Colour Life Services Group Co., Limited
Stock code: 1778

POWER·GROWTH

Annual Report 2021

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Pan Jun *(Chairman)*
Mr. Liu Hongcai
Ms. Yang Lan *(Chief Financial Officer)*

Non-executive Directors
Mr. Wu Qingbin *(Vice Chairman)*
Mr. Zheng Hongyan
Ms. Sun Dongni

Independent Non-executive Directors
Mr. Xu Xinmin
Mr. Zhu Wuxiang
Mr. Lee Yan Fai

AUDIT COMMITTEE

Mr. Lee Yan Fai *(Chairman)*
Mr. Zhu Wuxiang
Mr. Xu Xinmin

REMUNERATION COMMITTEE

Mr. Zhu Wuxiang *(Chairman)*
Mr. Xu Xinmin
Mr. Lee Yan Fai

NOMINATION COMMITTEE

Mr. Pan Jun *(Chairman)*
Mr. Xu Xinmin
Mr. Zhu Wuxiang

COMPANY SECRETARY

Ms. Yeung Lee

AUTHORISED REPRESENTATIVES

Ms. Yang Lan
Ms. Yeung Lee

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS IN THE PRC

10/F, Tower, B
The Platinum Tower
No. 1 Tairan 7th Road
Futian District
Shenzhen, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F., CMA Building
64 Connaught Road Central
Hong Kong

LISTING INFORMATION

Share Listing
The Stock Exchange of Hong Kong Limited
Stock Code: 1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITOR

Prism Hong Kong and Shanghai Limited
Registered Public Interest Entity Auditors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

