii) Annual Report**

The preparation and review procedures of this annual report complies with laws and regulations and regulatory provisions. The contents of this annual report reflected the Company's actual situation truly, accurately and completely.

**(iii) Performance Appraisal Results of Directors and Senior Management**

In the view of the Supervisory Committee, Directors and senior management of the Company were in compliance with laws and carried out their duties responsibly and they performed their work in a practicable, diligent and due manner. The decision-making procedures were lawful.

**(iv) Continuous Connected Transactions**

In 2021, the continuous connected transactions of the Company were conducted based on business principles. There were no activities which impaired the interests of the Company in continuous connected transactions. The approval, voting, disclosure and implementation of continuous connected transactions complied with applicable laws and regulations and the Articles of Association.

#### **IV. Major Initiatives for 2022**

The Supervisory Committee will be strictly in accordance with the laws and regulations, Articles of Association and the Terms of Reference of the Supervisory Committee of the Company and other requirements of the relevant provisions to conduct discussion of daily business of the Supervisory Committee and diligently and responsibly perform their duties, including (1) to convene meetings of the Supervisory Committee according to the actual situation of the Company and review and consider various resolutions; (2) to review the Company's financial position by regularly understanding and reviewing financial reports, and monitor the financial operation of the Company in order to prevent against operational risks; and (3) diligently, responsibly and actively to participate in the Board meetings, general meetings and other important meetings as well as the decision-making process in relation to material matters to better safeguard the interests of the Company and the Shareholders.

# Independent Auditor's Report



羅兵咸永道

**To the Shareholders of A-Living Smart City Services Co., Ltd.**

*(incorporated in the People's Republic of China with limited liability)*

## Opinion

### What we have audited

The consolidated financial statements of A-Living Smart City Services Co., Ltd. (the "Company") and its subsidiaries (the "Group"), which are set out on pages 112 to 220, comprise:

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

### Our opinion

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

### Basis for Opinion

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

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

### Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

## Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

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

| Key Audit Matter   | How our audit addressed the Key Audit Matter  |
|--|---|
| <p><b>Assessment of goodwill impairment</b></p> <p>Refer to notes 4(a) and 17 to the consolidated financial statements.</p> <p>As at 31 December 2021, the Group had goodwill of RMB3,123,231,000 primarily in relation to the Group's acquisition of other property management services groups (the "Acquirees").</p> <p>Goodwill is tested for impairment annually, or when there are events or changes in circumstances indicate that it might be impaired. For the purpose of impairment assessment, goodwill was allocated to each group of cash-generated units of the Acquirees. Management assessed impairment of goodwill with the assistance of an independent external valuer (the "External Valuer") and determined the recoverable amounts based on a value-in-use ("VIU") calculation using cash flow projections based on financial budgets approved by management. The key assumptions considered primarily include (i) compound annual growth rate of revenue, (ii) earnings before interest, tax, depreciation and amortisation ("EBITDA") margin, (iii) average trade receivables turnover days, (iv) long-term growth rate, and (v) pre-tax discount rate.</p> | <p>We have performed the following procedures in respect of the assessment of goodwill impairment:</p> <ul style="list-style-type: none"> <li>• Understood, evaluated and tested the internal control over the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity, subjectivity, changes and susceptibility to management bias or fraud;</li> <li>• Evaluated the competency, capabilities and objectivity of the External Valuer;</li> <li>• Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted with the involvement of our internal valuation experts;</li> </ul> |



## Independent Auditor's Report (continued)

| Key Audit Matter   | How our audit addressed the Key Audit Matter  |
|--|---|
| <p>We focused on auditing the impairment of goodwill because the estimation of recoverable amount is subject to high degree of estimation uncertainty. The inherent risk in relation to the impairment assessment of goodwill is considered significant due to the complexity of the impairment models and subjectivity of significant assumptions used.</p> | <ul style="list-style-type: none"><li>• Challenged and assessed the reasonableness of the key assumptions adopted by management as below: (i) evaluated the historical estimation accuracy of the cash flow forecast by, for example, comparing the forecast used in the prior year to the actual performance of the business in the current year; (ii) evaluated the reasonableness of the key assumptions used in the cash flow forecast, including compound annual growth rate of revenue, EBITDA margin and average trade receivables turnover days during the forecast period, we compared them with historical financial data and approved budgets; (iii) for the long-term growth rate, we assessed it with reference to the long-term expected inflation rate based on our independent research; (iv) assessed the pre-tax discount rate with reference to comparable listed companies based on our industry knowledge and independent research done by us;</li><li>• Tested source data to supporting evidence on a sample basis, such as approved budgets and available market data and considered the reasonableness of these budgets;</li><li>• Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions to understand the impact of the reasonable changes in assumptions on the recoverable amount;</li><li>• Assessed the adequacy of the disclosures related to impairment assessment of goodwill; and</li></ul> |

| Key Audit Matter  | How our audit addressed the Key Audit Matter  |
|---|---|
| <p><b>Assessment of expected credit losses of trade receivables</b></p> <p>Refer to notes 4(c) and 20 to the consolidated financial statements.</p> <p>As at 31 December 2021, the gross carrying amount of trade receivables amounted to RMB3,974,911,000, which represented approximately 19.7% of the total assets of the Group. Management has assessed the expected credit losses (“ECL”) of trade receivables with a loss allowance of RMB329,312,000 made against trade receivables as at 31 December 2021.</p> <p>Management applied the simplified approach under HKFRS 9 to measure the lifetime ECL of trade receivables. To measure the ECL, trade receivables were grouped based on shared credit risk characteristics. Management assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the historical settlement records, credit ratings, financial positions of the customers and other factors that impacted their ability of repayment. Management also took into account of the current market conditions and forward-looking factors.</p> | <ul style="list-style-type: none"> <li>Considered whether the judgements made in selecting the methodology and the key assumptions would give rise to indicators of possible management bias.</li> </ul> <p>Based on the above, we found that the significant management’s judgements and the key assumptions adopted in the goodwill impairment assessment were supported by available evidence.</p>   |
|   | <p>We have performed the following procedures in respect of the assessment of ECL of trade receivables:</p> <ul style="list-style-type: none"> <li>Obtained an understanding of the Group’s internal control and assessment process of ECL of trade receivables, and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and other inherent risk of factors, such as complexity and subjectivity;</li> <li>Evaluated and validated, on a sample basis, the key controls over management’s assessment of the ECL of trade receivables including the review of ageing analysis.</li> <li>Assessed the appropriateness of the credit loss provisioning methodology adopted by management including the appropriateness of customer grouping based on our understanding on the Group’s business process;</li> </ul> |

## Independent Auditor's Report (continued)

| Key Audit Matter  | How our audit addressed the Key Audit Matter  |
|---|---|
| <p>The assessment of ECL of trade receivables is considered a key audit matter given the significance of the trade receivables balance. In addition, the judgements and estimations in relation to assessment of ECL are subject to high degree of estimation uncertainty. The inherent risk in relation to the assessment of ECL is considered relatively higher due to the complexity of impairment models and subjectivity of significant assumptions and data used.</p> | <ul style="list-style-type: none"><li>• Evaluated the appropriateness of the methodology and the reasonableness of key assumptions adopted: (i) assessed the appropriateness of customer grouping based on our understanding on the Group's business process, the credit control process and the credit risk characteristics of trade receivables; (ii) assessed the reasonableness of significant assumptions used in estimating the loss rate referencing to customers' credit information, the historical settlement performance, and collaborated management's explanations with publicly available information and supporting evidence; (iii) challenged and evaluated management's assessment on the financial positions of the customers, existing markets conditions and forward-looking factors with reference to our understanding of Group's business, industry and external macroeconomic data;</li><li>• Tested, on a sample basis, the accuracy of the ageing analysis of trade receivables prepared by management to supporting documents;</li><li>• Checked the mathematical accuracy of the calculation of the provision for loss allowance; and</li><li>• Assessed the adequacy of the disclosures related to assessment of ECL of trade receivables.</li></ul> |
|   | <p>Based on the above, we found that the key judgements and estimates made by management in relation to the assessment of ECL of trade receivables were supported by available evidences.</p>   |

## Other Information

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

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

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

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

## Responsibilities of Directors and the Audit Committee for the Consolidated Financial Statements

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

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

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

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong, 29 April 2022

# Consolidated Income Statement

|  | Note  | Year ended 31 December |                 |
|--|-------|------------------------|-----------------|
|  |       | 2021<br>RMB'000        | 2020<br>RMB'000 |
| <b>Revenue</b>   | 6     | <b>14,080,089</b>      | 10,026,147      |
| Cost of sales  | 7     | <b>(10,211,343)</b>    | (7,053,112)     |
| <b>Gross profit</b>  |       | <b>3,868,746</b>       | 2,973,035       |
| Selling and marketing expenses                             | 7     | <b>(141,635)</b>       | (77,139)        |
| Administrative expenses                                    | 7     | <b>(778,131)</b>       | (548,295)       |
| Net impairment losses on financial assets                  | 3.1.2 | <b>(160,181)</b>       | (97,406)        |
| Other income   | 9     | <b>178,059</b>         | 198,515         |
| Other gains – net  | 10    | <b>102,070</b>         | 17,136          |
| <b>Operating profit</b>                                    |       | <b>3,068,928</b>       | 2,465,846       |
| Finance costs  | 11    | <b>(24,888)</b>        | (40,358)        |
| Share of post-tax profits of joint ventures and associates | 12(b) | <b>31,534</b>          | 62,261          |
| <b>Profit before income tax</b>                            |       | <b>3,075,574</b>       | 2,487,749       |
| Income tax expenses  | 13    | <b>(510,005)</b>       | (515,015)       |
| <b>Profit for the year</b>                                 |       | <b>2,565,569</b>       | 1,972,734       |
| Profit attributable to:                                    |       |                        |                 |
| – Shareholders of the Company                              |       | <b>2,308,458</b>       | 1,754,411       |
| – Non-controlling interests                                |       | <b>257,111</b>         | 218,323         |
|  |       | <b>2,565,569</b>       | 1,972,734       |
| <b>Earnings per share (expressed in RMB per share)</b>     |       |                        |                 |
| – Basic and diluted earnings per share                     | 14    | <b>1.67</b>            | 1.32            |

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

# Consolidated Statement of Comprehensive Income

|  | Year ended 31 December |           |
|--|------------------------|-----------|
|  | 2021                   | 2020      |
|  | RMB'000                | RMB'000   |
| <b>Profit for the year</b>   | <b>2,565,569</b>       | 1,972,734 |
| <b>Other comprehensive income</b>  |                        |           |
| Item that will not be reclassified to profit or loss   |                        |           |
| – changes in fair value of financial assets at fair value through other comprehensive income, net of tax | <b>3,764</b>           | 931       |
| <b>Total comprehensive income for the year</b>   | <b>2,569,333</b>       | 1,973,665 |
| <b>Attributable to:</b>  |                        |           |
| – Shareholders of the Company  | <b>2,310,717</b>       | 1,754,970 |
| – Non-controlling interests  | <b>258,616</b>         | 218,695   |
|  | <b>2,569,333</b>       | 1,973,665 |

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

# Consolidated Balance Sheet

|  |       | <b>As at 31 December</b> |            |
|--|-------|--------------------------|------------|
|  | Note  | <b>2021</b>              | 2020       |
|  |       | <b>RMB'000</b>           | RMB'000    |
| <b>Assets</b>  |       |                          |            |
| <b>Non-current assets</b>  |       |                          |            |
| Property, plant and equipment ("PPE")  | 15(a) | <b>506,831</b>           | 254,971    |
| Right-of-use assets  | 15(b) | <b>73,868</b>            | 35,119     |
| Investment properties  | 16    | <b>88,916</b>            | –          |
| Other intangible assets  | 17    | <b>1,350,661</b>         | 961,241    |
| Goodwill   | 17    | <b>3,123,231</b>         | 2,181,967  |
| Deferred income tax assets   | 28    | <b>137,701</b>           | 50,304     |
| Investment accounted for using the equity method                               | 12(b) | <b>1,111,141</b>         | 1,105,391  |
| Prepayments  | 20    | <b>350,952</b>           | 253,722    |
| Financial assets at fair value through<br>other comprehensive income ("FVOCI") | 19    | <b>23,868</b>            | 29,122     |
| Financial assets at fair value through profit or loss ("FVPL")                 | 22    | <b>3,249</b>             | 2,991      |
|  |       | <b>6,770,418</b>         | 4,874,828  |
| <b>Current assets</b>  |       |                          |            |
| Trade and other receivables and prepayments                                    | 20    | <b>5,105,345</b>         | 3,405,566  |
| Inventories  | 21    | <b>38,533</b>            | 18,850     |
| Financial assets at fair value through profit or loss                          | 22    | <b>527,043</b>           | 591,161    |
| Restricted cash  | 23(b) | <b>3,349,493</b>         | 27,572     |
| Cash and cash equivalents  | 23(a) | <b>4,390,545</b>         | 5,056,976  |
|  |       | <b>13,410,959</b>        | 9,100,125  |
| <b>Total assets</b>  |       | <b>20,181,377</b>        | 13,974,953 |
| <b>Equity</b>  |       |                          |            |
| <b>Equity attributable to shareholders of the Company</b>                      |       |                          |            |
| Share capital  | 24    | <b>1,420,001</b>         | 1,333,334  |
| Other reserves   | 25    | <b>5,614,759</b>         | 3,402,511  |
| Retained earnings  |       | <b>4,156,348</b>         | 2,618,957  |
|  |       | <b>11,191,108</b>        | 7,354,802  |
| <b>Non-controlling interests</b>   |       | <b>1,719,820</b>         | 1,302,598  |
| <b>Total equity</b>  |       | <b>12,910,928</b>        | 8,657,400  |

## Consolidated Balance Sheet (continued)

|                                       | Note  | <b>As at 31 December</b> |            |
|---------------------------------------|-------|--------------------------|------------|
|                                       |       | <b>2021</b>              | 2020       |
|                                       |       | <b>RMB'000</b>           | RMB'000    |
| <b>Liabilities</b>                    |       |                          |            |
| <b>Non-current liabilities</b>        |       |                          |            |
| Other payables                        | 27    | <b>35,190</b>            | 51,046     |
| Contract liabilities                  | 6(a)  | <b>84,344</b>            | 75,271     |
| Borrowings                            | 26    | <b>12,445</b>            | 9,197      |
| Lease liabilities                     | 15(b) | <b>30,590</b>            | 16,288     |
| Deferred income tax liabilities       | 28    | <b>351,060</b>           | 225,348    |
| Financial liabilities for put options | 29    | –                        | 75,233     |
|                                       |       | <b>513,629</b>           | 452,383    |
| <b>Current liabilities</b>            |       |                          |            |
| Trade and other payables              | 27    | <b>4,808,002</b>         | 3,370,856  |
| Contract liabilities                  | 6(a)  | <b>1,180,991</b>         | 804,134    |
| Current income tax liabilities        |       | <b>547,217</b>           | 425,299    |
| Borrowings                            | 26    | <b>66,084</b>            | 224,539    |
| Lease liabilities                     | 15(b) | <b>47,168</b>            | 20,800     |
| Financial liabilities for put options | 29    | <b>107,358</b>           | 19,542     |
|                                       |       | <b>6,756,820</b>         | 4,865,170  |
| <b>Total liabilities</b>              |       | <b>7,270,449</b>         | 5,317,553  |
| <b>Total equity and liabilities</b>   |       | <b>20,181,377</b>        | 13,974,953 |

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

The consolidated financial statements on pages 112 to 220 were approved by the Board of Directors on 29 April 2022 and were signed on its behalf.

**Chan Cheuk Hung**  
*Director*

**Huang Fengchao**  
*Director*



# Consolidated Statement of Changes in Equity

|   | Note  | Attributable to shareholders of the Company |                      |                   |                   | Non-controlling interests | Total equity      |
|---|-------|---|----------------------|-------------------|-------------------|---------------------------|-------------------|
|   |       | Share capital                               | Other reserves       | Retained earnings | Subtotal          |                           |                   |
|   |       | RMB'000<br>(Note 24)                        | RMB'000<br>(Note 25) | RMB'000           | RMB'000           |                           |                   |
| <b>Balance at 1 January 2021</b>  |       | <b>1,333,334</b>                            | <b>3,402,511</b>     | <b>2,618,957</b>  | <b>7,354,802</b>  | <b>1,302,598</b>          | <b>8,657,400</b>  |
| <b>Comprehensive income</b>   |       |   |                      |                   |                   |                           |                   |
| Profit for the year   |       | -   | -                    | 2,308,458         | 2,308,458         | 257,111                   | 2,565,569         |
| Other comprehensive income, net of tax  |       | -   | 2,259                | -                 | 2,259             | 1,505                     | 3,764             |
| Total comprehensive income  |       | -   | 2,259                | 2,308,458         | 2,310,717         | 258,616                   | 2,569,333         |
| <b>Transactions with shareholders of the Company</b>                            |       |   |                      |                   |                   |                           |                   |
| Dividends to the shareholders of the Company                                    | 30    | -   | -                    | (693,334)         | (693,334)         | -                         | (693,334)         |
| Dividends to the non-controlling interests (the "NCI")                          |       | -   | -                    | -                 | -                 | (191,163)                 | (191,163)         |
| Placing of new H Shares   | 24(a) | 86,667                                      | 2,590,844            | -                 | 2,677,511         | -                         | 2,677,511         |
| Acquisition of subsidiaries   |       | -   | -                    | -                 | -                 | 519,626                   | 519,626           |
| Disposal of subsidiaries  |       | -   | -                    | -                 | -                 | (101,386)                 | (101,386)         |
| Transfer of gains on disposal of financial assets at FVOCI to retained earnings |       | -   | (134)                | 223               | 89                | (89)                      | -                 |
| Capital injection from the NCI  |       | -   | -                    | -                 | -                 | 7,939                     | 7,939             |
| Other transaction with NCI  | 25(b) | -   | (458,677)            | -                 | (458,677)         | (76,321)                  | (534,998)         |
| Appropriation of statutory reserves   | 25(a) | -   | 77,956               | (77,956)          | -                 | -                         | -                 |
|   |       | <b>86,667</b>                               | <b>2,209,989</b>     | <b>(771,067)</b>  | <b>1,525,589</b>  | <b>158,606</b>            | <b>1,684,195</b>  |
| <b>Balance at 31 December 2021</b>  |       | <b>1,420,001</b>                            | <b>5,614,759</b>     | <b>4,156,348</b>  | <b>11,191,108</b> | <b>1,719,820</b>          | <b>12,910,928</b> |

## Consolidated Statement of Changes in Equity (continued)

|  | Note  | Attributable to shareholders of the Company |                      |                   |           |           | Non-controlling interests | Total equity |
|--|-------|---|----------------------|-------------------|-----------|-----------|---------------------------|--------------|
|  |       | Share capital                               | Other reserves       | Retained earnings | Subtotal  |           |                           |              |
|  |       | RMB'000<br>(Note 24)                        | RMB'000<br>(Note 25) | RMB'000           | RMB'000   |           |                           |              |
| <b>Balance at 1 January 2020</b>                     |       | 1,333,334                                   | 3,271,410            | 1,586,100         | 6,190,844 | 314,841   | 6,505,685                 |              |
| <b>Comprehensive income</b>                          |       |   |                      |                   |           |           |                           |              |
| Profit for the year                                  |       | -   | -                    | 1,754,411         | 1,754,411 | 218,323   | 1,972,734                 |              |
| Other comprehensive income, net of tax               |       | -   | 559                  | -                 | 559       | 372       | 931                       |              |
| Total comprehensive income                           |       | -   | 559                  | 1,754,411         | 1,754,970 | 218,695   | 1,973,665                 |              |
| <b>Transactions with shareholders of the Company</b> |       |   |                      |                   |           |           |                           |              |
| Dividends to the shareholders of the Company         | 30    | -   | -                    | (600,000)         | (600,000) | -         | (600,000)                 |              |
| Dividends to the NCI                                 |       | -   | -                    | -                 | -         | (112,687) | (112,687)                 |              |
| Acquisition of subsidiaries                          |       | -   | -                    | -                 | -         | 918,035   | 918,035                   |              |
| Disposal of subsidiaries                             |       | -   | -                    | -                 | -         | (41,905)  | (41,905)                  |              |
| Other transaction with NCI                           |       | -   | 8,988                | -                 | 8,988     | 5,619     | 14,607                    |              |
| Appropriation of statutory reserves                  | 25(a) | -   | 121,554              | (121,554)         | -         | -         | -                         |              |
|  |       | -   | 130,542              | (721,554)         | (591,012) | 769,062   | 178,050                   |              |
| <b>Balance at 31 December 2020</b>                   |       | 1,333,334                                   | 3,402,511            | 2,618,957         | 7,354,802 | 1,302,598 | 8,657,400                 |              |

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

# Consolidated Statement of Cash Flows

|  | Note   | Year ended 31 December |                 |
|--|--------|------------------------|-----------------|
|  |        | 2021<br>RMB'000        | 2020<br>RMB'000 |
| <b>Cash flows from operating activities</b>                    |        |                        |                 |
| Cash generated from operations                                 | 31(a)  | <b>3,165,492</b>       | 3,110,226       |
| Income tax paid  |        | <b>(520,957)</b>       | (489,745)       |
| Net cash generated from operating activities                   |        | <b>2,644,535</b>       | 2,620,481       |
| <b>Cash flows from investing activities</b>                    |        |                        |                 |
| Purchases of PPE   | 15(a)  | <b>(83,421)</b>        | (54,178)        |
| Purchase of investment properties                              | 16     | <b>(8,412)</b>         | –               |
| Proceeds from disposal of PPE and investment properties        |        | <b>30,766</b>          | 1,967           |
| Purchase of other intangible assets                            | 17     | <b>(3,968)</b>         | (8,811)         |
| Proceeds from disposal of other intangible assets              | 17     | <b>128</b>             | –               |
| Investments in joint ventures and associates                   |        | <b>(95,800)</b>        | (306,835)       |
| Disposal of an associate                                       |        | <b>–</b>               | 300,000         |
| Payment of the deposit for potential acquisition               |        | <b>(290,970)</b>       | (313,298)       |
| Loans to related parties                                       | 36(e)  | <b>(194,725)</b>       | (17,450)        |
| Loans repayments received from related parties                 | 36(e)  | <b>–</b>               | 338,450         |
| Loans to third parties   |        | <b>(426,200)</b>       | (900,370)       |
| Loans repayments from third parties                            |        | <b>406,200</b>         | 900,370         |
| Interest received  |        | <b>4,230</b>           | 24,309          |
| Acquisition of financial assets at FVPL                        | 3.3(b) | <b>(3,007,440)</b>     | (3,639,701)     |
| Proceeds from disposal of financial assets at FVPL and FVOCI   | 3.3(b) | <b>3,145,996</b>       | 3,761,468       |
| Dividend received  |        | <b>18,038</b>          | 27,784          |
| Cash advances to related parties                               |        | <b>(11,409)</b>        | (43,577)        |
| Cash outflow from acquisition of subsidiaries                  | 34(a)  | <b>(726,569)</b>       | (916,209)       |
| Cash inflow/(outflow) from disposal of subsidiaries            | 35     | <b>133,376</b>         | (25,860)        |
| Increase in restricted bank deposits for potential acquisition |        | <b>(3,300,200)</b>     | (22,189)        |
| Net cash used in investing activities                          |        | <b>(4,410,380)</b>     | (894,130)       |

## Consolidated Statement of Cash Flows (continued)

|  | Note  | <b>Year ended 31 December</b> |           |
|--|-------|-------------------------------|-----------|
|  |       | <b>2021</b>                   | 2020      |
|  |       | <b>RMB'000</b>                | RMB'000   |
| <b>Cash flows from financing activities</b>                  |       |                               |           |
| Capital injection from NCI                                   |       | <b>7,939</b>                  | –         |
| Cash advances from third parties                             |       | <b>64,579</b>                 | 9,800     |
| Repayment to a third party                                   |       | <b>(49,305)</b>               | –         |
| Repayment of cash advances from NCI                          |       | –                             | (22,000)  |
| Proceeds from borrowings                                     |       | <b>20,264</b>                 | 19,631    |
| Repayments of borrowings                                     |       | <b>(306,439)</b>              | (150,842) |
| Principal elements and interest of lease payments            |       | <b>(44,640)</b>               | (24,132)  |
| Interest paid  |       | <b>(1,450)</b>                | (15,989)  |
| Receipt of cash advances from related parties                |       | <b>25,095</b>                 | 26,697    |
| Dividends paid to shareholders                               |       | <b>(693,334)</b>              | (598,434) |
| Dividends paid to the NCI                                    |       | <b>(181,631)</b>              | (120,837) |
| Placing of new H Shares                                      | 24(a) | <b>2,677,511</b>              | –         |
| Other transactions with non-controlling interests            |       | <b>(415,849)</b>              | –         |
| Net cash generated from/(used in) financing activities       |       | <b>1,102,740</b>              | (876,106) |
| <b>Net (decrease)/increase in cash and cash equivalents</b>  |       | <b>(663,105)</b>              | 850,245   |
| Cash and cash equivalents at beginning of year               |       | <b>5,056,976</b>              | 4,207,260 |
| Effect of exchange rate changes on cash and cash equivalents |       | <b>(3,326)</b>                | (529)     |
| <b>Cash and cash equivalents at end of year</b>              | 23    | <b>4,390,545</b>              | 5,056,976 |

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

# Notes to the Consolidated Financial Statements

## 1 General information

A-Living Smart City Services Co., Ltd. (previously named as “A-Living Services Co., Ltd”, the “Company”) was established in the People’s Republic of China (the “PRC”) on 26 June 1997. On 21 July 2017, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company’s registered office is Management Building, Xingye Road, Agile Garden, Sanxiang Town, Zhongshan, Guangdong Province, PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”) on 9 February 2018.