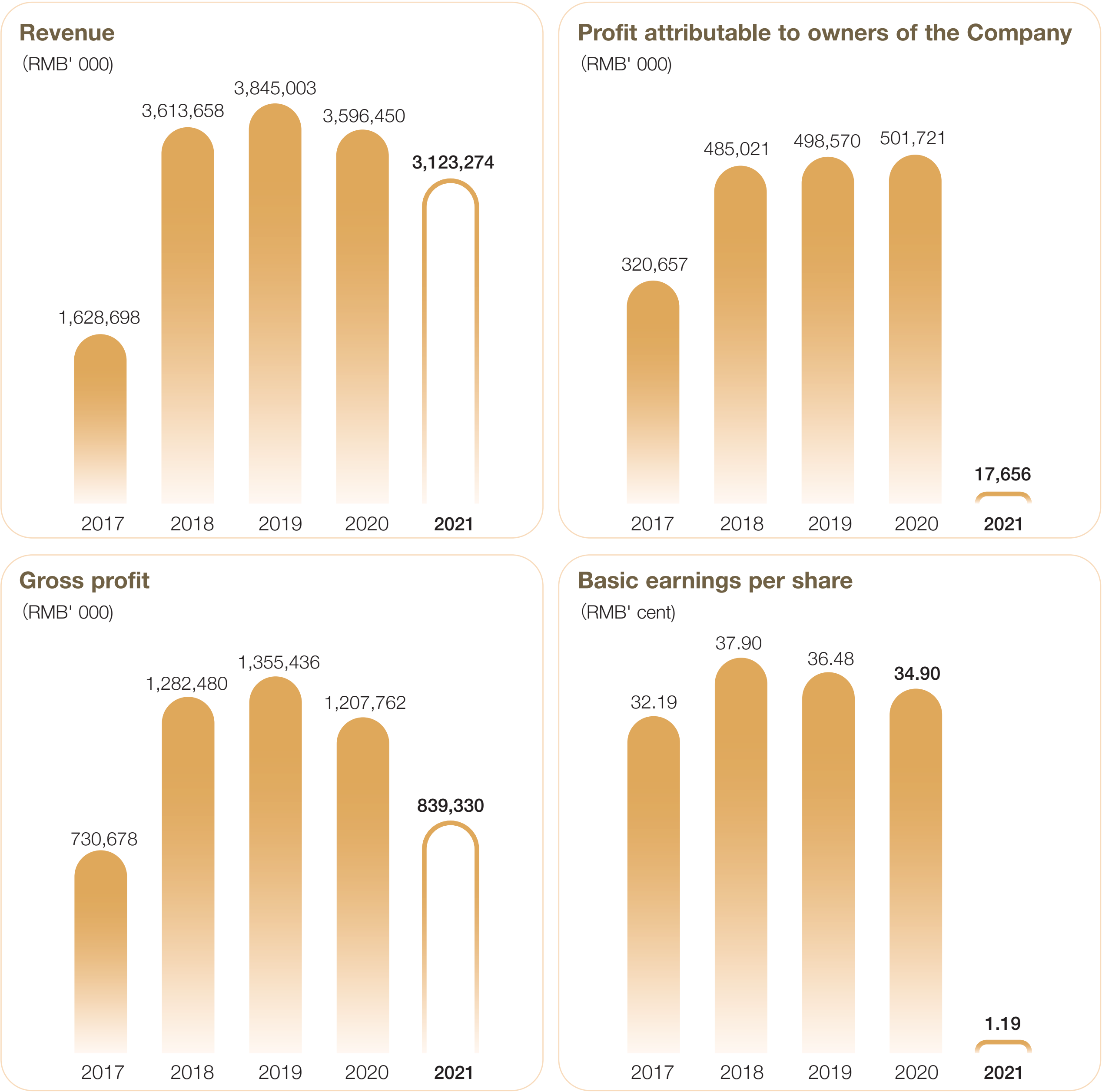
HONG KONG BRANCH SHARE REGISTRAR

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

PRINCIPAL BANKERS

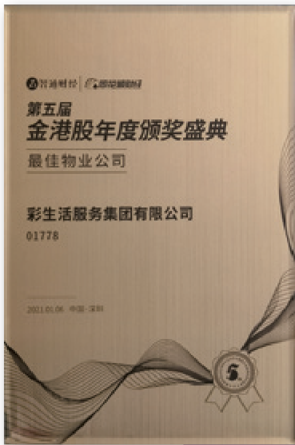
(In alphabetical order)
Bank of China Limited
Hang Seng Bank Limited
Industrial and Commercial Bank of China Limited

FINANCIAL HIGHLIGHTS



	2017 (RMB'000)	2018 (RMB'000)	2019 (RMB'000)	2020 (RMB'000)	**2021 (RMB'000)**
Revenue	1,628,698	3,613,658	3,845,003	3,596,450	**3,123,274**
Gross profit	730,678	1,282,480	1,355,436	1,207,762	**839,330**
Profit attributable to owners of the Company	320,657	485,021	498,570	501,721	**17,656**
Basic earnings per share *(RMB cents)*	32.19	37.90	36.48	34.90	**1.19**
Total assets	8,812,109	10,066,293	9,375,943	10,296,437	**5,744,889**
Total liabilities	5,306,930	6,810,154	5,323,947	5,742,015	**1,335,290**
Bank balances and cash	1,847,528	2,666,922	1,721,228	2,458,579	**600,079**

HONORS AND AWARDS



1. "Best Property Management Company" by Zhitong Finance (智通財經) and RoyalFlush Finance (同花順財經) in January 2021

3. "2021 Top 20 Listed Property Management Companies of Outstanding Capital Market Performance in China" (2021中國物業服務上市企業資本市場表現TOP20) by Guandian Index Academy in March 2021

2. "Caring Enterprise with Outstanding Contribution to Charity" (公益慈善突出貢獻愛心企業) by Shenzhen Property Management Association in January 2021

4. "2021 Top 50 Property Management Companies in China" by Guandian Index Academy in March 2021

5. Ranking 1st in the "2020 List of Gross Profit Margin of Community Value-added Services by Hong Kong Listed Property Management Companies" (2020年港股物企社區增值服務毛利率榜) by Leju Finance (樂居財經) in April 2021

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2021 TOP100 Property Management Companies in China

6. Ranking 7th in the "2021 Top 100 Property Management Companies in China" by China Index Academy in April 2021


證 書
CERTIFICATE
2021中国物业服务百强企业
2021 TOP100 Property Management Companies in China

7. "2021 China Internet Community Operation Leading Companies" by China Index Academy in April 2021


證 書
CERTIFICATE
2021中国物业服务百强企业
2021 TOP100 Property Management Companies in China

8. "2021 China Leading Property Management Companies in terms of Technology Application" by China Index Academy in April 2021


證 書
CERTIFICATE
2021中国物业服务百强企业
2021 TOP100 Property Management Companies in China

9. "2021 China Top 10 Property Management Companies in terms of Service Scale" by China Index Academy in April 2021


證 書
CERTIFICATE
2021中国物业服务百强企业
2021 TOP100 Property Management Companies in China

10. "2021 Top 100 Leading Property Management Companies in terms of Service Quality in China" by China Index Academy in April 2021

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11. "2021 Top 100 of Most Valuable Brand of China Property Management Service" by Shanghai E-House Real Estate Institute and China Real Estate Appraisal Center in May 2021

12. "2021 China Excellent Listed Property Management Company by ESG Development" by China Index Academy in May 2021

13. "2021 China Top 10 Listed Property Management Companies in terms of Comprehensive Strength" by China Index Academy in May 2021

14. "2021 China Top 10 Listed Property Management Companies in terms of Market Expansion Ability" by China Index Academy in May 2021

15. "2021 China Top 10 Listed Property Management Companies in terms of Scale" by China Index Academy in May 2021

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16. “2021 China Excellent Listed Property Management Company by Investment Value” by China Index Academy in May 2021

17. “2021 Top 100 Blue Chip Property Management Companies” by The Economic Observer in June 2021

18. “Most Valuable Brands” (卓越品牌價值企業) by The Economic Observer in June 2021

19. “2021 Outstanding Property Management Brands” (2021年卓越物業品牌企業) by Leju Finance (樂居財經) in September 2021

20. “2021 Platform Excellent Brand of Property Management Service Companies” by China Index Academy in September 2021

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21. "Leading Brand of China Property Management Companies in terms of Standardised Operation" (中國物業服務標準化運營領先品牌企業) by China Index Academy in September 2021

22. "2021 Leading Brand of China Property Management Companies in terms of Marketing Operation" (2021年中國物業服務市場化運營領先品牌企業) by China Index Academy in September 2021

23. "2021 Top 30 Influential Property Management Companies" (2021年度影響力物業服務企業30強) by Guandian Index Academy in September 2021

24. "2021 Top 10 of China Property Management Companies in terms of Comprehensive Strength" by Shanghai E-House Real Estate Institute and China Real Estate Appraisal Center in September 2021

25. "Well-known Property Management Enterprises in Greater Bay Area in 2021" by Guangdong Property Management Industry Institute in December 2021

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26. “2021 Guangdong Province Property Service Comprehensive Development Strength Enterprise” by Guangdong Property Management Industry Institute in December 2021

27. “Outstanding Members of Guangdong Property Management Industry Institute in 2021” by Guangdong Property Management Industry Institute in December 2021

排名	公司名称	满意度
1	万物云	94.73
2	世茂服务	94.12
3	绿城服务	93.95
4	龙湖智慧服务	93.89
5	融创服务	93.82
6	远洋服务	92.23
7	金茂物业	92.22
8	华润万象生活	92.14
9	新城悦	92.01
10	保利物业	91.49
11	雅生活服务	91.21
12	彩生活	90.62

28. Ranking 12th in the “List of Top 100 Property Management Companies in terms of Customer Satisfaction for the Third Quarter of 2021” in December 2021

29. “2022 Top10 Property Management Companies with Most Expected Smart Value in China”（2022中國最具期待智慧價值物業服務企業TOP10）by China Proptech Research in December 2021

CHAIRMAN'S STATEMENT

Dear Shareholders,

The year 2021 continued to be an extraordinary year for the property management industry and all relevant market participants in China. The recurrent pandemic and the flood prevention work during the summer rainy season represented constant challenges for the property management industry. Leveraging on the capability and experience gained over the past 19 years from its operation, Colour Life Services Group Co., Limited and its subsidiaries (collectively referred to as the "Group" or "Colour Life") overcame severe challenges in major emergencies and delivered excellent performance in the fight against the pandemic and flood disaster to the satisfaction of residents.