The Company’s parent company is Zhongshan A-Living Enterprise Management Services Co., Ltd. (“Zhongshan A-Living”), an investment holding company established in the PRC, and its ultimate holding company is Agile Group Holdings Limited (“Agile Holdings”), a company incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange.

The Company and its subsidiaries (together the “Group”) are primarily engaged in the provision of property management services, related value-added services and city sanitation and cleaning services in the PRC.

The outbreak of the 2019 Novel Coronavirus (the “COVID-19”) had brought unprecedented challenges and added uncertainties to the economy. COVID-19 may affect the financial performance and position of the industry of property management. Since the outbreak of COVID-19, the Group kept continuous attention on the situation of the COVID-19 and reacted actively to its impact on the financial position and operating results of the Group. As at the date that the consolidated financial information is authorised for issue, COVID-19 doesn’t have any material adverse impact on the financial position and operating result of the Group as at and for the year ended 31 December 2021.

These consolidated financial statements are presented in Renminbi, unless otherwise stated.

## 2 Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

#### (a) Compliance with HKFRS and HKCO

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

#### (b) Historical cost convention

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



## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### (c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 January 2021 and there is no material impact on the Group's consolidated financial statement:

- Interest Rate Benchmark Reform – Phase 2 – amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16.

#### (d) New standards and interpretations not yet adopted

The following new standards, amendments to standards and interpretation have been published but will only become effective for accounting period beginning on or after 1 January 2022 and have not been early adopted by the Group:

|                                    |   | Effective for annual<br>periods beginning<br>on or after |
|------------------------------------|---|--|
| Amendments to HKAS 16              | Property, Plant and Equipment: Proceeds before intended use   | 1 January 2022   |
| Amendments to HKFRS 3              | Reference to the Conceptual Framework   | 1 January 2022   |
| Amendments to HKAS 37              | Onerous Contracts – Cost of Fulfilling a Contract   | 1 January 2022   |
| Annual Improvements                | Annual Improvements to HKFRS Standards 2018-2020 Cycle  | 1 January 2022   |
| Revised Accounting Guideline 5     | Merger Accounting for Common Control Combination  | 1 January 2022   |
| HKFRS 17                           | Insurance Contracts   | 1 January 2023   |
| Amendments to HKAS 1               | Classification of Liabilities as Current or Non-current   | 1 January 2023   |
| Hong Kong Interpretation 5 (2020)  | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2023   |
| Amendments to HKFRS 10 and HKAS 28 | Sale or contribution of assets between an investor and its associates or joint ventures   | To be determined   |

The adoption of the new and amended standards and interpretation is not expected to have a material impact on the consolidated financial statements of the Group.

## 2 Summary of significant accounting policies (continued)

### 2.2 Principles of consolidation and equity accounting

#### 2.2.1 Subsidiaries

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

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

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

#### 2.2.2 Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see Note 2.2.4 below), after initially being recognised at cost.

#### 2.2.3 Joint ventures

Interests in joint ventures are accounted for using the equity method (see Note 2.2.4 below), after initially being recognised at cost in the consolidated balance sheet.

#### 2.2.4 Equity method

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

## 2 Summary of significant accounting policies (continued)

### 2.2 Principles of consolidation and equity accounting (continued)

#### 2.2.4 Equity method (continued)

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

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

#### 2.2.5 Changes in ownership interests

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

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset.

### 2.3 Business combinations

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

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group

## 2 Summary of significant accounting policies (continued)

### 2.3 Business combinations (continued)

- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

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

Acquisition-related costs are expensed as incurred.

The excess of the:

- consideration transferred
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

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

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

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

Where the Group enters into a contract that contains an obligation (for example a written put option exercisable by the contract counterparty) to acquire shares in a partly-owned subsidiary company from the owner of the non-controlling interest, which is not part of a business combination, the Group records a financial liability in respect of the present value of the redemption amount with a corresponding charge directly to equity. Changes to the value of the financial liability are recognised in the consolidated income statement within finance costs.

## 2 Summary of significant accounting policies (continued)

### 2.4 Separate financial statements

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

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

### 2.5 Segment reporting

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

### 2.6 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised within "other gains – net" in the consolidated income statement.

## 2 Summary of significant accounting policies (continued)

### 2.7 Property, plant and equipment

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

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

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased property, plant and equipment, the shorter lease term as follows:

|                            |            |
|----------------------------|------------|
| - Buildings                | 5-60 years |
| - Transportation equipment | 2-10 years |
| - Office equipment         | 2-10 years |
| - Machinery                | 2-10 years |

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

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gains – net" in the consolidated income statement.

### 2.8 Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are presented in consolidated income statement as part of "other gains-net".



## 2 Summary of significant accounting policies (continued)

### 2.9 Intangible assets

#### (a) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

#### (b) Trademarks

Trademarks acquired in a business combination are recognised at fair value at the acquisition date. Trademarks have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks over their estimated useful lives of 5 to 15 years.

#### (c) Customer relationship and backlog

Customer relationship and backlog acquired in a business combination is recognised at fair value at the acquisition date. The contractual customer relations and backlog have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 2 to 10 years for the customer relationship and backlog.

#### (d) Computer software

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (2 to 10 years).

## 2 Summary of significant accounting policies (continued)

### 2.9 Intangible assets (continued)

#### (e) Research and development

Research and development costs that are directly attributable to the design and testing of identifiable and unique software products, for example, applications, controlled by the Group are recognised as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use;
- Management intends to complete the software product and use it;
- There is an ability to use the software product;
- It can be demonstrated how the software product will generate probable future economic benefits;
- Adequate technical, financial and other resources to complete the research and development and to use the software product are available; and
- The expenditure attributable to the software product during its research and development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

### 2.10 Impairment of non-financial assets

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

## 2 Summary of significant accounting policies (continued)

### 2.11 Investments and other financial assets

#### (a) Classification

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

- those to be measured subsequently at fair value (either through other comprehensive income (“OCI”), or through profit or loss), and
- those to be measured at amortised cost.

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

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

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

#### (b) Recognition and derecognition

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

#### (c) Measurement

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

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

## 2 Summary of significant accounting policies (continued)

### 2.11 Investments and other financial assets (continued)

#### (c) Measurement (continued)

##### *Debt instruments*

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

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

**Financial assets at FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains-net. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains-net and impairment expenses are presented as separate line item in the consolidated statement of comprehensive income.

**Financial assets at FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains-net in the period in which it arises.

##### *Equity instruments*

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

Changes in the fair value of financial assets at FVPL are recognised in "other gains-net" in the consolidated income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

## 2 Summary of significant accounting policies (continued)

### 2.11 Investments and other financial assets (continued)

#### (c) Measurement (continued)

##### *Impairment*

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

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see Note 3.1.2 for further details.

### 2.12 Offsetting financial instruments

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

### 2.13 Inventories

Inventories are stated 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 applicable variable selling expenses.

### 2.14 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. They are generally due for settlement within 12 months and therefore are all classified as current.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade and other receivables and Note 3.1.2 for a description of the Group's impairment policies.

## 2 Summary of significant accounting policies (continued)

### 2.15 Cash and cash equivalents, restricted cash

In the consolidated statement of cash flows, cash and cash equivalents include cash on hand, deposits held at call with banks. Bank deposits which are restricted to use are included in “restricted cash” of the consolidated balance sheet.

### 2.16 Share capital

Ordinary shares are classified as equity.

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

### 2.17 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

### 2.18 Borrowings

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

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

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

### 2.19 Borrowing costs

All borrowing costs are recognised in the consolidated income statement in the period in which they are incurred.



## 2 Summary of significant accounting policies (continued)

### 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

#### (a) Current income tax

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

#### (b) Deferred income tax

##### *Inside basis differences*

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

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

## 2 Summary of significant accounting policies (continued)

### 2.20 Current and deferred income tax (continued)

#### (b) Deferred income tax (continued)

##### *Outside basis differences*

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.21 Put option arrangements and derivative financial liabilities

#### (a) Put option arrangements

The potential cash payments related to put options issued by the Group over the equity of subsidiaries are accounted for as financial liabilities as there is an obligation for the Group to deliver cash or other financial assets in exchange of its own equity shares. The amount that may become payable under the option on exercise is initially recognised at present value of the redemption amount with a corresponding charge directly to equity.

Such options, including the transaction costs, are subsequently accreted through “finance costs” up to the redemption amount that is payable at the date at which the option first becomes exercisable. In the event that the option expires unexercised, the liability is derecognised with a corresponding adjustment to equity.

#### (b) Derivative financial liabilities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The derivative instruments of the Company do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting result in adjustment on investments in subsidiaries.

## 2 Summary of significant accounting policies (continued)

### 2.22 Employee benefits

#### **Short-term obligations**

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

#### **(a) Pension obligations**

The Group only operate defined contribution pension plans. In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries. The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees' payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independently administered funds managed by the governments.

The Group also participates in a retirement benefit scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance ("MPF Scheme") for all employees in Hong Kong. The contributions to the MPF Scheme are based on minimum statutory contribution requirement of the lower of 5% of eligible employees' relevant aggregate income and HK dollar ("HK\$")1,500. The assets of this MPF Scheme are held separately from those of the Group in independently administered funds.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

#### **(b) Housing benefits**

Full-time PRC employees of the Group are entitled to participate in government-sponsored housing funds. The Group contributes to these funds based on certain percentages of the salaries of these employees on a monthly basis. The Group's liability in respect of these funds is limited to the contribution payable in each period. Contributions to the housing funds are expensed as incurred.

## 2 Summary of significant accounting policies (continued)

### 2.22 Employee benefits (continued)

#### Short-term obligations (continued)

##### (c) Termination benefits

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

##### (d) Employee leave entitlements

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

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

### 2.23 Provisions

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

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

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

## 2 Summary of significant accounting policies (continued)

### 2.24 Revenue recognition

The Group are primarily engaged in the provision of property management services, related value-added services and city sanitation and cleaning services. Revenue from providing services is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management services and city sanitation and cleaning 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. The Group entitles to revenue at the value of property management services and city sanitation and cleaning services fee received or receivable. The revenue of the property management services income is primarily generated from properties managed under lump sum basis.

For value-added services related to non-property management (including pre-delivery services, household assistance services, property agency services and other services), the Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

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

Revenue from sales of goods is recognised when the Group has delivered the goods to the purchaser and the collectability of related consideration is reasonably assured.

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

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

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

## 2 Summary of significant accounting policies (continued)

### 2.24 Revenue recognition (continued)

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

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

Incremental costs incurred to obtain a contract, if recoverable, are capitalised and presented as assets and subsequently amortised when the related revenue is recognised. The Group applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense immediately if the amortisation period is less than 12 months.

### 2.25 Earnings per share

#### (a) Basic earnings per share

Basic earnings per share is calculated by dividing:

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

#### (b) Diluted earnings per share

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

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



## 2 Summary of significant accounting policies (continued)

### 2.26 Leases

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

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

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments: fixed payments (including in-substance fixed payments), less any lease incentives receivable; variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date; amounts expected to be payable by the Group under residual value guarantees the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and, payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

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

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

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

## 2 Summary of significant accounting policies (continued)

### 2.26 Leases (continued)

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

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

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

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

### 2.27 Dividend distribution

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

### 2.28 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 relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

### 2.29 Interest income

Interest income from financial assets at FVPL is included in the net fair value gains on these assets, see Note 10 below. Any other interest income is included in other income, see Note 9 below.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

### 3 Financial risk management

#### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and price risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

##### 3.1.1 Market risk

###### (i) Foreign exchange risk

The Group's businesses are principally conducted in RMB, except that receipts of proceeds from listing on the Hong Kong Stock Exchange and purchase of certain financial assets are in HK\$ and US dollar ("US\$"). As at 31 December 2021, the Group's major non-RMB assets are cash and cash equivalents, other receivables and financial assets at FVPL denominated in HK\$ and US\$. Fluctuation of the exchange rates of RMB against foreign currency could affect the Group's results of operations.

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

|                 | <b>As at 31 December</b> |         |
|-----------------|--------------------------|---------|
|                 | <b>2021</b>              | 2020    |
|                 | <b>RMB'000</b>           | RMB'000 |
| Monetary assets |                          |         |
| – HK\$          | <b>35,672</b>            | 19,055  |
| – US\$          | <b>297,213</b>           | –       |
|                 | <b>332,885</b>           | 19,055  |

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

|                                 | <b>As at 31 December</b> |         |
|---------------------------------|--------------------------|---------|
|                                 | <b>2021</b>              | 2020    |
|                                 | <b>RMB'000</b>           | RMB'000 |
| 5% increase in RMB against HK\$ | <b>(1,557)</b>           | (892)   |
| 5% decrease in RMB against HK\$ | <b>1,557</b>             | 892     |
| 5% increase in RMB against US\$ | <b>(12,409)</b>          | –       |
| 5% decrease in RMB against US\$ | <b>12,409</b>            | –       |

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.1 Market risk (continued)

###### (ii) Interest rate risk

The Group is exposed to interest rate risk for certain interest-bearing cash and cash equivalents, restricted cash, other receivables due from related parties and borrowings. Cash at banks and restricted cash at variable rates expose the Group to cash flow interest rate risk. Borrowings and other receivables due from related parties at fixed rates expose the Group to fair value interest rate risk.

As at 31 December 2021, management considers that cash flow interest rate risk related to cash and cash equivalents and restricted cash and fair value interest rate risk related to borrowings and other receivables due from related parties was insignificant (31 December 2020: same).

##### 3.1.2 Credit risk

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

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

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

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

**(a) Deposit at banks (including restricted cash)**

The Group expects that there is no significant credit risk associated with cash deposits at banks (including restricted cash) since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

**(b) Financial assets at FVPL**

The entity is also exposed to credit risk in relation to debt investments that are measured at fair value through profit or loss. The maximum exposure at the end of the reporting period is the carrying amount of these investments.

**(c) Trade receivables**

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

Trade receivables with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments. Trade receivables without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

Trade receivables have been assessed for impairment on a collective basis based on different credit risk characteristics. Trade receivables are categorised as follows for assessment purpose:

**Group 1:** Trade receivables due from third parties arising from resident properties

**Group 2:** Trade receivables due from third parties arising from non-resident properties

**Group 3:** Trade receivables due from related parties (excluding Greenland Holdings Group Company Limited (“Greenland Holdings”) and its subsidiaries and joint ventures)

**Group 4:** Trade receivables due from Greenland Holdings and its subsidiaries and joint ventures

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

###### (c) Trade receivables (continued)

For trade receivables of group 1,2 and 4, the expected loss rates are based on the historical loss rates and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group has identified the most relevant factors for different group of customers (e.g. money supply and population percent change from a year earlier), and accordingly adjusts the historical loss rates based on expected changes in these factors.

For trade receivables of group 3, the credit risk associated with these trade receivables are considered to be low because these entities have strong ability to fulfill their contractual cash flow responsibilities in a short time, and have no historical loss experience. The expected credit loss rates are estimated as 1.74% for group 3 by considering the probability of default and loss given default and adjusting for forward-looking macroeconomic data.

- (i) On that basis, as at 31 December 2021, the loss allowance provision for the trade receivables was determined as follows. The expected credit losses below also incorporated forward looking information.

|  | Less than<br>1 year | 1 to 2<br>years | 2 to 3<br>years | Over 3<br>years | Total   |
|--|---------------------|-----------------|-----------------|-----------------|---------|
| <b>Trade receivables<br/>(Group 1)</b> |                     |                 |                 |                 |         |
| Expected loss rate                     | 6.09%               | 17.50%          | 28.65%          | 50.97%          |         |
| Gross carrying amount<br>(RMB'000)     | 553,157             | 171,257         | 81,761          | 104,089         | 910,264 |
| Loss allowance provision<br>(RMB'000)  | 33,714              | 29,963          | 23,421          | 53,056          | 140,154 |



### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

##### (c) Trade receivables (continued)

##### (i) (continued)

|  | Less than<br>1 year | 1 to 2<br>years | 2 to 3<br>years | Over 3<br>years | Total     |
|--|---------------------|-----------------|-----------------|-----------------|-----------|
| <b>Trade receivables<br/>(Group 2)</b> |                     |                 |                 |                 |           |
| Expected loss rate                     | 1.88%               | 17.59%          | 57.04%          | 86.30%          |           |
| Gross carrying amount<br>(RMB'000)     | 1,359,941           | 103,508         | 19,373          | 30,822          | 1,513,644 |
| Loss allowance provision<br>(RMB'000)  | 25,600              | 18,208          | 11,051          | 26,599          | 81,458    |

|                                    | Total   |
|------------------------------------|---------|
| <b>Trade receivables (Group 3)</b> |         |
| Expected loss rate                 | 1.74%   |
| Gross carrying amount (RMB'000)    | 975,714 |
| Loss allowance provision (RMB'000) | 16,947  |

|  | Less than<br>1 year | 1 to 2<br>years | 2 to 3<br>years | Over 3<br>years | Total   |
|--|---------------------|-----------------|-----------------|-----------------|---------|
| <b>Trade receivables<br/>(Group 4)</b> |                     |                 |                 |                 |         |
| Expected loss rate                     | 9.91%               | 13.56%          | 36.82%          | 38.19%          |         |
| Gross carrying amount<br>(RMB'000)     | 301,866             | 130,782         | 78,957          | 36,684          | 548,289 |
| Loss allowance provision<br>(RMB'000)  | 29,929              | 17,739          | 29,075          | 14,010          | 90,753  |

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

###### (c) Trade receivables (continued)

- (ii) As at 31 December 2020, the loss allowance provision for the trade receivables was determined as follows. The expected credit losses below also incorporated forward looking information.

|  | Less than<br>1 year | 1 to 2<br>years | 2 to 3<br>years | Over 3<br>years | Total   |
|--|---------------------|-----------------|-----------------|-----------------|---------|
| <b>Trade receivables<br/>(Group 1)</b> |                     |                 |                 |                 |         |
| Expected loss rate                     | 3.69%               | 10.94%          | 25.06%          | 52.19%          |         |
| Gross carrying amount<br>(RMB'000)     | 490,683             | 132,684         | 69,608          | 81,640          | 774,615 |
| Loss allowance provision<br>(RMB'000)  | 18,105              | 14,521          | 17,441          | 42,608          | 92,675  |
| <b>Trade receivables<br/>(Group 2)</b> |                     |                 |                 |                 |         |
| Expected loss rate                     | 2.73%               | 25.09%          | 40.19%          | 69.20%          |         |
| Gross carrying amount<br>(RMB'000)     | 682,815             | 60,402          | 21,620          | 22,183          | 787,020 |
| Loss allowance provision<br>(RMB'000)  | 18,629              | 15,153          | 8,689           | 15,351          | 57,822  |
|  |                     |                 |                 |                 | Total   |
| <b>Trade receivables (Group 3)</b>     |                     |                 |                 |                 |         |
| Expected loss rate                     |                     |                 |                 |                 | 0.43%   |
| Gross carrying amount (RMB'000)        |                     |                 |                 |                 | 589,898 |
| Loss allowance provision (RMB'000)     |                     |                 |                 |                 | 2,532   |

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

###### (c) Trade receivables (continued)

###### (ii) (continued)

|                                    | Total   |
|------------------------------------|---------|
| <b>Trade receivables (Group 4)</b> |         |
| Expected loss rate                 | 0.81%   |
| Gross carrying amount (RMB'000)    | 255,026 |
| Loss allowance provision (RMB'000) | 2,066   |

###### (d) Other receivables

A summary of the assumptions underpinning the Group's expected credit loss model for other receivables is as follows:

| Category                       | Group definition of category  | Basis for recognition of expected credit loss provision  |
|--------------------------------|---|--|
| Performing<br>("Stage 1")      | Customers have a low risk of default and a strong capacity to meet contractual cash flows   | 12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime |
| Underperforming<br>("Stage 2") | Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due | Lifetime expected losses   |
| Non-performing<br>("Stage 3")  | Interest and/or principal repayments are 60 days past due   | Lifetime expected losses   |

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

###### (d) Other receivables (continued)

On that basis, as at 31 December 2021 and 2020, the loss allowance provision for the other receivables was determined as follows. The expected credit losses below also incorporated forward looking information.

|                                    | Performing | Non-performing | Total     |
|------------------------------------|------------|----------------|-----------|
| <b>As at 31 December 2021</b>      |            |                |           |
| Gross carrying amount (RMB'000)    | 1,331,736  | 5,737          | 1,337,473 |
| Expected loss rate                 | 1.37%      | 100.00%        |           |
| Loss allowance provision (RMB'000) | (18,287)   | (5,737)        | (24,024)  |
| <b>As at 31 December 2020</b>      |            |                |           |
| Gross carrying amount (RMB'000)    | 1,004,350  | –              | 1,004,350 |
| Expected loss rate                 | 2.36%      | –              |           |
| Loss allowance provision (RMB'000) | (23,683)   | –              | (23,683)  |

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

|                                       | Trade receivables<br>RMB'000 | Other receivables<br>(excluding prepayments)<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------|------------------------------|---|------------------|
| <b>At 1 January 2021</b>              | 155,095                      | 23,683  | 178,778          |
| Impact of acquisition of subsidiaries | 13,528                       | 849   | 14,377           |
| Provision for loss allowance          | 160,689                      | (508)   | 160,181          |
| <b>At 31 December 2021</b>            | 329,312                      | 24,024  | 353,336          |

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.2 Credit risk (continued)

(e) (continued)

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

|   | Trade<br>receivables<br>RMB'000 | Other<br>receivables<br>(excluding<br>deposits and<br>prepayments)<br>RMB'000 | Total<br>RMB'000 |
|---|---------------------------------|---|------------------|
| <b>At 1 January 2020</b>                                    | 44,169                          | 7,502   | 51,671           |
| Impact of acquisition of subsidiaries                       | 28,821                          | 11,520  | 40,341           |
| Provision for loss allowance                                | 92,745                          | 4,661   | 97,406           |
| Receivables written off during the year<br>as uncollectible | (10,640)                        | –   | (10,640)         |
| <b>At 31 December 2020</b>                                  | 155,095                         | 23,683  | 178,778          |

(f) The Group's maximum exposure to credit risk at the end of reporting period is as follows:

|  | <b>As at 31 December<br/>2021<br/>RMB'000</b> | 2020<br>RMB'000 |
|--|---|-----------------|
| Trade and other receivables (excluding prepayments)<br>(Note 20)   | <b>4,932,048</b>                              | 3,232,131       |
| Restricted cash  | <b>3,349,493</b>                              | 27,572          |
| Cash and cash equivalents (Note 23)  | <b>4,390,545</b>                              | 5,056,976       |
| Financial assets at FVPL (excluding contingent<br>consideration and Hong Kong listed equity securities)<br>(Note 22) | <b>521,537</b>                                | 576,923         |
|  | <b>13,193,623</b>                             | 8,893,602       |

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### 3.1.3 Liquidity risk

Management aims to maintain sufficient cash and cash equivalents or have available funding through an adequate amount of available financing, including short-term and long-term borrowings and capital injection by the shareholders to meet its daily operation working capital requirements.

The table below set out the Group's financial liabilities by relevant maturity grouping at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

|                                       | Less than<br>1 year<br>RMB'000 | Between<br>1 and 2<br>years<br>RMB'000 | Between<br>2 and 5<br>years<br>RMB'000 | More than<br>5 years<br>RMB'000 | Total<br>RMB'000 |
|---------------------------------------|--------------------------------|--|--|---------------------------------|------------------|
| <b>As at 31 December 2021</b>         |                                |  |  |                                 |                  |
| Borrowings                            | 67,381                         | 11,572                                 | 1,127                                  | -                               | 80,080           |
| Trade and other payables*             | 3,634,047                      | 35,190                                 | -                                      | -                               | 3,669,237        |
| Financial liabilities for put options | 113,560                        | -                                      | -                                      | -                               | 113,560          |
| Lease liabilities                     | 48,361                         | 21,845                                 | 11,133                                 | 553                             | 81,892           |
|                                       | <b>3,863,349</b>               | <b>68,607</b>                          | <b>12,260</b>                          | <b>553</b>                      | <b>3,944,769</b> |
| <b>As at 31 December 2020</b>         |                                |  |  |                                 |                  |
| Borrowings                            | 235,788                        | 6,845                                  | 2,674                                  | -                               | 245,307          |
| Trade and other payables*             | 2,412,681                      | 23,046                                 | 28,000                                 | -                               | 2,463,727        |
| Financial liabilities for put options | 7,174                          | 99,350                                 | 9,565                                  | -                               | 116,089          |
| Lease liabilities                     | 21,701                         | 14,462                                 | 3,393                                  | 825                             | 40,381           |
|                                       | 2,677,344                      | 143,703                                | 43,632                                 | 825                             | 2,865,504        |

\* Excluding non-financial liabilities

##### 3.1.4 Price risk

The Group's exposure to equity securities price risk arises from Hong Kong listed equity securities held by the Group and classified in the consolidated balance sheet as financial assets at FVPL.

As at 31 December 2021, management considers that price risk related to financial assets at FVPL was insignificant (31 December 2020: same).



### 3 Financial risk management (continued)

#### 3.2 Capital management

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

The Group monitors its capital structure by maintaining its gearing ratio at a prudent level. This ratio is calculated as net borrowings divided by total equity as shown in the consolidated balance sheet. Net borrowings are calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less total of cash and cash equivalents and restricted cash.

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

#### 3.3 Fair value estimation

##### (a) Fair value hierarchy

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

| Recurring fair value measurements  |      | Level 1      | Level 3        | Total          |
|------------------------------------|------|--------------|----------------|----------------|
| At 31 December 2021                | Note | RMB'000      | RMB'000        | RMB'000        |
| <b>Financial assets</b>            |      |              |                |                |
| <b>Financial assets at FVPL</b>    |      |              |                |                |
| Wealth management products         | 22   | –            | 511,537        | 511,537        |
| Structural deposits                | 22   | –            | 10,000         | 10,000         |
| Hong Kong listed equity securities | 22   | 5,506        | –              | 5,506          |
| Contingent consideration           | 22   | –            | 3,249          | 3,249          |
|                                    |      | 5,506        | 524,786        | 530,292        |
| <b>Financial assets at FVOCI</b>   |      |              |                |                |
| Unlisted equity securities         | 19   | –            | 23,868         | 23,868         |
| <b>Total financial assets</b>      |      | <b>5,506</b> | <b>548,654</b> | <b>554,160</b> |

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

##### (a) Fair value hierarchy (continued)

| Recurring fair value measurements  |      | Level 1 | Level 3 | Total   |
|------------------------------------|------|---------|---------|---------|
| At 31 December 2020                | Note | RMB'000 | RMB'000 | RMB'000 |
| <b>Financial assets</b>            |      |         |         |         |
| <b>Financial assets at FVPL</b>    |      |         |         |         |
| Wealth management products         | 22   | –       | 576,923 | 576,923 |
| Hong Kong listed equity securities | 22   | 14,238  | –       | 14,238  |
| Contingent consideration           | 22   | –       | 2,991   | 2,991   |
|                                    |      | 14,238  | 579,914 | 594,152 |
| <b>Financial assets at FVOCI</b>   |      |         |         |         |
| Unlisted equity securities         | 19   | –       | 29,122  | 29,122  |
| <b>Total financial assets</b>      |      | 14,238  | 609,036 | 623,274 |

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Group uses estimated discounted cash flows to make assumptions.

The different levels have been defined as follows:

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

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

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for wealth management products, structural deposits, contingent consideration and put option liability.

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year. For transfers into and out of level 3 measurements see (b) below.

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

(b) The Group's financial assets at fair values included unlisted equity securities, wealth management products, structural deposits and contingent consideration, fair value of which are estimated based on unobservable inputs (level 3). The following table presents the changes in level 3 instruments for the year ended 31 December 2021 and 31 December 2020:

|  | Financial assets at FVPL   |                     |                          | Financial assets at FVOCI  |                                       | Total          |
|--|----------------------------|---------------------|--------------------------|----------------------------|---------------------------------------|----------------|
|  | Wealth management products | Structural deposits | Contingent consideration | Unlisted entity securities | Financial liabilities for put options |                |
|  | RMB'000                    | RMB'000             | RMB'000                  | RMB'000                    | RMB'000                               | RMB'000        |
| Opening balance as at  |                            |                     |                          |                            |                                       |                |
| 1 January 2021   | 576,923                    | –                   | 2,991                    | 29,122                     | (94,775)                              | 514,261        |
| Additions  | 2,358,440                  | 649,000             | –                        | –                          | –                                     | 3,007,440      |
| Acquisition of subsidiaries  | 8,850                      | 19,000              | –                        | 5,025                      | –                                     | 32,875         |
| Gains recognised in profit or loss   | 38,700                     | 1,323               | 258                      | –                          | 2,330                                 | 42,611         |
| Gains recognised in other comprehensive income   | –                          | –                   | –                        | 5,018                      | –                                     | 5,018          |
| Finance costs  | –                          | –                   | –                        | –                          | (14,913)                              | (14,913)       |
| Disposals  | (2,471,376)                | (659,323)           | –                        | (15,297)                   | –                                     | (3,145,996)    |
| Closing balance as at  |                            |                     |                          |                            |                                       |                |
| 31 December 2021   | <b>511,537</b>             | <b>10,000</b>       | <b>3,249</b>             | <b>23,868</b>              | <b>(107,358)</b>                      | <b>441,296</b> |
| Including unrealised gains/(losses) recognised in profit attributable to balances held at 31 December 2021 | <b>3,347</b>               | <b>–</b>            | <b>258</b>               | <b>4,721</b>               | <b>(12,583)</b>                       | <b>(4,257)</b> |

## Notes to the Consolidated Financial Statements (continued)

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

(b) (continued)

|   | Financial assets at FVPL   |                     |                          | Financial assets at FVOCI  | Financial liabilities for put options | Total       |
|---|----------------------------|---------------------|--------------------------|----------------------------|---------------------------------------|-------------|
|   | Wealth management products | Structural deposits | Contingent consideration | Unlisted entity securities |                                       |             |
|   | RMB'000                    | RMB'000             | RMB'000                  | RMB'000                    | RMB'000                               | RMB'000     |
| Opening balance as at   |                            |                     |                          |                            |                                       |             |
| 1 January 2020  | 410,000                    | 20,006              | 170                      | -                          | (70,436)                              | 359,740     |
| Additions   | 2,454,701                  | 1,185,000           | -                        | -                          | -                                     | 3,639,701   |
| Acquisition of subsidiaries   | 223,654                    | 14,016              | 601                      | 28,581                     | -                                     | 266,852     |
| Acquisition of an associate   | -                          | -                   | 2,390                    | -                          | -                                     | 2,390       |
| Gains/(losses) recognised in profit or loss   | 24,937                     | 5,377               | (170)                    | -                          | (8,214)                               | 21,930      |
| Gains recognised in other comprehensive income  | -                          | -                   | -                        | 1,241                      | -                                     | 1,241       |
| Finance costs   | -                          | -                   | -                        | -                          | (16,125)                              | (16,125)    |
| Disposals   | (2,536,369)                | (1,224,399)         | -                        | (700)                      | -                                     | (3,761,468) |
| Closing balance as at   |                            |                     |                          |                            |                                       |             |
| 31 December 2020  | 576,923                    | -                   | 2,991                    | 29,122                     | (94,775)                              | 514,261     |
| Including unrealised gains recognised in profit attributable to balances held at 31 December 2020 | 424                        | -                   | (170)                    | 1,241                      | (24,339)                              | (22,844)    |

### 3 Financial risk management (continued)

#### 3.3 Fair value estimation (continued)

- (c) Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

| Description                           | Fair value at<br>31 December<br>2021<br>RMB'000 | Valuation<br>techniques           | Unobservable<br>input            | Range<br>(probability-<br>weighted average) | Relationship of<br>unobservable inputs to<br>fair value   |
|---------------------------------------|---|-----------------------------------|----------------------------------|---|---|
| Wealth management products            | 511,537   | Discounted cash flow              | Expected interest rate per annum | 4.0%  | A change in expected interest rate per annum +/- 10% results in a change in fair value by RMB1,912,000                                  |
| Structural deposits                   | 10,000  | Discounted cash flow              | Expected interest rate per annum | 2.8%  | A change in expected interest rate per annum +/- 10% results in a change in fair value by RMB1,000                                      |
| Contingent consideration              | 3,249   | Discounted cash flow              | Expected net profit              | RMB43,953,000-414,960,000                   | A change in expected net profit +/- 10% results in a decrease in fair value by RMB-2,950,000/an increase in fair value by RMB10,796,000 |
| Unlisted equity securities            | 23,868  | Guideline public companies method | Expected net profit              | RMB21,294,000                               | A change in expected net profit +/- 10% results in a change in fair value by RMB2,369,000   |
| Financial liabilities for put options | 107,358   | Discounted cash flow              | Expected discount rate           | 16.1%-16.3%                                 | A change in expected discount rate +/- 10% results in a decrease in fair value by RMB-547,000/an increase in fair value by RMB559,000   |

#### 4 Critical accounting estimates and judgements

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

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

##### (a) Estimated impairment of goodwill

The Group tests whether goodwill has suffered any impairment annually, or more frequently if events or changes in circumstances predict that goodwill may be impaired, in accordance with the accounting policy stated in Note 2.10, where the recoverable amounts of the CGUs is determined based on value-in-use ("VIU") calculations. These calculations require the use of estimates. Details of impairment assessment, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

##### (b) Estimation of the useful life of customer relationship identified in business combination

Customer relationship and backlog identified in the business combination on respective acquisition date (Note 34) are recognised as intangible assets (Note 17). Customer relationship and backlog primarily related to the existing property management and city sanitation and cleaning contracts of acquirees on the acquisition date. A large portion of the existing property management contracts of acquirees are with no specific expiration date. Based on past experience, termination or non-renewal of these property management contracts with the property developers or property owners' association are uncommon. Other contracts are with remaining contract periods of one month to seventeen years. The Group thus estimates the useful life and determines the amortisation period of the customer relationship and backlog to be five to ten years based on the weighted average expected contract duration of the contracts.

However, the actual useful life may be shorter or longer than estimate, depending on acquirees' ability to secure its contracts and relationships with property developers or renew the contracts with property owners' associations in the future. Where the actual contract duration is different from the original estimate, such difference will impact the carrying amount of the intangible asset of customer relationship and the amortisation expenses in the periods in which such estimate has been changed.

##### (c) Expected credit losses on receivables

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

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and doubtful debt expenses in the periods in which such estimate has been changed. For details of key assumptions and inputs used, please refer to Note 3.1.2 above.



## 4 Critical accounting estimates and judgements (continued)

### (d) Current and deferred income tax

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

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

## 5 Segment information

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

During the years ended 31 December 2021 and 2020, the Group was principally engaged in the provision of (i) property management services, (ii) related value-added services, including pre-delivery services, household assistance services, property agency services and other services, and (iii) city sanitation and cleaning services in the PRC.

All the acquired subsidiaries were principally engaged in the provision of property management services, related value-added services and city sanitation and cleaning services. After acquisition, management reviews the operating results of the business of the acquired subsidiaries and the original business to make decisions about resources to be allocated. Therefore, the CODM of the Company regards that there are several operating segments, which are used to make strategic decisions.

For the year ended 31 December 2021, all the operating segments are domiciled in the PRC and all the revenue are derived in the PRC. As at 31 December 2021, all of the assets were located in the PRC except for bank deposits of RMB47,584,000 in Hong Kong. Therefore, no geographical segments are presented.

## Notes to the Consolidated Financial Statements (continued)

### 6 Revenue

Revenue mainly comprises proceeds from property management services, related value-added services and city sanitation and cleaning services. An analysis of the Group's revenue by category for the years ended 31 December 2021 and 2020 is as follows:

|   | Timing of revenue recognition | Year ended 31 December |                 |
|---|-------------------------------|------------------------|-----------------|
|   |                               | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Property management services                        | over time                     | <b>8,658,423</b>       | 6,482,133       |
| Value-added services related to property management |                               |                        |                 |
| – Other value-added services                        | over time                     | <b>4,395,219</b>       | 3,420,536       |
| – Sales of goods                                    | at a point in time            | <b>328,345</b>         | 123,478         |
| City sanitation and cleaning services               | over time                     | <b>698,102</b>         | –               |
|   |                               | <b>14,080,089</b>      | 10,026,147      |

#### (a) Contract liabilities

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

|   | As at 31 December |                 |
|---|-------------------|-----------------|
|   | 2021<br>RMB'000   | 2020<br>RMB'000 |
| Contract liabilities                                  |                   |                 |
| – Property management services                        | <b>1,061,988</b>  | 773,651         |
| – Value-added services related to property management | <b>203,347</b>    | 105,754         |
|   | <b>1,265,335</b>  | 879,405         |
| Less: non-current portion of contract liabilities     | <b>(84,344)</b>   | (75,271)        |
| Current portion of contract liabilities               | <b>1,180,991</b>  | 804,134         |

- (i) The Group receives payments from customers based on billing schedule as established in contracts. Payments are usually received in advance of the performance under the contracts which are mainly from property management services. Contract liabilities has increased by 44% as a result of the acquisition of Minrui Property Management (Shanghai) Co., Ltd. ("New CMIG PM") and Guangzhou Weixiang Internet Technology Company Limited ("Guangzhou Weixiang").

## 6 Revenue (continued)

### (a) Contract liabilities (continued)

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

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

| Revenue recognised that was included in the balance of contract liabilities at the beginning of the year | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Property management services   | 684,916                | 532,750         |
| Value-added services related to property management  | 105,754                | 81,255          |
|  | 790,670                | 614,005         |

#### (iii) Unsatisfied performance obligations

For property management services, part of value-added services and city sanitation and cleaning services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds 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 obligations for these type of contracts.

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

### (b) Assets recognised from incremental costs to obtain a contract

During the year ended 31 December 2021, there was no significant incremental costs to obtain a contract (31 December 2020: same).

## 7 Expenses by nature

|   | Year ended 31 December |           |
|---|------------------------|-----------|
|   | 2021                   | 2020      |
|   | RMB'000                | RMB'000   |
| Employee benefit expenses (Note 8)  | <b>5,267,411</b>       | 4,064,101 |
| Cleaning expenses   | <b>1,466,545</b>       | 824,271   |
| Security charges  | <b>1,225,231</b>       | 708,973   |
| Cost of consumables   | <b>454,578</b>         | 308,613   |
| Maintenance costs   | <b>539,436</b>         | 389,307   |
| Utilities   | <b>379,661</b>         | 239,032   |
| Depreciation and amortisation charges   | <b>282,125</b>         | 181,345   |
| Greening and gardening expenses   | <b>274,764</b>         | 137,904   |
| Cost of goods sold  | <b>259,731</b>         | 95,166    |
| Travelling and entertainment expenses   | <b>141,761</b>         | 107,750   |
| Transportation expenses and customer service charges                          | <b>96,580</b>          | 76,559    |
| Office expenses   | <b>95,638</b>          | 66,667    |
| Consulting fees   | <b>73,099</b>          | 69,544    |
| Taxes and other levies  | <b>71,667</b>          | 54,536    |
| Advertising expenses  | <b>65,495</b>          | 75,102    |
| Rental expenses paid relating to short-term and low-value leases (Note 15(b)) | <b>57,184</b>          | 42,546    |
| Catering outsourcing fee  | <b>32,811</b>          | 18,652    |
| IT system maintenance expenses  | <b>24,607</b>          | 13,043    |
| Auditor's remunerations   |                        |           |
| – Audit services  | <b>14,680</b>          | 6,455     |
| – Non-audit services  | –                      | 2,014     |
| Others  | <b>308,105</b>         | 196,966   |
|   | <b>11,131,109</b>      | 7,678,546 |

## 8 Employee benefit expenses

|  | Year ended 31 December |           |
|--|------------------------|-----------|
|  | 2021                   | 2020      |
|  | RMB'000                | RMB'000   |
| Wages and salaries and bonus                                     | <b>4,385,953</b>       | 3,546,439 |
| Contribution to pension scheme (Note (a))                        | <b>401,342</b>         | 153,143   |
| Housing benefits   | <b>107,577</b>         | 80,499    |
| Other employee benefits (Note (b))                               | <b>372,539</b>         | 284,020   |
| <b>Total (including emoluments of directors and supervisors)</b> | <b>5,267,411</b>       | 4,064,101 |

- (a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated based on certain percentages of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees.

The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions.

Following the outbreak of COVID-19, a number of policies including the relief of social insurance have been promulgated by the government since February 2020 to expedite resumption of economic activities, which contributed to the relief of certain cost of defined contribution scheme during the year ended 31 December 2020.

- (b) Other employee benefits mainly include other social insurance expenses, meal, travelling and festival allowances.
- (c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year ended 31 December 2021 include one director (2020: two directors), whose emoluments are reflected in the analysis shown in Note 38. The emoluments paid/payable to the remaining four individuals during the year ended 31 December 2021 (2020: three individuals) were as follows:

|   | Year ended 31 December |         |
|---|------------------------|---------|
|   | 2021                   | 2020    |
|   | RMB'000                | RMB'000 |
| Basic salaries, housing allowances, other allowances and benefits in kind | <b>6,019</b>           | 2,924   |
| Discretionary bonus   | <b>496</b>             | 2,430   |
| Contribution to pension scheme  | <b>143</b>             | 23      |
|   | <b>6,658</b>           | 5,377   |

## Notes to the Consolidated Financial Statements (continued)

### 8 Employee benefit expenses (continued)

(c) Five highest paid individuals (continued)

The emoluments fell within the following bands:

|                               | Number of individuals  |      |
|-------------------------------|------------------------|------|
|                               | Year ended 31 December |      |
|                               | 2021                   | 2020 |
| Emolument bands (in HK\$)     |                        |      |
| HK\$1,000,001 – HK\$1,500,000 | 1                      | –    |
| HK\$1,500,001 – HK\$2,000,000 | 2                      | 1    |
| HK\$2,000,001 – HK\$2,500,000 | –                      | 2    |
| HK\$2,500,001 – HK\$3,000,000 | 1                      | –    |

### 9 Other income

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Interest income                              |                        |         |
| – from deposits and loans to third parties   | 72,903                 | 90,015  |
| – from loans to related parties (Note 36(e)) | 2,518                  | 10,860  |
| Tax incentives (Note (b))                    | 47,421                 | 27,221  |
| Government grants (Note (a))                 | 43,795                 | 63,805  |
| Rental income (Note 16)                      | 5,465                  | –       |
| Late payment charges                         | 4,085                  | 3,611   |
| Miscellaneous                                | 1,872                  | 3,003   |
|  | <b>178,059</b>         | 198,515 |

(a) Government grants consisted mainly of financial subsidies granted by the local governments. There are no unfulfilled conditions or other conditions attached to the government grant recognised during the year ended 31 December 2021.

(b) Tax incentives mainly included additional deduction of input value-added tax applicable to the Company and its certain subsidiaries.