Up to 31 December 2021, the Group recorded revenue of RMB3,123.3 million from its principal business and a net profit attributable to shareholders of RMB17.7 million. Up to the end of December 2021, the total contracted GFA of Colour Life reached 423 million sq.m., serving over 8 million residents from 2,220 communities in 125 cities across the country.

FOLLOWING POLICY TREND TO SEIZE OPPORTUNITIES AND BUILD HARMONIOUS AND HAPPY COMMUNITIES TOGETHER

The year 2021 marked the first year of the 14th Five-Year Plan of China. In the Outline of the 14th Five-Year Plan, property was mentioned 6 times and community was mentioned 26 times, focusing on aspects such as property quality, property management digitalisation and diversified services. In January 2021, the Notice on Strengthening and Improving Management Work on Residential Properties《(關於加強和改進住宅物業管理工作的通知》) was jointly issued by 10 authorities including the Ministry of Housing and Urban-Rural Development, encouraging property service enterprises with suitable conditions to provide extended services such as elderly care services, child care services, home services, culture, healthcare, house brokerage, and express delivery and receipt services etc., and explore the business model of "property service + life service". In December this year, the General Office of the State Council issued the 14th Five-Year Plan for the Urban and Rural Community Service System Construction to continuously strengthen the functions of communities to serve the people and make their life convenient and safe.

The promulgation of multiple national documents further strengthened and improved industry practices and charted the course for its development. Under the guidance and support of a series of policies, the industry will be further regulated, improved and subdivided to better meet the diversified and multi-dimensional living needs of residents, which accords with the ongoing business development philosophy of Colour Life. While attaching great importance to basic services, focusing on owners' satisfaction and promoting community harmony, we also continuously explored online business and value-added services.

Under the new circumstances, the property management industry featuring the characteristics of focusing on basic management, building close relationship with residents and providing wide-range services has been given an important historical mission. In the backdrop of the ongoing integration of property management with the basic community governance, the relationship between property management companies and residents has become closer. Communication channels including owners' meeting and others will be used more frequently to promote more coordinated interaction between property management companies and owners, and more mature and smooth operation of the mode of co-governance, co-construction and benefit-sharing among property management companies, residents and the community, so that the public can enjoy a better life.

CONSOLIDATING SERVICE CAPABILITIES TO BUILD A BRAND VALUE HIGHLAND

Ensuring community security and providing good services are important cornerstones for property management enterprises to enhance service capabilities. The two-year experience of anti-pandemic responses have left enterprises and residents with a better understanding regarding the importance of safety. The Group continued to refine its basic services and create a safe and secure community for residents by way of carrying out security measures such as gate guard and patrol guard. We further improved service quality through standard and professional management, while using tools to improve the efficiency of management and control and ensure the standards of basic services, with an aim to increasing fee collection rate and property service charges.

On the other hand, we deployed business on high-frequency and immediate needs of property owners by focusing on the people and properties of the community. We formulated service quality improvement plans and property service standards based on the project condition and property management fee level, and formed a multi-level brand strategy with overall layout through multi-brand operation and collaborations across all regions, with an aim to meeting the service needs of different cities, projects and income levels. We created value through providing caring services to foster customer loyalty, laying a sound foundation for the development of value-added services.

In 2021, the Group completed seven new system certifications, including compliance management, energy management, cybersecurity management and enterprise safety production, etc. We also revised the Special Emergency Contingence Plan for Typhoon and Rainstorm by taking into consideration the experience of the Zhengzhou flood disaster response in 2021, and revised the Contingence Plan for the Prevention and Control of COVID-19 amid recurring outbreaks of COVID-19 across the country. We formulated the property service standard levels for each professional sectors of residential, commercial and office projects, and simplified service levels for residential properties from the original 5 levels to 3 levels, so that the service standards can better reflect the actual management requirements, paving the way for the follow-up implementation of service standard work orders, with 184 detailed rules for residential properties and 185 detailed rules for commercial and office properties. Through offering standard services and the establishment of an order-oriented system, we turned service standards into work orders of different business sectors and service levels, and a total of 1.6 million standard work orders were processed in projects under our management throughout the year.