**10 Other gains – net**

|  | <b>Year ended 31 December</b> |          |
|--|-------------------------------|----------|
|  | <b>2021</b>                   | 2020     |
|  | <b>RMB'000</b>                | RMB'000  |
| Gains/(losses) from disposal of investments accounted for using the equity method (Note 12(b)) | <b>58,748</b>                 | (10,719) |
| Net fair value gains on financial assets at FVPL (Note 22(a))                                  | <b>31,549</b>                 | 34,177   |
| Gains from disposal of subsidiaries (Note 35)  | <b>22,039</b>                 | 5,829    |
| Fair value gains/(losses) on put options (Note 29)   | <b>2,330</b>                  | (8,214)  |
| Fair value gains on investment properties (Note 16)  | <b>595</b>                    | –        |
| Net foreign exchange (losses)/gains  | <b>(2,110)</b>                | 1,037    |
| Losses on disposal of PPE and investment properties  | <b>(6,300)</b>                | (4,974)  |
| Miscellaneous  | <b>(4,781)</b>                | –        |
|  | <b>102,070</b>                | 17,136   |

**11 Finance costs**

|  | <b>Year ended 31 December</b> |         |
|--|-------------------------------|---------|
|  | <b>2021</b>                   | 2020    |
|  | <b>RMB'000</b>                | RMB'000 |
| Unwinding of discount on financial liabilities for put options (Note 29)     | <b>14,913</b>                 | 16,125  |
| Interest expense of borrowings   | <b>4,686</b>                  | 17,258  |
| Interest and finance charges paid/payable for lease liabilities (Note 15(b)) | <b>3,507</b>                  | 1,981   |
| Interest expense of long-term payables                                       | <b>1,782</b>                  | 4,994   |
|  | <b>24,888</b>                 | 40,358  |

## Notes to the Consolidated Financial Statements (continued)

### 12 Subsidiaries and investments accounted for using the equity method

(a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below:

| Company name  | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation                      | Ownership interest held by the Group |      | Ownership interest held by non-controlling interests |      |
|---|---|--|--|--------------------------------------|------|--|------|
|   |   |  |  | 2021                                 | 2020 | 2021   | 2020 |
| <b>Directly held by the Company</b>   |   |  |  |                                      |      |  |      |
| Guangzhou Agile Property Management Services Co., Ltd.*<br>廣州雅居樂物業管理服務有限公司          | The PRC,<br>Limited liability company           | RMB1,000,000                           | Property management services in Mainland of the PRC              | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Yaxin Engineering Consultancy Co., Ltd.*<br>廣州市雅信工程諮詢有限公司                 | The PRC,<br>Limited liability company           | RMB1,000,000                           | House inspection services in Mainland of the PRC                 | 100%                                 | 100% | 0%   | 0%   |
| Zhengzhou Huamao Agile Property Management Services Co., Ltd.*<br>鄭州市雅生活華茂物業服務有限公司  | The PRC,<br>Limited liability company           | RMB500,000                             | Property management services in Mainland of the PRC              | 60%                                  | 60%  | 40%  | 40%  |
| Nanjing Zizhu Property Management Services Co., Ltd.*<br>南京紫竹物業管理股份有限公司             | The PRC,<br>Limited liability company           | RMB11,764,705                          | Property management services in Mainland of the PRC              | 51%                                  | 51%  | 49%  | 49%  |
| Henan Agile Property Services Co., Ltd.*<br>河南雅居樂物業服務有限公司                           | The PRC,<br>Limited liability company           | RMB10,000,000                          | Property management services in Mainland of the PRC              | 100%                                 | 100% | 0%   | 0%   |
| Tianjin Agile Enterprise Management Services Co., Ltd.*<br>天津雅居樂企業管理服務有限公司          | The PRC,<br>Limited liability company           | RMB5,000,000                           | Enterprise management consulting services in Mainland of the PRC | 100%                                 | 100% | 0%   | 0%   |
| Harbin Jingyang Property Management Co., Ltd.* ("Harbin Jingyang")<br>哈爾濱景陽物業管理有限公司 | The PRC,<br>Limited liability company           | RMB5,000,000                           | Property management services in Mainland of the PRC              | 60%                                  | 60%  | 40%  | 40%  |
| Qingdao Huaren Property Co., Ltd.* ("Qingdao Huaren")<br>青島華仁物業股份有限公司               | The PRC,<br>Limited liability company           | RMB46,875,000                          | Property management services in Mainland of the PRC              | 90%                                  | 90%  | 10%  | 10%  |
| Kaiping Agile Enterprise Management Services Co., Ltd.*<br>開平雅居樂雅生活物業管理有限公司         | The PRC,<br>Limited liability company           | RMB500,000                             | Property management services in Mainland of the PRC              | 100%                                 | 100% | 0%   | 0%   |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

(a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below: (continued)

| Company name   | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation          | Ownership interest held by the Group |      | Ownership interest held by non-controlling interests |      |
|--|---|--|--|--------------------------------------|------|--|------|
|  |   |  |  | 2021                                 | 2020 | 2021   | 2020 |
| <b>Directly held by the Company (Continued)</b>                                      |   |  |  |                                      |      |  |      |
| Foshan Nanhai Agile Property Management Services Co., Ltd.*<br>佛山市南海區雅居樂物業管理服務有限公司   | The PRC, Limited liability company              | RMB5,000,000                           | Property management services in Mainland of the PRC  | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Huadu Agile Property Management Services Co., Ltd.*<br>廣州市花都雅居樂物業管理服務有限公司  | The PRC, Limited liability company              | RMB3,000,000                           | Property management services in Mainland of the PRC  | 100%                                 | 100% | 0%   | 0%   |
| Hainan Agile Property Services Co., Ltd.*<br>海南雅居樂物業服務有限公司                           | The PRC, Limited liability company              | RMB3,000,000                           | Property management services in Mainland of the PRC  | 100%                                 | 100% | 0%   | 0%   |
| Harrogate Property Services (Shanghai) Co., Ltd.*<br>雅萊格物業服務(上海)有限公司                 | The PRC, Limited liability company              | RMB5,000,000                           | Property management services in Mainland of the PRC  | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Harrogate Property Management Services Co., Ltd.*<br>廣州雅萊格物業管理服務有限公司       | The PRC, Limited liability company              | RMB1,000,000                           | Property management services in Mainland of the PRC  | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Yatian Network Technology Co., Ltd.* ("Guangzhou Yatian")<br>廣州市雅天網絡科技有限公司 | The PRC, Limited liability company              | RMB1,000,000                           | Software engineering services in Mainland of the PRC | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Yafang Travel Co., Ltd.*<br>廣州市雅方旅遊有限公司                                    | The PRC, Limited liability company              | RMB1,000,000                           | Travel agency services in Mainland of the PRC        | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Yatao Advertisement Co., Ltd.*<br>廣州市雅韜廣告有限公司                              | The PRC, Limited liability company              | RMB1,000,000                           | Advertising services in Mainland of the PRC          | 100%                                 | 100% | 0%   | 0%   |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

(a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below: (continued)

| Company name   | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation           | Ownership interest held by the Group |      | Ownership interest held by non-controlling interests |      |
|--|---|--|---|--------------------------------------|------|--|------|
|  |   |  |   | 2021                                 | 2020 | 2021   | 2020 |
| <b>Directly held by the Company (Continued)</b>  |   |  |   |                                      |      |  |      |
| A-TRO Properties Consultancy Co., Ltd.*<br>(formerly known as: Yazhuo Real Estate Consultant Co., Ltd.*)<br>雅卓房地產顧問有限公司(前稱：<br>廣州市雅卓房地產行銷有限公司) | The PRC,<br>Limited liability company           | RMB5,000,000                           | Real estate marketing services in Mainland of the PRC | 100%                                 | 100% | 0%   | 0%   |
| Greenland Property Services Co., Ltd.*<br>("Greenland Property Services")<br>上海綠地物業服務有限公司  | The PRC,<br>Limited liability company           | RMB5,000,000                           | Property management services in Mainland of the PRC   | 100%                                 | 100% | 0%   | 0%   |
| Shandong A-Living Changbo Property Services Co., Ltd.*<br>山東雅生活暢博物業服務有限公司  | The PRC,<br>Limited liability company           | RMB3,600,000                           | Property management services in Mainland of the PRC   | 60%                                  | 60%  | 40%  | 40%  |
| Zhuosen Property Management Co., Ltd.*<br>卓森物業管理有限公司   | The PRC,<br>Limited liability company           | RMB5,000,000                           | Property management services in Mainland of the PRC   | 100%                                 | 100% | 0%   | 0%   |
| Shenzhen Jingji Domestic Property Management Co., Ltd.*<br>深圳市京基住宅物業管理有限公司   | The PRC,<br>Limited liability company           | RMB5,000,000                           | Property management services in Mainland of the PRC   | 100%                                 | 100% | 0%   | 0%   |
| Zhanjiang Xiyue Jingjicheng Property Services Co., Ltd.*<br>湛江市西粵京基城物業服務有限公司   | The PRC,<br>Limited liability company           | RMB3,000,000                           | Property management services in Mainland of the PRC   | 100%                                 | 100% | 0%   | 0%   |
| Gongqingcheng Lexianghui Investment Co., Ltd.*<br>共青城樂享薈投資有限公司   | The PRC,<br>Limited liability company           | RMB2,000,000                           | Investment holding in Mainland of the PRC             | 100%                                 | 100% | 0%   | 0%   |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

(a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below: (continued)

| Company name   | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation                            | Ownership interest held by the Group |      | Ownership interest held by non-controlling interests |      |
|--|---|--|--|--------------------------------------|------|--|------|
|  |   |  |  | 2021                                 | 2020 | 2021   | 2020 |
| <b>Indirectly held by the Company</b>  |   |  |  |                                      |      |  |      |
| A-Living Holdings (Hong Kong) Limited<br>(formerly known as: A-Living Investment Holdings (Hong Kong) Limited)<br>雅生活控股(香港)有限公司<br>(前稱: 雅生活投資控股(香港)有限公司) | Hong Kong,<br>Limited liability company         | HK\$10,000                             | Investment holding<br>in Hong Kong                                     | 100%                                 | 100% | 0%   | 0%   |
| Tianjin Lexianghui Community Service Co., Ltd.*<br>天津樂享薈社區服務有限公司   | The PRC,<br>Limited liability company           | RMB10,000,000                          | Community services<br>in Mainland of the PRC                           | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Yatong Intelligent Technology Co., Ltd.*<br>廣州市雅通智能科技有限公司  | The PRC,<br>Limited liability company           | RMB1,000,000                           | Information technology<br>consulting service in<br>Mainland of the PRC | 51%                                  | 51%  | 49%  | 49%  |
| Heilongjiang Yatian Network Technology Co., Ltd.*<br>黑龍江雅天網路科技有限公司   | The PRC,<br>Limited liability company           | RMB3,000,000                           | Software engineering<br>services in<br>Mainland of the PRC             | 80%                                  | 80%  | 20%  | 20%  |
| Nantong Yazhuo Real Estate Marketing Co., Ltd.*<br>南通雅卓房地產行銷有限公司   | The PRC,<br>Limited liability company           | RMB1,000,000                           | Real estate marketing<br>services in<br>Mainland of the PRC            | 100%                                 | 100% | 0%   | 0%   |
| Tianjin Yaxin Engineering Consultancy Co., Ltd.*<br>天津雅信工程諮詢有限公司   | The PRC,<br>Limited liability company           | RMB500,000                             | Engineering consulting<br>services in<br>Mainland of the PRC           | 100%                                 | 100% | 0%   | 0%   |
| Zuhai Hengqin Yaheng Engineering Consultancy Co., Ltd.*<br>珠海橫琴雅恒工程諮詢有限公司  | The PRC,<br>Limited liability company           | RMB5,000,000                           | Engineering consulting<br>services in<br>Mainland of the PRC           | 100%                                 | 100% | 0%   | 0%   |
| HK A-TRO Property Marketing Co., Ltd.<br>香港雅卓房地產營銷有限公司   | Hong Kong,<br>Limited liability company         | HK\$1,000,000                          | Real estate marketing<br>services in<br>Hong Kong                      | 100%                                 | 100% | 0%   | 0%   |
| Tengchong Yazhuo Real Estate Agent Co., Ltd.*<br>騰沖雅卓房地產經紀有限公司   | The PRC,<br>Limited liability company           | RMB500,000                             | Real estate marketing<br>services in<br>Mainland of the PRC            | 100%                                 | 100% | 0%   | 0%   |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

(a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below: (continued)

| Company name  | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation         | Ownership interest held by the Group |      | Ownership interest held by non-controlling interests |      |
|---|---|--|---|--------------------------------------|------|--|------|
|   |   |  |   | 2021                                 | 2020 | 2021   | 2020 |
| <b>Indirectly held by the Company (continued)</b>   |   |  |   |                                      |      |  |      |
| Urumqi A-Living Lvdi Property Services Co., Ltd.*<br>烏魯木齊雅生活綠地物業服務有限公司                        | The PRC, Limited liability company              | RMB500,000                             | Property management services in Mainland of the PRC | 100%                                 | 100% | 0%   | 0%   |
| Guangzhou Yuehua Property Co., Ltd.*<br>廣州粵華物業有限公司  | The PRC, Limited liability company              | RMB10,300,000                          | Property management services in Mainland of the PRC | 83%                                  | 51%  | 17%  | 49%  |
| Chongqing Haitai Management Services Company Limited* (Note (i))<br>重慶海泰管理服務有限公司              | The PRC, Limited liability company              | RMB50,500,000                          | Management services in Mainland of the PRC          | 31%                                  | 31%  | 69%  | 69%  |
| Xi'an Jintian Property Management Services Company Limited* (Note (i))<br>西安錦天物業管理服務有限公司      | The PRC, Limited liability company              | RMB20,000,000                          | Property management services in Mainland of the PRC | 31%                                  | 31%  | 69%  | 69%  |
| Shanghai Minghua Property Management Company Limited*<br>上海明華物業管理有限公司                         | The PRC, Limited liability company              | RMB70,000,000                          | Property management services in Mainland of the PRC | 54%                                  | 54%  | 46%  | 46%  |
| Changzhou Zhongfang Property Company Limited* (Note (i))<br>常州中房物業有限公司                        | The PRC, Limited liability company              | RMB10,800,000                          | Property management services in Mainland of the PRC | 42%                                  | 42%  | 58%  | 58%  |
| Shanghai Ruixiang Shangfang Property Management Company Limited* (Note (i))<br>上海銳翔上房物業管理有限公司 | The PRC, Limited liability company              | RMB12,000,000                          | Property management services in Mainland of the PRC | 40%                                  | 40%  | 60%  | 60%  |
| CMIG Futurelife Property Management Limited ("CMIG PM")<br>中民未來物業服務有限公司                       | The PRC, Limited liability company              | RMB1,400,000,000                       | Property management services in Mainland of the PRC | 60%                                  | 60%  | 40%  | 40%  |
| Shenzhen Longcheng Property Management Company Limited* (Note (i))<br>深圳市龍城物業管理有限公司           | The PRC, Limited liability company              | RMB73,840,000                          | Property management services in Mainland of the PRC | 38%                                  | 38%  | 62%  | 62%  |



## 12 Subsidiaries and investments accounted for using the equity method (continued)

(a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below: (continued)

| Company name  | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation         | Ownership interest held by the Group |      | Ownership interest held by non-controlling interests |      |
|---|---|--|---|--------------------------------------|------|--|------|
|   |   |  |   | 2021                                 | 2020 | 2021   | 2020 |
| <b>Indirectly held by the Company (continued)</b>   |   |  |   |                                      |      |  |      |
| New CMIG PM<br>民瑞物業服務(上海)服務有限公司   | The PRC,<br>Limited liability company           | RMB2,550,000                           | Property management services in Mainland of the PRC | 60%                                  | 0%   | 40%  | 0%   |
| Beijing Huifeng Qingxuan Environmental Technology Group Company Limited*<br>("Beijing Huifeng")<br>北京慧豐清軒環境科技集團有限公司   | The PRC,<br>Limited liability company           | RMB8,000,000                           | Sanitation services in Mainland of the PRC          | 51%                                  | 0%   | 49%  | 0%   |
| Shaanxi Mingtang Sanitation Company Limited* ("Shaanxi Mingtang")<br>陝西明堂環衛有限公司   | The PRC,<br>Limited liability company           | RMB7,000,000                           | Sanitation services in Mainland of the PRC          | 60%                                  | 0%   | 40%  | 0%   |
| A-living Mingri Environmental Development Co., Ltd. (formerly known as "Dalian Mingri Environmental Development Co., Ltd.") ("Dalian Mingri")<br>雅生活明日環境發展有限公司(前稱：大連明日環境發展有限公司) | The PRC,<br>Limited liability company           | RMB2,000,000                           | Sanitation services in Mainland of the PRC          | 51%                                  | 0%   | 49%  | 0%   |
| Shandong Hongtai Property Development Company Limited* ("Shandong Hongtai")<br>山東宏泰物業發展有限公司   | The PRC,<br>Limited liability company           | RMB7,400,000                           | Property management services in Mainland of the PRC | 86%                                  | 0%   | 14%  | 0%   |
| Guangzhou Weixiang (Note (ii))<br>廣州為想互聯網科技有限公司   | The PRC,<br>Limited liability company           | RMB10,184,614                          | Household services in Mainland of the PRC           | 38.8%                                | 0%   | 61.2%  | 0%   |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

### (a) Particulars of the principal subsidiaries of the Group at 31 December 2021 are set out below: (continued)

- (i) The Group indirectly holds the equity interest in these companies through layers of holding structures and the Group has control over the board of directors of these companies who can make majority votes to decide the key financial and operating decisions of these companies. The proportion of equity interests as disclosed above represent the effective equity interests attributable to the Group.
- (ii) The Group does not hold over 50% ownership in equity of this entity or its subsidiaries. Nevertheless, under an agreement entered into with the certain equity owners of this entity, the Group controls this entity by way of controlling the voting rights, governing their financial and operating policies, appointing or removing the majority of the members of their controlling authorities, and casting the majority of votes at meetings of such authorities. In addition, such agreement also transfer the risks and rewards of this entity to the Group. As a result, they are presented as controlled entities of the Group.
- \* The English name of the subsidiaries represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

### (b) Investments accounted for using the equity method

In the opinion of the directors, there is no associate and joint venture individually material to the Group.

The carrying amount of equity-accounted investments has changed as follows in the years ended 31 December 2021 and 2020:

|  | Year ended 31 December |           |
|--|------------------------|-----------|
|  | 2021                   | 2020      |
|  | RMB'000                | RMB'000   |
| <b>At beginning of the year</b>                            | <b>1,105,391</b>       | 583,634   |
| Additions  | <b>305,823</b>         | 304,445   |
| Transfer from a subsidiary                                 | –                      | 18,154    |
| Additions arising from business combination (Note 34)      | <b>662</b>             | 498,373   |
| Share of post-tax profits of joint ventures and associates | <b>31,534</b>          | 62,261    |
| Dividends declared   | <b>(18,038)</b>        | (11,917)  |
| Disposal arising from disposal of a subsidiary             | <b>(10,746)</b>        | –         |
| Disposals  | <b>(303,485)</b>       | (349,559) |
| <b>At the end of the year</b>                              | <b>1,111,141</b>       | 1,105,391 |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

### (b) Investments accounted for using the equity method (continued)

Details of disposals of investments accounted for using the equity method transferred to subsidiaries were as follows:

|  | Note | As at the respective date of the disposals |                 |
|--|------|--|-----------------|
|  |      | 2021<br>RMB'000                            | 2020<br>RMB'000 |
| Cash consideration received/receivable               |      | 364  | 300,000         |
| Fair value transferred to investment in a subsidiary | (i)  | 361,869                                    | 38,840          |
| Less: carrying amounts disposed of                   |      | (303,485)                                  | (349,559)       |
| <b>Net gains/(losses) from the disposals</b>         | 10   | <b>58,748</b>                              | <b>(10,719)</b> |

- (i) In July 2021, the Group acquired additional 65% equity interests in an associate from the other independent shareholder of the associate at the considerations of RMB282,000,000 in total. Upon the completion of the acquisition, the associate became a subsidiary of the Group with a remeasurement gains on the investment in associate recognised in amount of RMB58,762,000.

### (c) Subsidiary with material non-controlling interests

Nature of investment in the subsidiary with material non-controlling interests

| Name of entity          | Place of business/<br>country of<br>incorporation | % of ownership<br>interest |
|-------------------------|---|----------------------------|
| CMIG PM<br>中民未來物業服務有限公司 | The PRC   | 60%                        |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

### (c) Subsidiary with material non-controlling interests (continued)

#### (i) Summarised balance sheet

|                         | As at 31 December  |                 |
|-------------------------|--------------------|-----------------|
|                         | 2021<br>RMB'000    | 2020<br>RMB'000 |
| Current assets          | <b>2,323,858</b>   | 2,240,307       |
| Current liabilities     | <b>(1,407,954)</b> | (1,521,527)     |
| Current net assets      | <b>915,904</b>     | 718,780         |
| Non-current assets      | <b>1,293,865</b>   | 1,324,430       |
| Non-current liabilities | <b>(183,878)</b>   | (217,834)       |
| Non-current net assets  | <b>1,109,987</b>   | 1,106,596       |
| Net assets              | <b>2,025,891</b>   | 1,825,376       |
| Accumulated NCI         | <b>1,070,094</b>   | 933,594         |

#### (ii) Summarised statement of comprehensive income

|                            | Year ended<br>31 December<br>2021<br>RMB'000 | For the period<br>from the<br>acquisition date<br>to 31 December<br>2020<br>RMB'000 |
|----------------------------|--|---|
|                            |  |   |
| Revenue                    | <b>4,018,013</b>                             | 3,144,403   |
| Profit for the year/period | <b>252,556</b>                               | 216,896   |
| Other comprehensive income | <b>3,541</b>                                 | 931   |
| Total comprehensive income | <b>256,097</b>                               | 217,827   |
| Profit allocated to NCI    | <b>156,983</b>                               | 128,908   |
| Dividends declared to NCI  | <b>(17,199)</b>                              | (53,648)  |

## 12 Subsidiaries and investments accounted for using the equity method (continued)

### (c) Subsidiary with material non-controlling interests (continued)

#### (iii) Summarised cash flows

|  | <b>Year ended<br/>31 December<br/>2021<br/>RMB'000</b> | For the period<br>from the<br>acquisition date<br>to 31 December<br>2020<br>RMB'000 |
|--|--|---|
| Cash flows from operating activities           | <b>414,863</b>   | 452,606   |
| Cash flows (used in)/from investing activities | <b>(41,406)</b>  | 495,506   |
| Cash flows used in financing activities        | <b>(276,704)</b>                                       | (195,631)   |
| Net increase in cash and cash equivalents      | <b>96,753</b>  | 752,481   |

## 13 Income tax expenses

|                               | <b>Year ended 31 December</b> |                 |
|-------------------------------|-------------------------------|-----------------|
|                               | <b>2021<br/>RMB'000</b>       | 2020<br>RMB'000 |
| Current income tax            |                               |                 |
| – PRC corporate income tax    | <b>615,407</b>                | 573,403         |
| Deferred income tax (Note 28) |                               |                 |
| – PRC corporate income tax    | <b>(105,402)</b>              | (58,388)        |
|                               | <b>510,005</b>                | 515,015         |

## Notes to the Consolidated Financial Statements (continued)

### 13 Income tax expenses (continued)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the respective tax rate applicable to profits of the group entities as follows:

|   | Year ended 31 December |                 |
|---|------------------------|-----------------|
|   | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Profit before income tax  | <b>3,075,574</b>       | 2,487,749       |
| Tax charge at effective rate applicable to profits in the respective group entities | <b>561,198</b>         | 514,689         |
| Tax effects of:   |                        |                 |
| – Expenses not deductible for tax purposes  | <b>9,835</b>           | 7,613           |
| – Reversal of deferred tax assets recognised for tax losses in prior years          | <b>1,083</b>           | 2,574           |
| – Adjustments for current tax – change in the tax rate of the Company (Note (a))    | <b>(56,777)</b>        | –               |
| – Re-measurement of deferred tax – change in the tax rate of the Company            | <b>783</b>             | –               |
| – Associates' and joint ventures' results reported net of tax                       | <b>(17,526)</b>        | (16,376)        |
| – Tax losses for which no deferred income tax asset was recognised                  | <b>16,509</b>          | 7,116           |
| – Utilisation of tax losses previously not recognised                               | <b>(1,263)</b>         | –               |
| – Recognition of temporary deductible differences not recognised in previous years  | <b>(2,993)</b>         | –               |
| – Additional tax deduction for research and development costs                       | <b>(844)</b>           | (601)           |
|   | <b>510,005</b>         | 515,015         |

- (a) The effective income tax rate was 17% for the year ended 31 December 2021 (2020: 21%). In April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with three-year valid period from 2020 to 2022. Accordingly, the income tax rate applicable to the Company for 2020 to 2022 is 15%. The impact of the change in the applicable tax rate was credited to the income tax expenses in the year ended 31 December 2021.

#### PRC corporate income tax

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

The corporate income tax rate applicable to the group entities located in Mainland China is 25% (2020: 25%) according to the Corporate Income Tax Law of the PRC.



### 13 Income tax expenses (continued)

#### PRC corporate income tax (continued)

In 2020, Guangzhou Yatian obtained the Certificate of High and New Technology Enterprise with valid period from 2020 to 2022. As mentioned in Note (a), in April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with valid period from 2020 to 2022. According to the Corporate Income Tax Law of the PRC, corporations which obtain the Certificate of High and New Technology Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. The tax rate applicable to Guangzhou Yatian during the year ended 31 December 2021 was 15% (2020: 15%). The tax rate applicable to the Company during the year ended 31 December 2021 was 15% (2020: 25%)

Certain subsidiary of the Group in the PRC is in Zhuhai Hengqin (Free Trade Area) and subject to a preferential income tax rate of 15% during the year ended 31 December 2021 (2020: 15%). Certain subsidiaries of the Group in the PRC are located in western cities and subject to a preferential income tax rate of 15% for certain years. Certain of the Group's subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based on 25% or 50% of their taxable income. Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% during the year ended 31 December 2021 (2020: 15%).

#### Hong Kong income tax

No Hong Kong profits tax was applicable to the Group for the year ended 31 December 2021. There were two subsidiaries incorporated in Hong Kong. No Hong Kong profits tax was provided for those two Hong Kong subsidiaries as there was no estimated taxable profits that was subject to Hong Kong profits tax during the year ended 31 December 2021 (2020: nil).

### 14 Earnings per share

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

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

|  | <b>Year ended 31 December</b> |           |
|--|-------------------------------|-----------|
|  | <b>2021</b>                   | 2020      |
| Profit attributable to shareholders of the Company (RMB'000)   | <b>2,308,458</b>              | 1,754,411 |
| Weighted average number of ordinary shares in issue (in thousands)   | <b>1,383,435</b>              | 1,333,334 |
| Basic earnings per share for profit attributable to the shareholders of the Company during the year (expressed in RMB per share) | <b>1.67</b>                   | 1.32      |

## Notes to the Consolidated Financial Statements (continued)

### 15 Property, plant and equipment and right-of-use assets

#### (a) Movements

|  | Buildings<br>RMB'000 | Transportation<br>equipment<br>RMB'000 | Office<br>equipment<br>RMB'000 | Machinery<br>RMB'000 | Subtotal<br>RMB'000 | Right-of-use<br>assets<br>RMB'000 | Total<br>RMB'000 |
|--|----------------------|--|--------------------------------|----------------------|---------------------|-----------------------------------|------------------|
| <b>As at 1 January 2020</b>                  |                      |  |                                |                      |                     |                                   |                  |
| Cost   | 124,868              | 23,914                                 | 21,625                         | 62,368               | 232,775             | 46,471                            | 279,246          |
| Accumulated depreciation<br>and amortisation | (22,944)             | (13,018)                               | (11,324)                       | (26,183)             | (73,469)            | (21,851)                          | (95,320)         |
| <b>Net book amount</b>                       | <b>101,924</b>       | <b>10,896</b>                          | <b>10,301</b>                  | <b>36,185</b>        | <b>159,306</b>      | <b>24,620</b>                     | <b>183,926</b>   |
| <b>Year ended</b>                            |                      |  |                                |                      |                     |                                   |                  |
| <b>31 December 2020</b>                      |                      |  |                                |                      |                     |                                   |                  |
| Opening net book amount                      | 101,924              | 10,896                                 | 10,301                         | 36,185               | 159,306             | 24,620                            | 183,926          |
| Additions                                    | 248                  | 31,682                                 | 5,402                          | 16,846               | 54,178              | 19,738                            | 73,916           |
| Acquisition of subsidiaries                  | 26,003               | 46,309                                 | 8,719                          | 11,478               | 92,509              | 13,622                            | 106,131          |
| Disposals                                    | (65)                 | (4,532)                                | (928)                          | (2,101)              | (7,626)             | -                                 | (7,626)          |
| Depreciation and amortisation<br>charge      | (7,839)              | (15,444)                               | (4,967)                        | (15,146)             | (43,396)            | (22,861)                          | (66,257)         |
| <b>Closing net book amount</b>               | <b>120,271</b>       | <b>68,911</b>                          | <b>18,527</b>                  | <b>47,262</b>        | <b>254,971</b>      | <b>35,119</b>                     | <b>290,090</b>   |
| <b>As at 31 December 2020</b>                |                      |  |                                |                      |                     |                                   |                  |
| Cost   | 151,711              | 84,039                                 | 32,216                         | 88,103               | 356,069             | 79,831                            | 435,900          |
| Accumulated depreciation<br>and amortisation | (31,440)             | (15,128)                               | (13,689)                       | (40,841)             | (101,098)           | (44,712)                          | (145,810)        |
| <b>Net book amount</b>                       | <b>120,271</b>       | <b>68,911</b>                          | <b>18,527</b>                  | <b>47,262</b>        | <b>254,971</b>      | <b>35,119</b>                     | <b>290,090</b>   |
| <b>Year ended</b>                            |                      |  |                                |                      |                     |                                   |                  |
| <b>31 December 2021</b>                      |                      |  |                                |                      |                     |                                   |                  |
| Opening net book amount                      | <b>120,271</b>       | <b>68,911</b>                          | <b>18,527</b>                  | <b>47,262</b>        | <b>254,971</b>      | <b>35,119</b>                     | <b>290,090</b>   |
| Additions                                    | <b>220</b>           | <b>27,884</b>                          | <b>7,402</b>                   | <b>47,915</b>        | <b>83,421</b>       | <b>43,969</b>                     | <b>127,390</b>   |
| Acquisition of subsidiaries<br>(Note 34)     | <b>80,465</b>        | <b>26,953</b>                          | <b>6,501</b>                   | <b>207,613</b>       | <b>321,532</b>      | <b>34,636</b>                     | <b>356,168</b>   |
| Other disposals                              | <b>(632)</b>         | <b>(3,111)</b>                         | <b>(682)</b>                   | <b>(2,213)</b>       | <b>(6,638)</b>      | <b>(70)</b>                       | <b>(6,708)</b>   |
| Disposal of subsidiaries                     | <b>(57,591)</b>      | <b>(3,528)</b>                         | <b>(314)</b>                   | <b>(16,183)</b>      | <b>(77,616)</b>     | <b>(25)</b>                       | <b>(77,641)</b>  |
| Depreciation and amortisation<br>charge      | <b>(9,491)</b>       | <b>(22,464)</b>                        | <b>(6,684)</b>                 | <b>(30,200)</b>      | <b>(68,839)</b>     | <b>(39,761)</b>                   | <b>(108,600)</b> |
| <b>Closing net book amount</b>               | <b>133,242</b>       | <b>94,645</b>                          | <b>24,750</b>                  | <b>254,194</b>       | <b>506,831</b>      | <b>73,868</b>                     | <b>580,699</b>   |
| <b>As at 31 December 2021</b>                |                      |  |                                |                      |                     |                                   |                  |
| Cost   | <b>163,887</b>       | <b>121,582</b>                         | <b>42,353</b>                  | <b>303,724</b>       | <b>631,546</b>      | <b>157,479</b>                    | <b>789,025</b>   |
| Accumulated depreciation<br>and amortisation | <b>(30,645)</b>      | <b>(26,937)</b>                        | <b>(17,603)</b>                | <b>(49,530)</b>      | <b>(124,715)</b>    | <b>(83,611)</b>                   | <b>(208,326)</b> |
| <b>Net book amount</b>                       | <b>133,242</b>       | <b>94,645</b>                          | <b>24,750</b>                  | <b>254,194</b>       | <b>506,831</b>      | <b>73,868</b>                     | <b>580,699</b>   |

## 15 Property, plant and equipment and right-of-use assets (continued)

### (a) Movements (continued)

Depreciation and amortisation expenses were charged to the following categories in the consolidated income statement:

|                                | Year ended 31 December |         |
|--------------------------------|------------------------|---------|
|                                | 2021                   | 2020    |
|                                | RMB'000                | RMB'000 |
| Cost of sales                  | 64,421                 | 41,600  |
| Selling and marketing expenses | 958                    | 1,039   |
| Administrative expenses        | 43,221                 | 23,618  |
|                                | 108,600                | 66,257  |

As at 31 December 2021, certain self-used PPE with net book value of RMB55,039,000 (31 December 2020: RMB78,407,000) were pledged as collateral for the Group's borrowings (Note 26).

### (b) Leases

This note provides information for leases where the Group is a lessee.

#### (i) Amounts recognised in the consolidated balance sheet

The balance sheet shows the following amounts relating to leases:

|                            | As at 31 December |         |
|----------------------------|-------------------|---------|
|                            | 2021              | 2020    |
|                            | RMB'000           | RMB'000 |
| <b>Right-of-use assets</b> |                   |         |
| Buildings                  | 56,375            | 35,119  |
| Equipment                  | 17,493            | –       |
|                            | 73,868            | 35,119  |
| <b>Lease liabilities</b>   |                   |         |
| Current                    | 47,168            | 20,800  |
| Non-current                | 30,590            | 16,288  |
|                            | 77,758            | 37,088  |

## 15 Property, plant and equipment and right-of-use assets (continued)

### (b) Leases (continued)

#### (ii) Amounts recognised in the consolidated income statement

The consolidated income statement shows the following amounts relating to leases:

|   | Note | Year ended 31 December |                 |
|---|------|------------------------|-----------------|
|   |      | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Depreciation charge of right-of-use assets  |      |                        |                 |
| – Buildings   |      | (32,150)               | (22,576)        |
| – Equipment   |      | (7,611)                | (285)           |
|   |      | (39,761)               | (22,861)        |
| Interest expense (included in finance costs)  | 11   | (3,507)                | (1,981)         |
| Rental expenses relating to short-term and low-value leases (included in cost of sales and administrative expenses) | 7    | (57,184)               | (42,546)        |

Total cash outflow for lease in year ended 31 December 2021 was RMB101,824,000 (2020: RMB66,678,000).

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

The Group leases various offices and staff dormitories. Rental contracts are typically made for fixed periods of three months to 15 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

## 16 Investment properties

|   | Commercial properties<br>RMB'000 |
|---|----------------------------------|
| <b>As at 1 January 2021</b>   | –                                |
| Acquisition of a subsidiary (Note 34)                                       | 110,337                          |
| Addition  | 8,412                            |
| Revaluation gains recognised in the consolidated income statement (Note 10) | 595                              |
| Disposals   | (30,428)                         |
| <b>As at 31 December 2021</b>   | <b>88,916</b>                    |

## 16 Investment properties (continued)

(a) Amounts recognised in the consolidated income statement for investment properties:

|                       | Year ended<br>31 December 2021<br>RMB'000 |
|-----------------------|---|
| Other income (Note 9) | 5,465                                     |

(b) As at 31 December 2021, no investment properties (31 December 2020: nil) were pledged as collateral for the Group's borrowings.

(c) As at 31 December 2021, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2020: nil).

### (d) Fair value hierarchy

As at 31 December 2021, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between level 1, 2 and 3 during the year (2020: nil).

### (e) Valuation processes and techniques

The Group measures its investment properties at fair value. The investment properties were valued by the management at the acquisition date and 31 December 2021. Methods and key assumptions in determining the fair value of the investment as at respective dates are disclosed as follows:

Fair value measurements used significant unobservable inputs (level 3).

Fair values of investment properties are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

The main level 3 input used by the Group is market price.

### (f) Valuation inputs and relationships to fair value

| Description      | Fair value at<br>31 December 2021<br>RMB'000 | Unobservable<br>inputs             | Range of inputs<br>(probability-weighted<br>average) | Relationship of<br>unobservable inputs<br>to fair value   |
|------------------|--|------------------------------------|--|---|
| Office buildings | 88,916                                       | Market price<br>(RMB/square meter) | 15,000-56,000  | The higher the market price,<br>the higher the fair value |

## Notes to the Consolidated Financial Statements (continued)

### 17 Intangible assets

|  | Computer<br>software<br>RMB'000 | Trademarks<br>RMB'000 | Customer<br>relationship<br>and backlogs<br>RMB'000 | Subtotal<br>RMB'000 | Goodwill<br>RMB'000 | Total<br>RMB'000 |
|--|---------------------------------|-----------------------|---|---------------------|---------------------|------------------|
| <b>As at 1 January 2020</b>            |                                 |                       |   |                     |                     |                  |
| Cost                                   | 33,370                          | 28,400                | 404,850   | 466,620             | 1,370,928           | 1,837,548        |
| Accumulated amortisation               | (9,304)                         | (10,734)              | (62,126)  | (82,164)            | -                   | (82,164)         |
| <b>Net book amount</b>                 | <b>24,066</b>                   | <b>17,666</b>         | <b>342,724</b>                                      | <b>384,456</b>      | <b>1,370,928</b>    | <b>1,755,384</b> |
| <b>Year ended 31 December 2020</b>     |                                 |                       |   |                     |                     |                  |
| Opening net book amount                | 24,066                          | 17,666                | 342,724   | 384,456             | 1,370,928           | 1,755,384        |
| Additions                              | 8,811                           | -                     | -   | 8,811               | -                   | 8,811            |
| Acquisition of subsidiaries            | 1,815                           | -                     | 701,819   | 703,634             | 816,010             | 1,519,644        |
| Disposals of subsidiaries              | (178)                           | -                     | (20,394)  | (20,572)            | (4,971)             | (25,543)         |
| Amortisation                           | (4,731)                         | (4,640)               | (105,717)   | (115,088)           | -                   | (115,088)        |
| <b>Closing net book amount</b>         | <b>29,783</b>                   | <b>13,026</b>         | <b>918,432</b>                                      | <b>961,241</b>      | <b>2,181,967</b>    | <b>3,143,208</b> |
| <b>As at 31 December 2020</b>          |                                 |                       |   |                     |                     |                  |
| Cost                                   | 44,751                          | 28,400                | 1,079,719   | 1,152,870           | 2,181,967           | 3,334,837        |
| Accumulated amortisation               | (14,968)                        | (15,374)              | (161,287)   | (191,629)           | -                   | (191,629)        |
| <b>Net book amount</b>                 | <b>29,783</b>                   | <b>13,026</b>         | <b>918,432</b>                                      | <b>961,241</b>      | <b>2,181,967</b>    | <b>3,143,208</b> |
| <b>Year ended 31 December 2021</b>     |                                 |                       |   |                     |                     |                  |
| Opening net book amount                | <b>29,783</b>                   | <b>13,026</b>         | <b>918,432</b>                                      | <b>961,241</b>      | <b>2,181,967</b>    | <b>3,143,208</b> |
| Additions                              | <b>3,968</b>                    | -                     | -   | <b>3,968</b>        | -                   | <b>3,968</b>     |
| Acquisition of subsidiaries (Note (a)) | <b>3,556</b>                    | <b>34,942</b>         | <b>577,518</b>                                      | <b>616,016</b>      | <b>1,027,350</b>    | <b>1,643,366</b> |
| Other disposals                        | <b>(128)</b>                    | -                     | -   | <b>(128)</b>        | -                   | <b>(128)</b>     |
| Disposals of subsidiaries              | <b>(127)</b>                    | -                     | <b>(56,784)</b>                                     | <b>(56,911)</b>     | <b>(86,086)</b>     | <b>(142,997)</b> |
| Amortisation                           | <b>(5,015)</b>                  | <b>(5,610)</b>        | <b>(162,900)</b>                                    | <b>(173,525)</b>    | -                   | <b>(173,525)</b> |
| <b>Closing net book amount</b>         | <b>32,037</b>                   | <b>42,358</b>         | <b>1,276,266</b>                                    | <b>1,350,661</b>    | <b>3,123,231</b>    | <b>4,473,892</b> |
| <b>As at 31 December 2021</b>          |                                 |                       |   |                     |                     |                  |
| Cost                                   | <b>49,694</b>                   | <b>63,342</b>         | <b>1,592,110</b>                                    | <b>1,705,146</b>    | <b>3,123,231</b>    | <b>4,828,377</b> |
| Accumulated amortisation               | <b>(17,657)</b>                 | <b>(20,984)</b>       | <b>(315,844)</b>                                    | <b>(354,485)</b>    | -                   | <b>(354,485)</b> |
| <b>Net book amount</b>                 | <b>32,037</b>                   | <b>42,358</b>         | <b>1,276,266</b>                                    | <b>1,350,661</b>    | <b>3,123,231</b>    | <b>4,473,892</b> |



## 17 Intangible assets (continued)

Amortisation of intangible assets has been charged to the consolidated income statement as follows:

|                                | Year ended 31 December |         |
|--------------------------------|------------------------|---------|
|                                | 2021                   | 2020    |
|                                | RMB'000                | RMB'000 |
| Cost of sales                  | 169,850                | 108,933 |
| Selling and marketing expenses | 38                     | 2,471   |
| Administrative expenses        | 3,637                  | 3,684   |
|                                | 173,525                | 115,088 |

- (a) During the year ended 31 December 2021, the Group acquired several companies (Note 34). Total identifiable net assets of these entities acquired as at their respective acquisition dates were amounting to RMB1,036,136,000, including identified customer relationship, backlogs and trademarks of RMB612,460,000 recognised by the Group.
- (b) Independent valuations were performed by an independent valuer to determine the amount of the customer relationship, backlogs and trademarks recognised by the Group during year end 31 December 2021. Methods and key assumptions in determining the fair value of the customer relationship, backlogs and trademarks as at respective acquisition dates are disclosed as follows:

|                       | Valuation technique  | Discount rate | Expected life of the intangible assets |
|-----------------------|----------------------|---------------|--|
| Customer relationship | Discounted cash flow | 15.41%-16.25% | 10 years                               |
| Backlogs              | Discounted cash flow | 14.97%-15.46% | 2-8 years                              |
| Trademarks            | Relief from royalty  | 15.41%        | 15 years                               |

- (c) Impairment tests for goodwill

As at 31 December 2021, goodwill of RMB3,123,231,000 (31 December 2020: RMB2,181,967,000) has been allocated to each group of CGUs for impairment testing. Goodwill of RMB918,967,000 and RMB757,271,000 (31 December 2020: RMB918,967,000 and RMB757,271,000) were allocated to the property management business operated by Greenland Property Services and CMIG PM, respectively. Others are individually below RMB270,000,000, which is considered not significant and therefore analysed in aggregate.

Management performed an impairment assessment on the goodwill as at 31 December 2021. The recoverable amount of the property management business operated by the acquired subsidiaries have been assessed by an independent valuer or the management and determined based on VIU calculations. The VIU used discounted cash flow was calculated based on five-year period or ten-year period financial projections approved by management.

## Notes to the Consolidated Financial Statements (continued)

### 17 Intangible assets (continued)

(c) Impairment tests for goodwill (continued)

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

|   | <b>Greenland<br/>Property Services</b> | <b>CMIG PM</b>   | <b>Other<br/>subsidiaries</b> |
|---|--|------------------|-------------------------------|
| <b>2021</b>   |  |                  |                               |
| Compound annual growth rate of revenue during the projection period (%)   | <b>31.2%</b>                           | <b>6.0%</b>      | <b>0.0%~31.3%</b>             |
| Earnings before interest, tax, depreciation and amortisation ("EBITDA") margin during the projection period (%) | <b>10.5%~12.6%</b>                     | <b>8.1%~8.4%</b> | <b>-30.6%~27.4%</b>           |
| Average trade receivables turnover days   | <b>217~303 days</b>                    | <b>72 days</b>   | <b>1~167 days</b>             |
| Long term growth rate (%)   | <b>3%</b>                              | <b>3%</b>        | <b>3%</b>                     |
| Pre-tax discount rate (%)   | <b>19.0%</b>                           | <b>19.4%</b>     | <b>16.0%~21.1%</b>            |
| <b>2020</b>   |  |                  |                               |
| Compound annual growth rate of revenue during the projection period (%)   | 40.4%                                  | 7.4%             | 2.0%-12.3%                    |
| EBITDA margin during the projection period (%)  | 12.0%-12.4%                            | 8.7%-8.9%        | 9.7%-20.2%                    |
| Average trade receivables turnover days   | 189-312 days                           | 51 days          | 30-148 days                   |
| Long term growth rate (%)   | 3%                                     | 3%               | 3%                            |
| Pre-tax discount rate (%)   | 19.4%                                  | 19.9%            | 19.3%-21.7%                   |

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

| <b>Assumption</b>                       | <b>Approach used to determining values</b>  |
|---|---|
| Compound annual growth rate of revenue  | Based on past performance and management's expectations of market development. For Greenland Property Services, year-on-year increment in projected revenue is mainly attributable to the estimated incremental gross floor area under management as committed by Greenland Holdings according to the investment cooperation framework agreement. |
| EBITDA margin                           | Based on past performance and management's expectations for the future.   |
| Average trade receivables turnover days | Based on past performance and management's expectations for the future.   |
| Long term growth rate                   | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period.   |
| Pre-tax discount rate                   | Reflect specific risks relating to the relevant CGUs  |

## 17 Intangible assets (continued)

### (c) Impairment tests for goodwill (continued)

As at 31 December 2021, the recoverable amounts of RMB1,286,686,000 of Greenland Property Services calculated based on VIU calculation exceeded their carrying value by RMB89,294,000. The recoverable amounts of RMB3,041,526,000 of CMIG PM calculated based on VIU calculation exceeded their carrying value by RMB435,284,000.