In the face of the challenges posed by the pandemic, it was the perseverance of all employees of Colour Life that prevented the pandemic from getting out of control in communities managed by the Group. Faced with the flood disaster, the Group promptly initiated the emergency plan against flood disaster. Several hundreds of frontline staff from 14 communities managed by Colour Life in Henan Province participated in the frontline work in the fight against the flood, and made strenuous efforts to guarantee the safety of the communities. While all the large shopping malls and residential buildings in the surrounding areas were flooded, no damage has been caused to any of the thousands of vehicles parking at the community parking lots and all the equipment rooms remained intact. During the fight against the COVID-19 pandemic and the fight against the flood, the Group spared no efforts to guarantee the safety of the communities and customers with its professional and highly efficient capabilities. In the 2021 China Index Academy Satisfaction Survey, the residential customer satisfaction score of Colour Life far exceeded the industry level. At the same time, the Group received recognition from the market and the industry, and won 34 industry awards, including the 7th of 2021 Top 100 Property Management Companies in China by China Index Academy and the 2021 Outstanding Property Management Brands by Leju Finance.

Over the past year, Colour Life won the recognition from the industry and society for its performance in pandemic prevention and service satisfaction, and also received high praises from residents, government authorities and the industry, which laid a solid foundation for us to further strengthen our presence in strategic regions, establish exemplary projects and build a boutique brand.

BUILDING CARING AND SMART COMMUNITIES TO MEET THE NEEDS OF RESIDENTS FOR BETTER LIFE QUALITY

To address the issue of party building in new types of economic and social organs in the new era, make solid progress in the establishment of service-oriented party organs and carry forward the great spirit of Party building, Colour Life proactively responded to the requirement for the development of "red" property management companies and established party branches of the Company. Colour Life also set up party-building offices in the communities and regularly arranged party members and enthusiasts to learn party-building knowledge, promoting business growth with party building while driving development with business, laying a solid foundation for building "red" property management companies. Meanwhile, we vigorously carried out volunteer service activities of community party branches to actively integrate into the grassroot social governance system and enrich the daily life of community residents.

CHAIRMAN'S STATEMENT

While actively consolidating basic property management services, Colour Life strived to build and upgrade its community service platform, and explore the scope of value-added services. While making every effort to provide residents with a wide variety of services, we also made tremendous efforts to promote community harmony by hosting activities to enrich the cultural activities of the community, promote the relationship among fellow residents, and work together to build harmonious and happy communities.

Upholding the core value of building warm communities, and in order to enrich the community life of residents, Colour Life completed 10 nationwide community activities during the year, attracting an average of over 2 million residents to participate in online and offline interaction activities for each single event. These activities not only covered traditional themed festivals such as the Spring Festival, Lantern Festival, Dragon Boat Festival, Chinese Valentine's Day (七夕), Mid-autumn Festival, etc., but also included innovative themed activities like Colourful Fellow Residents Festival, Warm Winter Activities, TikTok online activities, etc. For example, during the Warm Winter Activities of 2021, Colour Life carried out a series of activities for some 1,000 communities across the country, such as the donation of COVID-19 prevention kits, warm drinks to warm people's hearts, community service week for the convenience of residents and red-themed movie viewing, etc., with over 2,000 resident group accounts for online interaction and attracting more than one million participants. When the COVID-19 outbreak emerged in various part of China, Colour Life urgently dispatched a batch of tailored pandemic prevention supply packages to communities across the country.

In terms of intelligent property management, the Group has come up with the innovative motto of "empowering property management business with application of technology" since its establishment, and developed and operated the global leading community service platform Caizhiyun, not only strengthening our management platform and enriching our product content, but also creating comfortable living experience for residents. In the first half of 2021, the Group established Colour Life Technology R&D Centre, with the aim of further enhancing its R&D capability and promoting the establishment of intelligent communities. The Group made improvement to the video surveillance (CCTV), bluetooth entrance intercom, parking lots, patrol management, lift control and other sub-systems, and created various smart living scenarios which enabled residents to conveniently and at their own discretion utilise our security systems with good experience in their daily life. During the year, the Group received recognition as a national high-tech enterprise once again.