Details of the headroom attributable to the Group for Greenland Property Services and CMIG PM as at 31 December 2021 are set out as follows:

|                             | As at 31 December |         |
|-----------------------------|-------------------|---------|
|                             | 2021              | 2020    |
|                             | RMB'000           | RMB'000 |
| CMIG PM                     | 435,284           | 292,966 |
| Greenland Property Services | 89,294            | 186,696 |

Management has undertaken sensitivity analysis on the impairment tests of goodwill. The following table sets forth all possible changes to the key assumptions of the impairment tests and the changes taken in isolation in the VIU calculations for Greenland and CMIG PM that would remove the remaining headroom respectively as at 31 December 2021 and 2020:

| As at 31 December 2021                  | Possible changes to the key assumptions |                             |
|---|---|-----------------------------|
|   | CMIG PM                                 | Greenland Property Services |
| Compound annual growth rate of revenue  | -5.23%                                  | -2.65%                      |
| EBITDA margin                           | -1.48%                                  | -0.88%                      |
| Average trade receivables turnover days | +30 days                                | +17 days                    |
| Long term growth rate                   | -4.83%                                  | -1.46%                      |
| Pre-tax discount rate                   | +3.87%                                  | +1.07%                      |

| As at 31 December 2020                  | Possible changes to the key assumptions |                             |
|---|---|-----------------------------|
|   | CMIG PM                                 | Greenland Property Services |
| Compound annual growth rate of revenue  | -3.57%                                  | -5.28%                      |
| EBITDA margin                           | -1.07%                                  | -1.86%                      |
| Average trade receivables turnover days | +21 days                                | +34 days                    |
| Long term growth rate                   | -3.11%                                  | -3.20%                      |
| Pre-tax discount rate                   | +2.50%                                  | +2.33%                      |

## 17 Intangible assets (continued)

(c) Impairment tests for goodwill (continued)

The directors of the Company considered there is no reasonably possible change in key parameters would cause the carrying amount of each CGU or group of CGUs to exceed its recoverable amount.

By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2021, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2021 (31 December 2020: nil).

## 18 Financial instruments by category

The Group holds the following financial instruments:

|  | <b>As at 31 December</b> |           |
|--|--------------------------|-----------|
|  | <b>2021</b>              | 2020      |
|  | <b>RMB'000</b>           | RMB'000   |
| <b>Financial assets</b>  |                          |           |
| <b>Financial assets at amortised cost</b>                              |                          |           |
| – Trade and other receivables excluding prepayments (Note 20)          | <b>4,932,048</b>         | 3,232,131 |
| – Cash and cash equivalents (Note 23)                                  | <b>4,390,545</b>         | 5,056,976 |
| – Restricted cash  | <b>3,349,493</b>         | 27,572    |
|  | <b>12,672,086</b>        | 8,316,679 |
| <b>Financial assets at FVPL (Note 22)</b>                              | <b>530,292</b>           | 594,152   |
| <b>Financial assets at FVOCI (Note 19)</b>                             | <b>23,868</b>            | 29,122    |
|  | <b>13,226,246</b>        | 8,939,953 |
| <b>Financial liabilities</b>   |                          |           |
| <b>Financial liabilities at amortised cost</b>                         |                          |           |
| Borrowings (Note 26)   | <b>78,529</b>            | 233,736   |
| Lease liabilities (Note 15(b))   | <b>77,758</b>            | 37,088    |
| Trade and other payables excluding non-financial liabilities (Note 27) | <b>3,669,237</b>         | 2,463,727 |
|  | <b>3,825,524</b>         | 2,734,551 |
| <b>Financial liabilities for put options (Note 29)</b>                 | <b>107,358</b>           | 94,775    |
|  | <b>3,932,882</b>         | 2,829,326 |

## 19 Financial assets at fair value through other comprehensive income

### (a) Classification of financial assets at fair value through other comprehensive income

Financial assets at FVOCI comprise:

Equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognise in this category. These are strategic investments and the Group considers this classification to be more relevant.

### (b) Equity investments at fair value through other comprehensive income

|                           | As at 31 December |         |
|---------------------------|-------------------|---------|
|                           | 2021              | 2020    |
|                           | RMB'000           | RMB'000 |
| <b>Non-current assets</b> |                   |         |
| Unlisted securities       | 23,868            | 29,122  |

### (c) Disposal of equity investments

Since 1 January 2021, the group has sold its shares in Yunjin (Shanghai) equity investment partnership (limited partnership). The shares sold had a fair value of RMB15,297,000 and the group realised a gain of RMB178,000, which had already been included in OCI. This gain has been transferred to retained earnings, net of tax of RMB44,000 (Note 25).

On disposal of these equity investments, any related balance within the reserve is reclassified to retained earnings.

### (d) Amounts recognised in profit or loss and other comprehensive income

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Gains recognised in other comprehensive income related to equity investments | 5,018                  | 1,241   |

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

**20 Trade and other receivables and prepayments**

|  | <b>As at 31 December</b> |           |
|--|--------------------------|-----------|
|  | <b>2021</b>              | 2020      |
|  | <b>RMB'000</b>           | RMB'000   |
| Trade receivables (Note (a))                                   |                          |           |
| – Related parties (Note 36(d))                                 | <b>1,524,003</b>         | 844,924   |
| – Third parties  | <b>2,423,908</b>         | 1,561,635 |
|  | <b>3,947,911</b>         | 2,406,559 |
| Less: allowance for impairment of trade receivables            | <b>(329,312)</b>         | (155,095) |
|  | <b>3,618,599</b>         | 2,251,464 |
| Other receivables  |                          |           |
| – Related parties (Note 36(d))                                 | <b>278,178</b>           | 90,329    |
| – Third parties  | <b>1,059,295</b>         | 914,021   |
|  | <b>1,337,473</b>         | 1,004,350 |
| Less: allowance for impairment of other receivables            | <b>(24,024)</b>          | (23,683)  |
|  | <b>1,313,449</b>         | 980,667   |
| Prepayments  |                          |           |
| – Related parties (Note 36(d))                                 | <b>288,788</b>           | 8,739     |
| – Third parties  | <b>235,461</b>           | 418,418   |
|  | <b>524,249</b>           | 427,157   |
| Subtotal   | <b>5,456,297</b>         | 3,659,288 |
| Less: non-current portion of prepayments                       | <b>(350,952)</b>         | (253,722) |
| Current portion of trade and other receivables and prepayments | <b>5,105,345</b>         | 3,405,566 |



## 20 Trade and other receivables and prepayments (continued)

- (a) Trade receivables mainly represented the receivables of outstanding property management service fee and the receivables of value-added service income and city sanitation and cleaning service income.

Property management services income, value-added service income and city sanitation and cleaning service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

As at 31 December 2021 and 2020, the aging analysis of the trade receivables based on recognition date were as follows:

|              | As at 31 December |           |
|--------------|-------------------|-----------|
|              | 2021              | 2020      |
|              | RMB'000           | RMB'000   |
| 0-180 days   | 2,504,546         | 1,246,625 |
| 181-365 days | 657,041           | 605,658   |
| 1 to 2 years | 429,257           | 339,526   |
| 2 to 3 years | 188,457           | 104,485   |
| Over 3 years | 168,610           | 110,265   |
|              | <b>3,947,911</b>  | 2,406,559 |

- (b) As at 31 December 2021, trade and other receivables were denominated in RMB and US\$ and the fair values of trade and other receivables approximated their carrying amounts.
- (c) Trade receivables of RMB15,620,000 were pledged as collateral for a subsidiary's borrowings. The associated secured borrowings amounted to RMB3,000,000 (Note 26).

## 21 Inventories

|                                | As at 31 December |         |
|--------------------------------|-------------------|---------|
|                                | 2021              | 2020    |
|                                | RMB'000           | RMB'000 |
| Consumables                    | 36,172            | 17,202  |
| Parking lots and shops         | 1,648             | 1,648   |
| Food and beverage              | 713               | –       |
| Less: allowance for impairment | –                 | –       |
|                                | <b>38,533</b>     | 18,850  |

**22 Financial assets at fair value through profit or loss**

|                                    | <b>Year ended 31 December</b> |         |
|------------------------------------|-------------------------------|---------|
|                                    | <b>2021</b>                   | 2020    |
|                                    | <b>RMB'000</b>                | RMB'000 |
| <b>Non-current assets</b>          |                               |         |
| Contingent consideration           | <b>3,249</b>                  | 2,991   |
| <b>Current assets</b>              |                               |         |
| Wealth management products         | <b>511,537</b>                | 576,923 |
| Structural deposits                | <b>10,000</b>                 | –       |
| Hong Kong listed equity securities | <b>5,506</b>                  | 14,238  |
|                                    | <b>527,043</b>                | 591,161 |
|                                    | <b>530,292</b>                | 594,152 |

**(a) Amounts recognised in profit or loss**

During the year, the following gains/(losses) were recognised in profit or loss:

|   | <b>Year ended 31 December</b> |         |
|---|-------------------------------|---------|
|   | <b>2021</b>                   | 2020    |
|   | <b>RMB'000</b>                | RMB'000 |
| Fair value gains on debt instruments at FVPL            | <b>40,023</b>                 | 30,314  |
| Fair value (losses)/gains on equity investments at FVPL | <b>(8,732)</b>                | 4,033   |
| Fair value gains/(losses) on contingent consideration   | <b>258</b>                    | (170)   |
|   | <b>31,549</b>                 | 34,177  |

**(b) Risk exposure and fair value measurements**

For information about the methods and assumptions used in determining fair value refer to Note 3.3.

As at 31 December 2021, financial assets at FVPL were all of denominated in RMB, except for Hong Kong listed equity securities which were denominated in HK\$.

## 23 Cash and cash equivalents and restricted cash

| (a)                       | As at 31 December |           |
|---------------------------|-------------------|-----------|
|                           | 2021              | 2020      |
|                           | RMB'000           | RMB'000   |
| Cash at bank and in hand: |                   |           |
| – Denominated in RMB      | 4,359,709         | 5,052,159 |
| – Denominated in HK\$     | 30,166            | 4,817     |
| – Denominated in US\$     | 670               | –         |
|                           | <b>4,390,545</b>  | 5,056,976 |

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

- (b) Restricted cash as at 31 December 2021 mainly comprised 1-year fixed deposits with banks in the PRC. Deposits totalling RMB3,300,200,000 were pledged as collateral for bank borrowings or facilities extended to certain business development partners of the Company. Up to the report date, pledged deposits with total amount of RMB3,300,200,000 have been released. No financial exposure is expected to be arisen from these pledge arrangements.

## 24 Share capital

|                                 | Number of shares |                  | Share capital    |                  |
|---------------------------------|------------------|------------------|------------------|------------------|
|                                 | 31 December 2021 | 31 December 2020 | 31 December 2021 | 31 December 2020 |
|                                 |                  |                  | RMB'000          | RMB'000          |
| Issued and fully paid (Note(a)) | 1,420,000,800    | 1,333,334,000    | 1,420,001        | 1,333,334        |

### (a) Movements in share capital

|                         | Note | Number of shares | Share capital RMB'000 |
|-------------------------|------|------------------|-----------------------|
| <b>Details</b>          |      |                  |                       |
| As at 1 January 2021    |      | 1,333,334,000    | 1,333,334             |
| Placing of new H Shares | (i)  | 86,666,800       | 86,667                |
| As at 31 December 2021  |      | 1,420,000,800    | 1,420,001             |

- (i) On 28 May 2021, the Company entered into a placing agreement to procure placees for an aggregate of 86,666,800 new H Shares at the HK\$37.60 per H Share (the "Placing"). On 4 June 2021, the Company received net proceeds amounted to HK\$3,242,127,000 (equivalent to RMB2,677,511,000) from the Placing after deducting related fees and expenses, among of which, RMB86,667,000 was recorded as share capital and RMB2,590,844,000 was recorded as share premium (Note 25).

## 25 Other reserves

|  | Share<br>premium<br>RMB'000 | Statutory<br>reserve<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|---------------------------------|-------------------|------------------|
| <b>As at 1 January 2020</b>                    | 3,138,053                   | 127,642                         | 5,715             | 3,271,410        |
| Revaluation – gross                            | –                           | –                               | 745               | 745              |
| Deferred tax                                   | –                           | –                               | (186)             | (186)            |
| Other comprehensive income                     | –                           | –                               | 559               | 559              |
| Appropriation of statutory reserves (Note (a)) | –                           | 121,554                         | –                 | 121,554          |
| Other transaction with NCI                     | –                           | –                               | 8,988             | 8,988            |
| <b>As at 31 December 2020</b>                  | 3,138,053                   | 249,196                         | 15,262            | 3,402,511        |
| Revaluation – gross                            | –                           | –                               | 3,012             | 3,012            |
| Deferred tax                                   | –                           | –                               | (753)             | (753)            |
| Other comprehensive income                     | –                           | –                               | 2,259             | 2,259            |
| Transfer to retained earnings                  | –                           | –                               | (178)             | (178)            |
| Deferred tax                                   | –                           | –                               | 44                | 44               |
| Net amount transferred                         | –                           | –                               | (134)             | (134)            |
| Appropriation of statutory reserves (Note (a)) | –                           | 77,956                          | –                 | 77,956           |
| Placing of new H Shares (Note 24 (a))          | 2,590,844                   | –                               | –                 | 2,590,844        |
| Other transaction with NCI (Note (b))          | (458,677)                   | –                               | –                 | (458,677)        |
| <b>As at 31 December 2021</b>                  | <b>5,270,220</b>            | <b>327,152</b>                  | <b>17,387</b>     | <b>5,614,759</b> |

### (a) PRC statutory reserve

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

## 25 Other reserves (continued)

(b) During the year ended 31 December 2021, the Group further acquired some equity interests of certain subsidiaries from NCI at an aggregate consideration of RMB534,998,000. The difference of RMB458,677,000 between the carrying value of the NCI acquired and the consideration paid was recorded as other reserve.

## 26 Borrowings

|  | <b>As at 31 December</b> |         |
|--|--------------------------|---------|
|  | <b>2021</b>              | 2020    |
|  | <b>RMB'000</b>           | RMB'000 |
| <b>Borrowings included in non-current liabilities:</b> |                          |         |
| Long-term bank borrowings – secured (Note (a))         | <b>28,850</b>            | 17,036  |
| Less: current portion of non-current borrowings        | <b>(16,405)</b>          | (7,839) |
|  | <b>12,445</b>            | 9,197   |
| <b>Borrowings included in current liabilities:</b>     |                          |         |
| Short-term bank borrowings – secured (Note (b))        | <b>49,679</b>            | 8,700   |
| Short-term bank borrowings – unsecured                 | –                        | 2,000   |
| Asset-backed securities                                | –                        | 206,000 |
| Current portion of long-term bank borrowings           | <b>16,405</b>            | 7,839   |
|  | <b>66,084</b>            | 224,539 |
|  | <b>78,529</b>            | 233,736 |

## Notes to the Consolidated Financial Statements (continued)

### 26 Borrowings (continued)

At 31 December 2021 and 2020, the Group's borrowings were repayable as follows:

|                       | As at 31 December |         |
|-----------------------|-------------------|---------|
|                       | 2021              | 2020    |
|                       | RMB'000           | RMB'000 |
| Within 1 year         | <b>66,084</b>     | 224,539 |
| Between 1 and 2 years | <b>11,338</b>     | 6,557   |
| Between 2 and 5 years | <b>1,107</b>      | 2,640   |
|                       | <b>78,529</b>     | 233,736 |

#### (a) Secured long-term bank borrowings

The secured long-term bank borrowings amounting to RMB28,850,000 as at 31 December 2021 were bearing with fixed interest rates of 3.80%-7.49% per annum and secured by certain PPE (Note 15(a)).

#### (b) Secured short-term bank borrowings

The secured short-term bank borrowings amounting to RMB46,679,000 as at 31 December 2021 were secured by certain PPE (Note 15(a)). The loans were bearing fixed interest rates of 4.10%-5.50% per annum.

The remaining secured short-term bank loan amounting to RMB3,000,000 was secured by certain trade receivables (Note 20).

All the borrowings are denominated in RMB as at 31 December 2021 (31 December 2020: same).



## 27 Trade and other payables

|   | As at 31 December |           |
|---|-------------------|-----------|
|   | 2021              | 2020      |
|   | RMB'000           | RMB'000   |
| Trade payables (Note (a))                   |                   |           |
| – Related parties (Note 36 (d))             | <b>66,818</b>     | 69,119    |
| – Third parties                             | <b>1,691,101</b>  | 1,094,867 |
|   | <b>1,757,919</b>  | 1,163,986 |
| Other payables                              |                   |           |
| – Related parties (Note 36 (d))             | <b>107,235</b>    | 82,140    |
| – Third parties                             | <b>1,676,774</b>  | 1,126,377 |
|   | <b>1,784,009</b>  | 1,208,517 |
| Dividends payables                          | <b>127,309</b>    | 91,224    |
| Accrued payroll                             | <b>1,039,706</b>  | 781,800   |
| Other taxes payables                        | <b>134,249</b>    | 176,375   |
|   | <b>4,843,192</b>  | 3,421,902 |
| Less: non-current portion of other payables | <b>(35,190)</b>   | (51,046)  |
| Current portion of trade and other payables | <b>4,808,002</b>  | 3,370,856 |

(a) As at 31 December 2021 and 2020, the aging analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date were as follows:

|              | As at 31 December |           |
|--------------|-------------------|-----------|
|              | 2021              | 2020      |
|              | RMB'000           | RMB'000   |
| Up to 1 year | <b>1,656,020</b>  | 1,116,044 |
| 1 to 2 years | <b>79,110</b>     | 17,853    |
| 2 to 3 years | <b>10,711</b>     | 14,742    |
| Over 3 years | <b>12,078</b>     | 15,347    |
|              | <b>1,757,919</b>  | 1,163,986 |

As at 31 December 2021, trade and other payables were all denominated in RMB and the fair values of trade and other payables approximated their carrying amounts (31 December 2020: same).

**28 Deferred income tax**

|  | <b>As at 31 December</b> |           |
|--|--------------------------|-----------|
|  | <b>2021</b>              | 2020      |
|  | <b>RMB'000</b>           | RMB'000   |
| Deferred income tax assets:  |                          |           |
| – Deferred tax assets to be recovered after more than 12 months      | <b>98,683</b>            | 35,671    |
| – Deferred tax assets to be recovered within 12 months               | <b>49,261</b>            | 31,043    |
| – Set-off of deferred tax liabilities pursuant to set-off provisions | <b>(10,243)</b>          | (16,410)  |
|  | <b>137,701</b>           | 50,304    |
| Deferred income tax liabilities:                                     |                          |           |
| – Deferred tax liabilities to be recovered after more than 12 months | <b>(329,298)</b>         | (210,548) |
| – Deferred tax liabilities to be recovered within 12 months          | <b>(32,005)</b>          | (31,210)  |
| – Set-off of deferred tax liabilities pursuant to set-off provisions | <b>10,243</b>            | 16,410    |
|  | <b>(351,060)</b>         | (225,348) |
|  | <b>(213,359)</b>         | (175,044) |

## 28 Deferred income tax (continued)

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

|   | Deferred tax<br>assets -<br>allowance on<br>doubtful debts | Deferred tax<br>assets -<br>deductible tax<br>losses | Deferred tax<br>assets -<br>accrued<br>expenses | Deferred tax<br>assets -<br>others | Deferred tax<br>liabilities -<br>financial<br>assets at<br>FVOCI | Deferred tax<br>liabilities -<br>financial<br>assets<br>at fair value<br>through profit<br>and loss | Deferred tax<br>liabilities -<br>excess of<br>carrying<br>amount of<br>other<br>intangible<br>assets over<br>the tax bases | Deferred tax<br>liabilities -<br>differences on<br>recognition of<br>depreciation | Total     |
|---|--|--|---|------------------------------------|--|---|--|---|-----------|
|   | RMB'000  | RMB'000  | RMB'000   | RMB'000                            | RMB'000  | RMB'000   | RMB'000  | RMB'000   | RMB'000   |
| <b>As at 1 January 2020</b>   | 10,095   | 2,331  | 230   | 2,064                              | -  | 242   | (83,533)   | (5,567)   | (74,138)  |
| Credited/(charged) to the consolidated income statement                             | 16,582   | 3,455  | 15,370  | (358)                              | -  | (2,477)   | 27,726   | (1,910)   | 58,388    |
| Acquisition of subsidiaries   | 10,253   | 722  | 1,786   | 4,184                              | -  | -   | (178,990)  | -   | (162,045) |
| Charged to other comprehensive income   | -  | -  | -   | -                                  | (310)  | -   | -  | -   | (310)     |
| Disposal of subsidiaries  | -  | -  | -   | -                                  | -  | -   | 3,061  | -   | 3,061     |
| <b>As at 31 December 2020</b>   | 36,930   | 6,508  | 17,386  | 5,890                              | (310)  | (2,235)   | (231,736)  | (7,477)   | (175,044) |
| <b>As at 1 January 2021</b>   | 36,930   | 6,508  | 17,386  | 5,890                              | (310)  | (2,235)   | (231,736)  | (7,477)   | (175,044) |
| Credited/(charged) to the consolidated income statement                             | 26,837   | 6,878  | 24,755  | (1,706)                            | -  | 2,612   | 42,912   | 2,331   | 104,619   |
| Re-measurement of deferred tax - change in the tax rate of the Company (Note 13(a)) | 1,102  | -  | 419   | -                                  | -  | (67)  | -  | (671)   | 783       |
| Acquisition of subsidiaries (Note 34)   | 23,803   | 467  | 335   | -                                  | -  | -   | (172,897)  | (536)   | (148,828) |
| Charged to other comprehensive income   | -  | -  | -   | -                                  | (1,254)  | -   | -  | -   | (1,254)   |
| Disposal of subsidiaries  | (1,106)  | (861)  | (3)   | -                                  | -  | -   | 8,335  | -   | 6,365     |
| <b>As at 31 December 2021</b>   | 87,566   | 12,992   | 42,892  | 4,184                              | (1,564)  | 310   | (353,386)  | (6,353)   | (213,359) |

Deferred income tax assets are recognised for tax losses carry-forwards to the extent that the realisation of the related benefit through the future taxable profits is probable. The Group did not recognise deferred tax assets of RMB16,509,000 (2020: RMB7,116,000) in respect of tax losses amounting to RMB75,087,000 (2020: RMB28,464,000) as it is not probable that taxable profit will be available against which the deductible temporary difference can be utilised.

## 29 Financial liabilities for put options

|                                       | As at 31 December |          |
|---------------------------------------|-------------------|----------|
|                                       | 2021              | 2020     |
|                                       | RMB'000           | RMB'000  |
| Financial liabilities for put options | <b>107,358</b>    | 94,775   |
| Less: current portion                 | <b>(107,358)</b>  | (19,542) |
| Non-current portion                   | <b>–</b>          | 75,233   |

In March 2019, the Company entered into equity interests transfer agreement with the non-controlling interests of Harbin Jingyang, pursuant to which, the Company issued put option to the non-controlling interests which grant its right to sell the 32% equity interest in Harbin Jingyang back to the Company and would be expired in 2022. The put option written on the non-controlling interests of Harbin Jingyang was then regarded as redemption liabilities determined as the present value of future cash outflows assuming the exercise of the put option by the non-controlling interests, with corresponding charges in equity.

In April 2019, the Company entered into equity interests transfer agreement with the non-controlling interests of Qingdao Huaren, pursuant to which, the Company issued put option to the non-controlling interests which grant its right to sell the all remaining equity interest in Qingdao Huaren back to the Company and would be expired during 2021 to 2023. The put option written on the non-controlling interests of Qingdao Huaren was then regarded as redemption liabilities determined as the present value of future cash outflows assuming the exercise of the put option by the non-controlling interests, with corresponding charges in equity.