In terms of value-added services, the Group continued to explore various value-added services under the community scenario, and provided residents with bespoke products and services based on property management scenarios, market demands and resident needs. For instance, based on the extensive resident base of the Group and the parking lot management scenario, the Group proactively explored the automobile insurance sales business and launched a comprehensive insurance product brand – Fantasia Insurance, covering property all risks insurance, public liability insurance, automobile insurance and other products, with an overall gross profit margin higher than the industry level. By establishing the headquarter-to-headquarter communication mechanism with the insurance companies, the Group strived to create exclusive insurance products for Colour Life communities, reducing the selection costs and purchase costs of residents. By creating community ordering software and providing exclusive technical service support, the Group was able to improve service efficiency, increase the interaction frequency between property management companies and residents, enhance the loyalty between property management companies and residents, and improve the recognition of residents towards basic property management services and value-added services.

Looking forward, the Group will continue to promote industry upgrading based on people's new living needs, and perfect value-added services for the livelihood of community residents through technology empowerment and service upgrading, such as community home healthcare services, housing rental and sales services, commodity delivery services, automobile services and charging pile services. With our professional community operation capabilities, we aggregate healthcare resources to create a professional and conscientious home healthcare platform that community residents trust. We believe that continuous innovation is essential to maintain sustainable development of the enterprise for the exploration of more development potential in the future.

BUILDING A HIGHLY EFFICIENT MANAGEMENT SYSTEM BY ADOPTING A DISTRIBUTED INSTITUTIONAL STRUCTURE

As a Chinese saying goes, "making full use of the tool depends on the correct way to operate it", the Group made adjustments to its original structure with an aim to optimise and streamline its institutional structure. Its business was re-classified into six major regions by management areas to achieve flat management across all hierarchies. The management chain of the Company was streamlined to further adapt to the adjustment of business structure, which is conducive not only to the unified management of the Group to establish a backbone and achieve economies of scale, but also helps spread the advanced experience of some communities to the whole country and promote synergy in various projects. Furthermore, the Group reformed its remuneration and incentive mechanism to motivate employees to expand business and serve the community.

In its daily management, Colour Life implemented a three-dimensional management system to manage its projects, that is to achieve function transition from management to service through its three-level hierarchy comprising platforms, projects and operation, enabling it to conduct assessment on key indicators such as service process, customer satisfaction, customer relationship management and onsite management, and achieving refined management of community services.

By implementing a multi-brand development strategy, the Group formulated a differentiated and standard service process for different brands, different business models and various property fee rates, and simultaneously incorporated such strategy into its management system, providing a better management tool and laying a solid foundation for various projects.

Through a series of enhancement measures, the Group aims to build an efficient control mechanism and management system to empower each business and provide employees with strong support, which will focus on service details to improve service quality and recognition from residents, so that the task of service quality enhancement and establishment of caring communities would be a full success.

ACCOMPLISHING THE ORIGINAL ASPIRATION BY STAYING TRUE TO IT

As a Chinese saying goes, "on reaching the last leg of a journey, you are only halfway there." Looking back on 2021, the starting year of the 14th Five-Year Plan of China and a year of opportunities and challenges, the Group accumulated abundant experience along the way and established industry brand advantages. Since its listing, Colour Life has continued to lead the development trend of the community service industry, and established a strong team and market advantages. In this extraordinary year, the Group remained committed to honing its business strength and continued to improve its market system, enhance service quality, and make steady progress in its overall business scale and business services.

Faced with the more complex and evolving nature of the external environment and the rapidly changing market, the Group will stay committed to its original aspiration after withstanding the tests of the pandemic and the market. As it looks forward to a fresh start, the Group will strive to serve as a property management company for the government and property service provider for property owners, and continue to provide residents with quality property management services and build a caring community. The Group is determined to become the preferred brand of better life services for residents and create better return for investors!

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS MODEL

The Group is a leading property management and community services provider in China, focuses on setting up offline and online service platform via the internet technology and effectively linking the residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

As communities constitute the smallest social component of the city, the services provided by the property management companies are essential in creating a stable and convenient living environment for the residents of the community and promoting the development of the society. The Group strives to meet the basic living needs of the residents through providing Four Basic Guarantees services (defined as cleaning, greening, security and maintenance services), which constitute the solid cornerstone of community services system.