The valuation of the redemption liabilities for initial recognition was determined using the discounted cash flow method under the income approach. The significant unobservable inputs are expected discount rate as at the exit date which was determined by the probability-weighted average of floating premiums under three financial projection scenarios prepared by management, and the expected discount rate which was determined using the capital asset pricing model. The redemption liabilities are subsequently accreted through “finance costs”.

## 29 Financial liabilities for put options (continued)

The movement of the redemption liabilities is set out below:

|   | Year ended 31 December |          |
|---|------------------------|----------|
|   | 2021                   | 2020     |
|   | RMB'000                | RMB'000  |
| Opening balance                               | 94,775                 | 70,436   |
| Changes in fair value (Note 10)               | (2,330)                | 8,214    |
| Changes in discounted present value (Note 11) | 14,913                 | 16,125   |
|   | 107,358                | 94,775   |
| Less: current portion                         | (107,358)              | (19,542) |
| Non-current portion                           | –                      | 75,233   |

## 30 Dividends

|           | Year ended 31 December |         |
|-----------|------------------------|---------|
|           | 2021                   | 2020    |
|           | RMB'000                | RMB'000 |
| Dividends | 693,334                | 600,000 |

- (a) A final dividend of RMB0.33 per share and a special dividend of RMB0.19 per share for the year ended 31 December 2020, totalling RMB693,334,000 were declared at the annual general meeting held on 25 May 2021. These dividends have been distributed out of the Company's retained earnings and paid in cash.
- (b) A final dividend of RMB0.41 per share for the year ended 31 December 2021, totalling RMB582,200,000 have been proposed by the Board of the Company and are subject to the approval of the forthcoming annual general meeting to be held on 17 June 2022. These dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected the proposed dividend payable.

### 31 Cash flow information

#### (a) Cash generated from operations

|  | Year ended 31 December |                 |
|--|------------------------|-----------------|
|  | 2021<br>RMB'000        | 2020<br>RMB'000 |
| Profit before income tax   | <b>3,075,574</b>       | 2,487,749       |
| Adjustments for:   |                        |                 |
| – Depreciation of PPE (Note 15(a))   | <b>68,839</b>          | 43,396          |
| – Amortisation of intangible assets (Note 17)  | <b>173,525</b>         | 115,088         |
| – Amortisation of right-of-use assets (Note 15(b))   | <b>39,761</b>          | 22,861          |
| – Impairment losses on financial assets  | <b>160,181</b>         | 97,406          |
| – Losses on disposal of PPE and investment properties (Note 10)                                  | <b>6,300</b>           | 4,974           |
| – Share of post-tax profits of joint ventures and associates<br>(Note 12(b))                     | <b>(31,534)</b>        | (62,261)        |
| – Interest income from loans to related parties (Note 9)   | <b>(2,518)</b>         | (10,860)        |
| – Interest income from loans to third parties  | –                      | (10,381)        |
| – (Gains)/losses from disposal of investments accounted for using<br>the equity method (Note 10) | <b>(58,748)</b>        | 10,719          |
| – Fair value gains on financial assets at FVPL – net (Note 10)                                   | <b>(31,549)</b>        | (34,177)        |
| – Fair value (gains)/losses on put options (Note 10)   | <b>(2,330)</b>         | 8,214           |
| – Fair value gains on investment properties (Note 10)  | <b>(595)</b>           | –               |
| – Gains on disposal of subsidiaries (Note 10)  | <b>(22,039)</b>        | (5,829)         |
| – Finance costs (Note 11)  | <b>24,888</b>          | 40,358          |
| – Foreign exchange losses/(gains)  | <b>2,110</b>           | (1,037)         |
| Changes in working capital:  |                        |                 |
| – Restricted cash  | <b>(21,721)</b>        | –               |
| – Inventories  | <b>15,293</b>          | (3,855)         |
| – Trade and other receivables  | <b>(568,604)</b>       | (379,102)       |
| – Trade and other payables   | <b>157,444</b>         | 673,117         |
| – Contract liabilities   | <b>181,215</b>         | 113,846         |
|  | <b>3,165,492</b>       | 3,110,226       |



### 31 Cash flow information (continued)

(b) A reconciliation of liabilities arising from financing activities is as follows:

|   | Borrowings           | Lease liabilities       | Dividends payable    | Other payables – related parties | Other payables – third parties (excluding trade nature) | Total              |
|---|----------------------|-------------------------|----------------------|----------------------------------|---|--------------------|
|   | RMB'000<br>(Note 26) | RMB'000<br>(Note 15(b)) | RMB'000<br>(Note 27) | RMB'000<br>(Note 36(d))          | RMB'000   | RMB'000            |
| <b>As at 1 January 2020</b>             | 21,300               | 25,535                  | –                    | 55,443                           | 19,000  | 121,278            |
| Cash flows                              |                      |                         |                      |                                  |   |                    |
| – Inflow from financing activities      | 19,631               | –                       | –                    | 26,697                           | 9,800   | 56,128             |
| – Outflow from financing activities     | (150,842)            | (24,132)                | (719,271)            | –                                | (37,989)  | (932,234)          |
| Non-cash changes                        |                      |                         |                      |                                  |   |                    |
| – Additions of lease liabilities        | –                    | 19,738                  | –                    | –                                | –   | 19,738             |
| – Finance costs recognised              | –                    | 1,981                   | –                    | –                                | 17,258  | 19,239             |
| – Exchange gains                        | –                    | –                       | (1,566)              | –                                | –   | (1,566)            |
| – Accrued dividends                     | –                    | –                       | 712,687              | –                                | –   | 712,687            |
| – Acquisition of subsidiaries           | 343,647              | 13,966                  | 99,374               | –                                | 29,428  | 486,415            |
| <b>As at 31 December 2020</b>           | 233,736              | 37,088                  | 91,224               | 82,140                           | 37,497  | 481,685            |
| Cash flows                              |                      |                         |                      |                                  |   |                    |
| – Inflow from financing activities      | <b>20,264</b>        | –                       | –                    | <b>25,095</b>                    | <b>64,579</b>   | <b>109,938</b>     |
| – Outflow from financing activities     | <b>(306,439)</b>     | <b>(44,640)</b>         | <b>(874,965)</b>     | –                                | <b>(50,755)</b>   | <b>(1,276,799)</b> |
| Non-cash changes                        |                      |                         |                      |                                  |   |                    |
| – Additions of lease liabilities        | –                    | <b>43,969</b>           | –                    | –                                | –   | <b>43,969</b>      |
| – Finance costs recognised              | –                    | <b>3,507</b>            | –                    | –                                | <b>4,686</b>  | <b>8,193</b>       |
| – Exchange losses/(gains)               | –                    | –                       | –                    | –                                | <b>(1,216)</b>  | <b>(1,216)</b>     |
| – Accrued dividends                     | –                    | –                       | <b>884,497</b>       | –                                | –   | <b>884,497</b>     |
| – Acquisition of subsidiaries (Note 34) | <b>155,968</b>       | <b>37,930</b>           | <b>45,475</b>        | –                                | <b>9,122</b>  | <b>248,495</b>     |
| – Disposal of subsidiaries              | <b>(25,000)</b>      | <b>(26)</b>             | <b>(18,922)</b>      | –                                | <b>(37,497)</b>   | <b>(81,445)</b>    |
| – Disposal of ROU                       | –                    | <b>(70)</b>             | –                    | –                                | –   | <b>(70)</b>        |
| <b>As at 31 December 2021</b>           | <b>78,529</b>        | <b>77,758</b>           | <b>127,309</b>       | <b>107,235</b>                   | <b>26,416</b>   | <b>417,247</b>     |

### 32 Contingencies

As at 31 December 2021, the Group pledged its fixed deposit of RMB3,300,200,000 as collateral to certain business development partners for bank borrowings and facilities (Note 23(b)). Should there be any default by the business partners in settlement of the bank borrowings and facilities, the corresponding pledged deposits will be executed by the respective banks as collateral. The Group cancelled the pledge agreements with the respective banks and the pledges of cash deposits have been released up to the report date without any default.

### 33 Commitments

#### (a) Capital commitments

There was no capital expenditures contracted but not provided for at the end of the year.

#### (b) Operating lease commitments – as lessee

The Group leases offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between one month and 15 years.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases, see Note 15(b) for further information.

### 34 Business combinations

During the year ended 31 December 2021, the Group completed the acquisitions of 60% equity interests in New CMIG PM, 51% equity interests in Beijing Huifeng, 60% equity interests in Shaanxi Mingtang, 51% equity interests in Dalian Mingri, 65% equity interests in Shandong Hongtai and 38.8% equity interests in Guangzhou Weixiang at an aggregated purchase consideration of RMB1,483,122,000. Total identifiable net assets of these entities as at their respective acquisition dates amounted to RMB1,036,136,000.

Goodwill of RMB1,027,350,000 primarily arose from the expected future development of these companies' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. Goodwill recognised is not expected to be deductible for income tax purposes.

**34 Business combinations (continued)**

Details of the purchase considerations, the net assets acquired are as follows:

|  | <b>As at the<br/>respective<br/>acquisition dates</b> |
|--|---|
|  | RMB'000   |
| Purchase consideration   |   |
| Cash consideration   | 1,181,991   |
| Transfer from associates   | 301,131   |
| <b>Total purchase consideration</b>  | <b>1,483,122</b>                                      |
| <b>Recognised amounts of identifiable assets acquired and liabilities assumed</b>      |   |
| PPE (Note 15)  | 321,532   |
| Right-of-use assets (Note 15)  | 34,636  |
| Investment properties (Note 16)  | 110,337   |
| Other intangibles (excluding customer relationship, backlogs and trademarks) (Note 17) | 3,556   |
| Customer relationship and backlogs (included in other intangible assets) (Note 17)     | 577,518   |
| Trademarks (included in other intangible assets) (Note 17)                             | 34,942  |
| Deferred income tax assets (Note 28)   | 24,605  |
| Investments accounted for using the equity method (Note 12(b))                         | 662   |
| Financial assets at FVOCI (Note 3.3(b))  | 5,025   |
| Financial assets at FVPL (Note 3.3(b))   | 27,850  |
| Trade and other receivables (Note (b))   | 1,452,957   |
| Inventories  | 35,318  |
| Cash and cash equivalents (Note (a))   | 317,129   |
| Borrowings   | (155,968)   |
| Trade and other payables   | (1,303,256)   |
| Lease liabilities  | (37,930)  |
| Contract liabilities   | (210,851)   |
| Current income tax liabilities   | (28,493)  |
| Deferred income tax liabilities (Note 28)  | (173,433)   |
| Total identifiable net assets  | 1,036,136   |
| Less: non-controlling interests  | (580,364)   |
| Identifiable net assets attributable to the Group                                      | 455,772   |
| <b>Goodwill (Note 17)</b>  | <b>1,027,350</b>                                      |

### 34 Business combinations (continued)

(a) Net cash outflow arising on acquisition during the year ended 31 December 2021:

|  | RMB'000   |
|--|-----------|
| Total fair value of cash consideration                                     | 1,181,991 |
| Less: cash considerations payable as at 31 December 2021                   | (35,727)  |
| Less: cash considerations paid in prior year                               | (103,275) |
| Add: cash considerations paid for a company acquired in the previous years | 709       |
| Cash considerations paid in the year                                       | 1,043,698 |
| Less: cash and cash equivalents in the subsidiaries acquired               | (317,129) |
| Cash outflow in the year   | 726,569   |

**(b) Acquired receivables**

The fair value of trade and other receivables is RMB1,452,957,000 and includes trade receivables with a fair value of RMB801,233,000. The gross contractual amount for trade receivables due is RMB895,076,000, of which RMB93,843,000 is expected to be uncollectible.

**(c) Revenue and profit contribution**

The acquired businesses contributed revenues of RMB2,017,622,000 and net profits of RMB85,137,000 to the Group for the year ended 31 December 2021.

If the acquisitions had occurred on 1 January 2021, the Group's consolidated pro-forma revenue and net profit for the year ended 31 December 2021 would have been RMB15,145,713,000 and RMB2,636,712,000, respectively.

No contingent liability has been recognised for the business combination during the year ended 31 December 2021.

### 35 Disposal of subsidiaries

During the year ended 31 December 2021, certain subsidiaries of the Group were disposed of at cash considerations of RMB155,000,000 in aggregate.

|   | Note | <b>As at the<br/>respective dates<br/>of the disposals<br/>RMB'000</b> |
|---|------|--|
| <hr/>   |      |  |
| Disposal considerations   |      |  |
| – Cash consideration received   |      | 155,000  |
| – Transfer of unsettled acquisition consideration of a subsidiary disposed of |      | 60,774   |
|   |      | <hr/> 215,774  |
| Less:   |      |  |
| – Carrying value of net assets of the subsidiaries                            |      | (193,735)  |
| Gains from disposal of subsidiaries   | 10   | <hr/> 22,039   |
| <hr/>   |      |  |
| <b>Cash proceeds from disposal, net of cash disposed of</b>                   |      |  |
| Cash consideration received   |      | 155,000  |
| Less: cash and cash equivalents in the subsidiaries                           |      | (21,624)   |
| Net cash inflow on disposals  |      | <hr/> 133,376  |

## Notes to the Consolidated Financial Statements (continued)

### 36 Related party transactions

#### (a) Name and relationship with related parties

| Name  | Relationship   |
|---|--|
| Agile Holdings and its subsidiaries<br>雅居樂集團控股有限公司及其附屬公司  | Ultimate holding company and its subsidiaries                                  |
| Founding Shareholders, including Mr. Chen Zhuo Lin, Mr. Chan Cheuk Yin, Ms. Luk Sin Fong, Fion, Mr. Chan Cheuk Hung, Mr. Chan Cheuk Hei, and Mr. Chan Cheuk Nam (the “Founding Shareholders”) | Founding shareholders of Agile Holdings  |
| Zhongshan A-Living<br>中山雅生活企業管理服務有限公司   | Controlling shareholder of the Company   |
| Deluxe Star International Limited<br>旺紀國際有限公司   | Intermediate holding company   |
| Greenland Holdings and its subsidiaries<br>綠地控股集團有限公司及其附屬公司   | A shareholder having significant influence on the Company and its subsidiaries |
| CMIG Futurelife Holding Group Co., Ltd* (“CMIG”) and its subsidiaries<br>中民未來控股集團有限公司及其附屬公司   | Non-controlling shareholder with significant influence and its subsidiaries    |
| Zhongshan Agile Changjiang Hotel Co., Ltd*<br>中山雅居樂長江酒店有限公司   | Controlled by the Founding Shareholders  |
| Zhongshan Changjiang Golf Course*<br>中山長江高爾夫球場  | Controlled by the Founding Shareholders  |
| Hainan Agile Lehan Hotel Management Co., Ltd*<br>海南雅居樂瀚海酒店管理有限公司  | Controlled by the Founding Shareholders  |
| Chengdu Xueling Enterprise Management Co., Ltd.*<br>成都雪瓚企業管理有限公司  | Associate of Agile Holdings  |
| Jinzhong Jintianheyi Property Development Co., Ltd.*<br>晉中錦添合意房地產開發有限公司   | Associate of Agile Holdings  |



### 36 Related party transactions (continued)

#### (a) Name and relationship with related parties (continued)

| Name   | Relationship                |
|--|-----------------------------|
| Guangzhou Lihe Real Estate Development Co., Ltd.*<br>廣州利合房地產開發有限公司                             | Associate of Agile Holdings |
| Sichuan Yacan Real Estate Development Co., Ltd.*<br>四川雅燦房地產開發有限公司                              | Associate of Agile Holdings |
| Foshan Changzhong Property Development Co., Ltd.*<br>佛山市昌重房地產開發有限公司                            | Associate of Agile Holdings |
| Foshan Sanshui Qingmei Real Estate Development Co., Ltd.*<br>佛山市三水區擎美房地產有限公司                   | Associate of Agile Holdings |
| Sichuan Yaheng Real Estate Development Co., Ltd.*<br>四川雅恒房地產開發有限公司                             | Associate of Agile Holdings |
| Avic Meili urban and Rural Sanitation Group Co.,Ltd.*<br>中航美麗城鄉環衛集團有限公司                        | Associate of the Group      |
| Chongqing Weishi Property Management Co.,Ltd*<br>重慶衛士物業管理有限公司                                  | Associate of the Group      |
| Nanjing Haiyue Property Management Co.,Ltd*<br>南京海玥物業管理有限公司                                    | Associate of the Group      |
| Shanghai Zunrong Security Service Co., Ltd.<br>上海尊榮保安服務有限公司                                    | Associate of the Group      |
| Shenzhen Huilongcheng Property Management Co.,Ltd*<br>深圳市匯龍城物業管理有限公司                           | Associate of the Group      |
| Square Asset Management Limited.*  | Associate of the Group      |
| Tianjin Zhuosen Business Management Co., Ltd.*<br>("Tianjin Zhuosen") Note (i)<br>天津卓森商業管理有限公司 | Associate of the Group      |

### 36 Related party transactions (continued)

#### (a) Name and relationship with related parties (continued)

| Name  | Relationship                        |
|---|-------------------------------------|
| Guangzhou Huibang Property Co., Ltd.*<br>廣州市暉邦置業有限公司                          | Joint venture of Greenland Holdings |
| Greenland Hangzhou Shuangta Property Co., Ltd.*<br>綠地控股集團杭州雙塔置業有限公司           | Joint venture of Greenland Holdings |
| Guangzhou Greenland Baiyun Property Co., Ltd.*<br>廣州綠地白雲置業有限公司                | Joint venture of Greenland Holdings |
| Huizhou Huiyang Agile Real Estate Development Co., Ltd.*<br>惠州市惠陽雅居樂房地產開發有限公司 | Joint venture of Agile Holdings     |
| Beihai Yaguang Property Development Co., Ltd.*<br>北海雅廣房地產開發有限公司               | Joint venture of Agile Holdings     |
| Guangxi Fuya Investments Co., Ltd.*<br>廣西富雅投資有限公司                             | Joint venture of Agile Holdings     |
| Henan Yafu Property Co., Ltd.*<br>河南雅福置業有限公司                                  | Joint venture of Agile Holdings     |
| Huizhou Bailuhu Tour Enterprise Development Co., Ltd.*<br>惠州白鷺湖旅遊實業開發有限公司     | Joint venture of Agile Holdings     |
| Weihai Yalan Investment Co., Ltd.*<br>威海雅藍投資開發有限公司                            | Joint venture of Agile Holdings     |
| Zhuhai Yahan Real Estate Development Co., Ltd.*<br>珠海市雅瀚房地產開發有限公司             | Joint venture of Agile Holdings     |
| Zhuhai Yahao Real Estate Development Co., Ltd.*<br>珠海市雅灝房地產開發有限公司             | Joint venture of Agile Holdings     |
| Kaifeng Fenghui Property Co., Ltd.*<br>開封豐輝置業有限公司                             | Joint venture of Agile Holdings     |

### 36 Related party transactions (continued)

#### (a) Name and relationship with related parties (continued)

| Name   | Relationship                    |
|--|---------------------------------|
| Wenhua Zhongshan Real Estate Co., Ltd.*<br>中山市文華房地產有限公司      | Joint venture of Agile Holdings |
| Guigang Shenghe Property Service Co., Ltd.*<br>貴港市盛和物業服務有限公司 | Joint venture of the Group      |
| Hangzhou Lvsong Property Services Co., Ltd.*<br>杭州綠宋物業服務有限公司 | Joint venture of the Group      |
| Qingdao Qinglv City Services Co., Ltd.*<br>青島青旅城市服務有限公司      | Joint venture of the Group      |

The above table lists the principal related parties of the Group which, in the opinion of the directors, principally affect the results and net assets of the Group.

\* The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

(i) Tianjin Zhuosen was also an associate of Agile Holdings before 29 December 2020, when Agile Holdings disposed of its interests in the holding company of Tianjin Zhuosen. Since then, Tianjin Zhuosen is significantly influenced by the close family member of the Founding Shareholders and is no longer accounted for as an associate of Agile Holdings.

**36 Related party transactions (continued)****(b) Transactions with related parties**

|  | Year ended 31 December |           |
|--|------------------------|-----------|
|  | 2021                   | 2020      |
|  | RMB'000                | RMB'000   |
| Provision of services  |                        |           |
| Entities controlled by Agile Holdings                            | <b>2,711,655</b>       | 2,173,460 |
| Joint ventures and associates of Agile Holdings                  | <b>418,184</b>         | 275,552   |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>748,652</b>         | 147,664   |
| Joint ventures and associates of the Group                       | <b>13,052</b>          | 12,299    |
| Entities controlled by the Founding Shareholders                 | <b>776</b>             | 726       |
| Joint ventures of Greenland Holdings                             | <b>305</b>             | 893       |
| CMIG and entities controlled by CMIG                             | <b>–</b>               | 122       |
|  | <b>3,892,624</b>       | 2,610,716 |

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Purchase of services   |                        |         |
| An associate of the Group  | <b>25,606</b>          | 86,020  |
| Controlled by Agile Holdings                                     | <b>21,972</b>          | –       |
| Joint ventures and associates of Agile Holdings                  | <b>2,079</b>           | –       |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>9,598</b>           | –       |
|  | <b>59,255</b>          | 86,020  |

**36 Related party transactions (continued)****(b) Transactions with related parties (continued)**

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Interest income received on loans due from related parties |                        |         |
| CMIG   | –                      | 10,860  |
| Associates of the Group                                    | <b>2,518</b>           | –       |
|  | <b>2,518</b>           | 10,860  |

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Rental expenses paid relating to short-term and low-value leases |                        |         |
| Entities controlled by Agile Holdings                            | <b>1,097</b>           | 1,126   |
| Entities controlled by the Founding Shareholders                 | <b>2,203</b>           | 2,087   |
|  | <b>3,300</b>           | 3,213   |

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Interest expense for lease liabilities   |                        |         |
| Entities controlled by Agile Holdings    | <b>108</b>             | 115     |
| A Founding Shareholder of Agile Holdings | <b>11</b>              | 31      |
| Joint venture of the Group               | <b>4</b>               | –       |
|  | <b>123</b>             | 146     |

### 36 Related party transactions (continued)

#### (b) Transactions with related parties (continued)

|  | Year ended 31 December |         |
|--|------------------------|---------|
|  | 2021                   | 2020    |
|  | RMB'000                | RMB'000 |
| Payment of lease liabilities             |                        |         |
| Entities controlled by Agile Holdings    | <b>1,295</b>           | 853     |
| A Founding Shareholder of Agile Holdings | <b>429</b>             | 410     |
| Joint venture of the Group               | <b>47</b>              | –       |
|  | <b>1,771</b>           | 1,263   |

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

#### (c) Key management compensation

Compensations for key management other than those for directors and supervisors as disclosed in Note 38 are set out below.

|   | Year ended 31 December |         |
|---|------------------------|---------|
|   | 2021                   | 2020    |
|   | RMB'000                | RMB'000 |
| Salaries and other short-term employee benefits | <b>7,583</b>           | 6,236   |
| Bonus   | <b>912</b>             | 4,763   |
| Contribution to pension scheme                  | <b>144</b>             | 40      |
|   | <b>8,639</b>           | 11,039  |

**36 Related party transactions (continued)****(d) Balances with related parties**

|  | <b>As at 31 December</b> |         |
|--|--------------------------|---------|
|  | <b>2021</b>              | 2020    |
|  | <b>RMB'000</b>           | RMB'000 |
| <b>Due from related parties</b>                                  |                          |         |
| – Trade receivables  |                          |         |
| Entities controlled by Agile Holdings                            | <b>631,094</b>           | 484,856 |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>544,532</b>           | 251,596 |
| Joint ventures and associates of Agile Holdings                  | <b>323,270</b>           | 95,490  |
| Joint ventures and associates of the Group                       | <b>15,882</b>            | 9,048   |
| CMIG and entities controlled by CMIG                             | <b>5,468</b>             | 501     |
| Joint ventures of Greenland Holdings                             | <b>3,757</b>             | 3,433   |
|  | <b>1,524,003</b>         | 844,924 |
| – Other receivables (Note (i))                                   |                          |         |
| Joint ventures and associates of the Group                       | <b>208,960</b>           | 14,128  |
| Entities controlled by Agile Holdings                            | <b>28,291</b>            | 68,005  |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>19,760</b>            | 387     |
| Joint ventures and associates of Agile Holdings                  | <b>18,090</b>            | 4,858   |
| Entities controlled by the Founding Shareholders                 | <b>2,912</b>             | 909     |
| CMIG and entities controlled by CMIG                             | <b>165</b>               | 2,042   |
|  | <b>278,178</b>           | 90,329  |
| – Prepayments  |                          |         |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>285,142</b>           | 7,146   |
| Associates of the Group  | <b>2,000</b>             | 23      |
| Entities controlled by Agile Holdings                            | <b>1,412</b>             | 1,556   |
| Associates of Agile Holdings                                     | <b>203</b>               | 14      |
| Joint venture of Agile Holdings                                  | <b>31</b>                | –       |
|  | <b>288,788</b>           | 8,739   |
|  | <b>2,090,969</b>         | 943,992 |



**36 Related party transactions (continued)****(d) Balances with related parties (continued)**

|  | <b>As at 31 December</b> |         |
|--|--------------------------|---------|
|  | <b>2021</b>              | 2020    |
|  | <b>RMB'000</b>           | RMB'000 |
| <b>Due to related parties</b>                                    |                          |         |
| – Trade payables   |                          |         |
| Associates of the Group  | <b>42,730</b>            | 59,285  |
| Entities controlled by Agile Holdings                            | <b>21,439</b>            | 8,193   |
| CMIG and entities controlled by CMIG                             | <b>2,076</b>             | 1,571   |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>320</b>               | –       |
| Joint ventures and associates of Agile Holdings                  | <b>253</b>               | 70      |
|  | <b>66,818</b>            | 69,119  |
| – Other payables (Note(ii))                                      |                          |         |
| Entities controlled by Agile Holdings                            | <b>92,599</b>            | 65,559  |
| Associates of the Group  | <b>7,661</b>             | 7,617   |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>3,883</b>             | 3,600   |
| Joint ventures of Agile Holdings                                 | <b>2,614</b>             | 2,542   |
| A Founding Shareholder of Agile Holdings                         | <b>445</b>               | 445     |
| Associates of Agile Holdings                                     | <b>33</b>                | 894     |
| CMIG and entities controlled by CMIG                             | <b>–</b>                 | 1,483   |
|  | <b>107,235</b>           | 82,140  |
| – Contract liabilities   |                          |         |
| Entities controlled by Agile Holdings                            | <b>37,382</b>            | 65,654  |
| Joint ventures and associates of Agile Holdings                  | <b>8,042</b>             | 8,256   |
| Greenland Holdings and entities controlled by Greenland Holdings | <b>3,461</b>             | 1,579   |
| Associates of the Group  | <b>–</b>                 | 6,738   |
| Entities controlled by the Founding Shareholders                 | <b>–</b>                 | 10      |
|  | <b>48,885</b>            | 82,237  |
|  | <b>222,938</b>           | 233,496 |

**36 Related party transactions (continued)****(d) Balances with related parties (continued)**

- (i) Other receivables due from related parties are unsecured. Except for the balances paid as deposits, which are repayable upon maturity of rental period according to the respective contracts, the remaining balances are repayable on demand. Part of other receivables due from related parties are interest-bearing, see Note 36(e) below.
- (ii) Other payables due to related parties mainly represented the receipts of communal area income on behalf of the properties' owners, which are interest-free and repayable on demand.

**(e) Loans and interest receivables due from related parties**

|                                 | <b>Year ended 31 December</b> |           |
|---------------------------------|-------------------------------|-----------|
|                                 | <b>2021</b>                   | 2020      |
|                                 | <b>RMB'000</b>                | RMB'000   |
| As at beginning of the year     | –                             | –         |
| Addition                        | <b>194,725</b>                | 17,450    |
| Acquisition of subsidiaries     | –                             | 324,068   |
| Repayments from related parties | –                             | (338,450) |
| Interest income (Note 9)        | <b>2,518</b>                  | 10,860    |
| Interest received               | –                             | (13,928)  |
| As at end of the year           | <b>197,243</b>                | –         |

Loans and interest receivables due from related parties bear an interest rate of 1.0% to 5.6% per annum and are repayable in one year or on demand.

**37 Balance sheet and reserve movement of the Company**

|   | <b>As at 31 December</b> |           |
|---|--------------------------|-----------|
|   | <b>2021</b>              | 2020      |
|   | <b>RMB'000</b>           | RMB'000   |
| <b>Assets</b>   |                          |           |
| <b>Non-current assets</b>                             |                          |           |
| Property, plant and equipment                         | <b>61,111</b>            | 60,727    |
| Right-of-use assets                                   | <b>8,417</b>             | 5,958     |
| Other intangible assets                               | <b>1,127</b>             | 1,750     |
| Investments accounted for using the equity method     | <b>601,258</b>           | 582,498   |
| Deferred income tax assets                            | <b>5,632</b>             | 4,485     |
| Investments in subsidiaries                           | <b>3,555,182</b>         | 3,512,132 |
| Prepayments   | <b>20,014</b>            | 13,955    |
| Financial assets at fair value through profit or loss | <b>2,808</b>             | 2,390     |
|   | <b>4,255,549</b>         | 4,183,895 |
| <b>Current assets</b>                                 |                          |           |
| Trade and other receivables                           | <b>6,786,943</b>         | 2,549,289 |
| Inventories   | <b>10,610</b>            | 9,463     |
| Financial assets at fair value through profit or loss | <b>494,043</b>           | 584,427   |
| Restricted cash                                       | <b>90</b>                | 88        |
| Cash and cash equivalents                             | <b>1,916,567</b>         | 2,223,697 |
|   | <b>9,208,253</b>         | 5,366,964 |
| <b>Total assets</b>                                   | <b>13,463,802</b>        | 9,550,859 |

**37 Balance sheet and reserve movement of the Company (continued)**

|   | <b>As at 31 December</b> |           |
|---|--------------------------|-----------|
|   | <b>2021</b>              | 2020      |
|   | <b>RMB'000</b>           | RMB'000   |
| <b>Equity</b>   |                          |           |
| <b>Equity attributable to shareholders of the Company</b> |                          |           |
| Share capital   | <b>1,420,001</b>         | 1,333,334 |
| Other reserves (Note (a))                                 | <b>6,021,627</b>         | 3,352,827 |
| Retained earnings   | <b>1,275,466</b>         | 1,254,629 |
| <b>Total equity</b>                                       | <b>8,717,094</b>         | 5,940,790 |
| <b>Liabilities</b>  |                          |           |
| <b>Non-current liabilities</b>                            |                          |           |
| Lease liabilities   | <b>4,269</b>             | 2,332     |
| Financial liabilities for put options                     | –                        | 37,063    |
| Contract liabilities                                      | <b>74,936</b>            | 52,629    |
|   | <b>79,205</b>            | 92,024    |
| <b>Current liabilities</b>                                |                          |           |
| Contract liabilities                                      | <b>375,457</b>           | 311,171   |
| Trade and other payables                                  | <b>4,092,278</b>         | 3,076,207 |
| Current income tax liabilities                            | <b>152,300</b>           | 119,285   |
| Financial liabilities for put options                     | <b>43,113</b>            | 7,588     |
| Lease liabilities   | <b>4,355</b>             | 3,794     |
|   | <b>4,667,503</b>         | 3,518,045 |
| <b>Total Liabilities</b>                                  | <b>4,746,708</b>         | 3,610,069 |
| <b>Total equity and liabilities</b>                       | <b>13,463,802</b>        | 9,550,859 |

The balance sheet of the Company was approved by the Board of Directors on 29 April 2022 and was signed on its behalf:

**Chan Cheuk Hung**  
Director

**Huang Fengchao**  
Director

**37 Balance sheet and reserve movement of the Company (continued)****(a) Reserve movement of the Company**

|  | Share<br>premium<br>RMB'000 | Statutory<br>reserve<br>RMB'000 | Others<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------------------|---------------------------------|-------------------|------------------|
| <b>As at 1 January 2020</b>                          | 3,138,053                   | 119,271                         | (26,051)          | 3,231,273        |
| Appropriation of statutory reserves<br>(Note 25 (a)) | –                           | 121,554                         | –                 | 121,554          |
| <b>As at 31 December 2020</b>                        | 3,138,053                   | 240,825                         | (26,051)          | 3,352,827        |
| Appropriation of statutory reserves<br>(Note 25 (a)) | –                           | <b>77,956</b>                   | –                 | <b>77,956</b>    |
| Placing of new H Shares (Note 24 (a))                | <b>2,590,844</b>            | –                               | –                 | <b>2,590,844</b> |
| <b>As at 31 December 2021</b>                        | <b>5,728,897</b>            | <b>318,781</b>                  | <b>(26,051)</b>   | <b>6,021,627</b> |

**38 Directors' and supervisors' benefits and interests**

During the year ended 31 December 2021, the directors and supervisors are listed in the following:

**Executive Directors**

Mr. Chan Cheuk Hung (Note (a)(i), (f)) (Co-chairman)

Mr. Huang Fengchao (Note (a)(i), (f)) (Co-chairman)

Mr. Li Dalong (Note (a)(ii), (f)) (President (General Manager) and Chief Executive Officer)

Mr. Feng Xin (Note (f)) (Retired with effect from 21 July 2020)

**Non-executive Directors**

Mr. Wei Xianzhong (Note (a)(ii))

Ms. Yue Yuan (Note (a)(iii))

**Independent Non-executive Directors**

Mr. Wan Kam To (Note (a)(ii))

Ms. Wong Chui Ping Cassie (Note (a)(ii)) (Appointed on 21 July 2020)

Mr. Wang Peng (Note (a)(ii)) (Removed from 21 January 2022)

Mr. Wan Sai Cheong, Joseph (Retired with effect from 21 July 2020)

Mr. Weng Guoqiang (Appointed on 21 January 2022)

**Supervisors**

Mr. Liu Jianrong (Note (a)(ii)) (Appointed on 21 July 2020)

Ms. Chen Liru (Retired with effect from 21 July 2020)

Ms. Huang Zhixia (Note (a)(ii))

Mr. Shi Zhengyu (Note (a)(ii))

Mr. Wang Gonghu (Note (a)(ii)) (Appointed on 21 July 2020)

Mr. Li Jianhui (Retired with effect from 21 July 2020)

Mr. Wang Shao (Note (a)(ii))

**38 Directors' and supervisors' benefits and interests (continued)****(a) Directors' and supervisors' emoluments**

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

| Name                                     | Fees<br>RMB'000 | Salaries<br>RMB'000 | Bonus<br>RMB'000 | Housing<br>allowance and<br>contributions<br>to a retirement<br>benefit<br>scheme<br>RMB'000 | Total<br>RMB'000 |
|--|-----------------|---------------------|------------------|--|------------------|
| Executive directors                      |                 |                     |                  |  |                  |
| Mr. Li Dalong (Note (a)(ii), (f))        | -               | 2,310               | -                | 75   | 2,385            |
| Independent non-executive directors      |                 |                     |                  |  |                  |
| Mr. Wan Kam To (Note (a)(ii))            | 337             | -                   | -                | -  | 337              |
| Ms. Wong Chui Ping Cassie (Note (a)(ii)) | 337             | -                   | -                | -  | 337              |
| Supervisors                              |                 |                     |                  |  |                  |
| Mr. Liu Jianrong (Note (a)(ii))          | -               | 689                 | -                | 99   | 788              |
| Ms. Huang Zhixia (Note (a)(ii))          | -               | 305                 | -                | 29   | 334              |
| Mr. Wang Gonghu (Note (a)(ii))           | -               | 120                 | -                | -  | 120              |
| Mr. Wang Shao (Note (a)(ii))             | -               | 120                 | -                | -  | 120              |
|  | <b>674</b>      | <b>3,544</b>        | <b>-</b>         | <b>203</b>   | <b>4,421</b>     |

**38 Directors' and supervisors' benefits and interests (continued)****(a) Directors' and supervisors' emoluments (continued)**

The directors and supervisors received emoluments from the Group for the year ended 31 December 2020 as follows:

| Name                                     | Fees<br>RMB'000 | Salaries<br>RMB'000 | Bonus<br>RMB'000 | Housing<br>allowance and<br>contributions<br>to a retirement<br>benefit<br>scheme | Total<br>RMB'000 |
|--|-----------------|---------------------|------------------|---|------------------|
|  |                 |                     |                  | RMB'000   |                  |
| Executive directors                      |                 |                     |                  |   |                  |
| Mr. Li Dalong (Note (a)(ii), (f))        | –               | 1,844               | 960              | 149   | 2,953            |
| Mr. Feng Xin (Note (f))                  | –               | 1,236               | 1,373            | 99  | 2,708            |
| Non-executive director                   |                 |                     |                  |   |                  |
| Mr. Wei Xianzhong (Note (a)(ii))         | 196             | –                   | –                | –   | 196              |
| Independent non-executive directors      |                 |                     |                  |   |                  |
| Mr. Wan Kam To (Note (a)(ii))            | 356             | –                   | –                | –   | 356              |
| Ms. Wong Chui Ping Cassie (Note (a)(ii)) | 160             | –                   | –                | –   | 160              |
| Mr. Wan Sai Cheong, Joseph               | 196             | –                   | –                | –   | 196              |
| Supervisors                              |                 |                     |                  |   |                  |
| Mr. Liu Jianrong (Note (a)(ii))          | –               | 685                 | 641              | 84  | 1,410            |
| Ms. Chen Liru                            | –               | 508                 | 316              | 51  | 875              |
| Ms. Huang Zhixia (Note (a)(ii))          | –               | 281                 | 174              | 27  | 482              |
| Mr. Wang Gonghu (Note (a)(ii))           | –               | 54                  | –                | –   | 54               |
| Mr. Li Jianhui                           | –               | 66                  | –                | –   | 66               |
| Mr. Wang Shao (Note (a)(ii))             | –               | 120                 | –                | –   | 120              |
|  | 908             | 4,794               | 3,464            | 410   | 9,576            |



### 38 Directors' and supervisors' benefits and interests (continued)

#### (a) Directors' and supervisors' emoluments (continued)

- (i) The executive directors, Mr. Huang Fengchao and Mr. Chan Cheuk Hung received emoluments totalling RMB9,104,000 during the year ended 31 December 2021 (2020: RMB11,601,000), which were borne by related parties of the Group. Mr. Huang Fengchao and Mr. Chan Cheuk Hung were also directors of Agile Holdings during the year ended 31 December 2021, and their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.
- (ii) The executive directors, Mr. Li Dalong, independent non-executive directors, Mr. Wan Kam To, Ms. Wong Chui Ping Cassie and the Supervisors, Mr. Liu Jianrong, Ms. Huang Zhixia, Mr. Wang Gonghu and Mr. Wang Shao did not receive any emoluments from the related parties of the Group for the year ended 31 December 2021 (2020: nil).

The independent non-executive Director Mr. Wang Peng and the Supervisor Mr. Shi Zhengyu did not receive any emoluments from the Group or the related parties of the Group for the year ended 31 December 2021 (2020: nil).

The non-executive director Mr. Wei Xianzhong did not receive any emoluments from the Group or the related parties of the Group for the year ended 31 December 2021 (2020: RMB196,000).

- (iii) The non-executive director Ms. Yue Yuan received emoluments totalling RMB5,315,000 during the year ended 31 December 2021, which were borne by related parties of the Group. Ms. Yue Yuan was also management of Agile Holdings during the year ended 31 December 2021, and her emolument was not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

#### (b) Retirement benefits of directors and supervisors

During the year ended 31 December 2021, there were no additional retirement benefit received by the directors and supervisors except for the housing allowance and contributions to a retirement benefit scheme as disclosed in Note (a) above (2020: nil).

#### (c) Termination benefits of directors and supervisors

During the year ended 31 December 2021, there were no termination benefits received by the directors and supervisors (2020: nil).

#### (d) Consideration provided to third parties for making available the services of directors and supervisors

During the year ended 31 December 2021, no consideration was paid for making available the services of the directors or supervisors of the Company (2020: nil).

#### (e) Information about loans, quasi-loans and other dealings in favor of directors and supervisors, controlled bodies corporate by and connected entities with such directors and supervisors

During the year ended 31 December 2021, there were no loans, quasi-loans and other dealings entered into by the Company or subsidiaries undertaking of the Company, where applicable, in favor of directors and supervisors (2020: nil).

### 38 Directors' and supervisors' benefits and interests (continued)

**(f) Material interests of directors and supervisors in transactions, arrangements or contracts**

Mr. Chan Cheuk Hung is one of the Founding Shareholders and executive directors of Agile Holdings, the Company's ultimate holding company. Mr. Chan Cheuk Hung, is one of the beneficiaries of a family trust, which indirectly held 62.63% equity interests in Agile Holdings as at 31 December 2021 (at 31 December 2020: 62.63%). The Group's transactions with Agile Holdings and related entities are set out in Note 36.

Gongqingcheng A-Living Investment Management Limited Partnership (共青城雅生活投資管理合夥企業(有限合夥)) ("Gongqingcheng Investment") was established under the laws of the PRC. On 26 July 2017, the Company and Gongqingcheng Investment entered into a capital increase agreement, pursuant to which Gongqingcheng Investment shall subscribe for 8,000,000 shares of the Company at a cash consideration of RMB200,000,000. As at 31 December 2021, Gongqingcheng Yagao Investment Management Co., Ltd.\* was Gongqingcheng Investment's general partner and Shanghai Yongya Business Consultancy Limited Partnership, Shanghai Yeya Business Consultancy Limited Partnership, Mr. Huang Fengchao (黃奉潮), Mr. Li Dalong (李大龍) and Mr. Feng Xin (馮欣) were its limited partners.

Except for those mentioned above, no significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director or supervisor of the Company had interests, whether directly or indirectly, subsisted at the years ended 31 December 2021 and 2020 or at any time during the years ended 31 December 2021 and 2020.

# Five-Year Financial Summary

## Consolidated income statement

|  | 2021<br>RMB'000     | Year ended 31 December |                 |                 |                 |
|--|---------------------|------------------------|-----------------|-----------------|-----------------|
|  |                     | 2020<br>RMB'000        | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 |
| <b>Revenue</b>   | <b>14,080,089</b>   | 10,026,147             | 5,127,293       | 3,376,749       | 1,760,753       |
| Cost of sales  | <b>(10,211,343)</b> | (7,053,112)            | (3,244,433)     | (2,086,808)     | (1,170,188)     |
| <b>Gross profit</b>  | <b>3,868,746</b>    | 2,973,035              | 1,882,860       | 1,289,941       | 590,565         |
| Selling and marketing expenses                                   | <b>(141,635)</b>    | (77,139)               | (43,103)        | (45,951)        | (32,629)        |
| Administrative expenses  | <b>(778,131)</b>    | (548,295)              | (294,976)       | (302,246)       | (171,222)       |
| (Impairment losses)/reversal of losses<br>on financial assets    | <b>(160,181)</b>    | (97,406)               | (12,236)        | 2,750           | 1,207           |
| Other income   | <b>178,059</b>      | 198,515                | 131,126         | 100,469         | 10,596          |
| Other gains – net  | <b>102,070</b>      | 17,136                 | 24,484          | 31,317          | (100)           |
| <b>Operating profit</b>  | <b>3,068,928</b>    | 2,465,846              | 1,688,155       | 1,076,280       | 398,417         |
| Finance expenses   | <b>(24,888)</b>     | (40,358)               | (16,348)        | (917)           | 4,279           |
| Share of post-tax profits of joint<br>ventures and associates    | <b>31,534</b>       | 62,261                 | 22,635          | –               | –               |
| <b>Profit before income tax</b>                                  | <b>3,075,574</b>    | 2,487,749              | 1,694,442       | 1,075,363       | 402,696         |
| Income tax expenses  | <b>(510,005)</b>    | (515,015)              | (402,854)       | (264,484)       | (102,489)       |
| <b>Profit for the year</b>                                       | <b>2,565,569</b>    | 1,972,734              | 1,291,588       | 810,879         | 300,207         |
| <b>Profit attributable to:</b>                                   |                     |                        |                 |                 |                 |
| – Shareholders of the Company                                    | <b>2,308,458</b>    | 1,754,411              | 1,230,764       | 801,045         | 289,727         |
| – Non-controlling interests                                      | <b>257,111</b>      | 218,323                | 60,824          | 9,834           | 10,480          |
|  | <b>2,565,569</b>    | 1,972,734              | 1,291,588       | 810,879         | 300,207         |
| <b>Earnings per share</b><br><b>(expressed in RMB per share)</b> |                     |                        |                 |                 |                 |
| – Basic and diluted earnings per share                           | <b>1.67</b>         | 1.32                   | 0.92            | 0.62            | 0.35            |

## Five-Year Financial Summary (continued)

### Consolidated assets, equity and liabilities

|                                     | As at 31 December |                 |                 |                 |                 |
|-------------------------------------|-------------------|-----------------|-----------------|-----------------|-----------------|
|                                     | 2021<br>RMB'000   | 2020<br>RMB'000 | 2019<br>RMB'000 | 2018<br>RMB'000 | 2017<br>RMB'000 |
| <b>Assets</b>                       |                   |                 |                 |                 |                 |
| Non-current assets                  | <b>6,770,418</b>  | 4,874,828       | 2,563,948       | 1,307,867       | 1,111,808       |
| Current assets                      | <b>13,410,959</b> | 9,100,125       | 6,823,567       | 5,988,682       | 1,398,989       |
| <b>Total assets</b>                 | <b>20,181,377</b> | 13,974,953      | 9,387,515       | 7,296,549       | 2,510,797       |
| <b>Equity and Liabilities</b>       |                   |                 |                 |                 |                 |
| <b>Total equity</b>                 | <b>12,910,928</b> | 8,657,400       | 6,505,685       | 5,510,037       | 1,474,069       |
| Non-current liabilities             | <b>513,629</b>    | 452,383         | 191,678         | 60,218          | 22,118          |
| Current liabilities                 | <b>6,756,820</b>  | 4,865,170       | 2,690,152       | 1,726,294       | 1,014,610       |
| <b>Total liabilities</b>            | <b>7,270,449</b>  | 5,317,553       | 2,881,830       | 1,786,512       | 1,036,728       |
| <b>Total equity and liabilities</b> | <b>20,181,377</b> | 13,974,953      | 9,387,515       | 7,296,549       | 2,510,797       |