While meeting the basic living needs of the residents of the community, the Group also promotes smart community construction by proactively utilising emerging technologies such as the Internet of Things, big data and artificial intelligence, and introducing the application of intelligent equipment, so as to enhance the Group's service efficiency in providing high quality property management services for the residents. The Group has established a powerful head office digital "cloud" system, which minimised the dependency on function and scope of "management" and strengthened the service capacity of the "terminal", so as to organise effective community services. For instance, the Group has built a new customer service platform based on the existing Big Dipper system to upgrade as "digital property management platform" which covers the five basic services including security, cleaning, greening, maintenance and engineering, the order-oriented operation system of the lift, energy and decoration services, as well as the customer complaint platform comprising complaint, repair application, parking, payment, decoration and other services. The Group has divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

In addition to its efforts in refining the basic businesses, the Group has classified the projects managed by it into various service levels based on different charging standards, set standards for equipment modification and services and provided well-oriented service experiences, so as to satisfy customers' demand for performance-price ratio in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardised management system, the Group has realised excellent capacity of cost control under the premise of steadily increasing management areas and securing customer satisfaction.

While focusing on improving service efficiency, the Group is dedicated to building harmonious communities. The Group organised a variety of community activities and proactively established communication channels to strengthen the relationship among the residents as well as between the residents and the property management staff and enrich the residents' off-work life and spiritual culture, with an aim to build a better and more caring community. By providing such services, we are able to create a harmonious community for the residents, and push forward the establishment of our unique community culture brand, so as to enhance the residents' trust in the Group. The improvement of our relationship with the residents also laid a solid foundation for our effort to further expand community consumption scenarios.

The Group is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions and communications between the Group and property owners living in the communities. In addition, the Group designates a proportional number of customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will carry out following up work and seek feedback relating to customer satisfaction in a timely manner, in order to ensure the quality of the offline community services and efficiently becoming aware of the services that property owners need. The Group will grow the corresponding value-added services and organically integrate online and offline business in the community, which will further enhance the Group's competitive edges.

BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group's Managed Contracted GFA. Property developers will issue an occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Contracted GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service contracts with regional property management companies. The area under the consultancy services contracts will be incorporated into the Group's Consultancy GFA. Aforementioned Managed GFA and Consultancy GFA of the Group are collectively referred to as Total Contracted GFA.

The Group focused on driving its organic growth through reputation and brand building. With our outstanding property management experience and expansion capability, as at 31 December 2021, the Total Contracted GFA of the Group had reached 423.49 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 2,220. As at 31 December 2021, the Group's revenue-bearing GFA reached 230.22 million sq.m..

While proactively expanding service area, the Group made great efforts to establish and upgrade its community service platform, in an effort to meet the daily needs of the residents and provide them with quality and efficient property management services. In addition to building caring communities, the Group explored various consumption scenarios, product innovation and new business models, with an aim to provide residents with various value-added services, making property management services a much more important part of the owner's domestic life.

The Group also continued to explore various value-added services under the community scenario, expanded the property management scenario portfolio, and provided customised products and services for the residents based on market demands and resident needs. For instance, based on the extensive resident base of the Group and the parking lot management scenario, the Group proactively explored the auto insurance sales business. By establishing the headquarter-to-headquarter communication mechanism with the insurance companies, the Group strived to improve service efficiency and reduce the selection costs and purchase costs of the residents. In addition, the Group continued to develop and strengthen online platform technology, paving the path for connection with the system of the insurance companies, which enabled the Group to have real-time understanding of the business development and claim settlement data and monitor the quality of community-based products in a dynamic manner, so as to provide residents with quality customer services and claim settlement services. In doing so, the Group was able to increase the interaction frequency between the property management company and the residents, enhance the royalty between the property management company and the residents, and improve the recognition of the residents towards its basic property management services and value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2021, the locations of communities where the Group provided management and consultancy services are set out as follows:

Southern China
1 Shenzhen
2 Zhuhai
3 Zhongshan
4 Zhaoqing
5 Yangjiang
6 Shaoguan
7 Shantou
8 Qingyuan
9 Nanning
10 Liuzhou
11 Huizhou
12 Heyuan
13 Haikou
14 Guilin
15 Guigang
16 Guangzhou
17 Foshan
18 Dongguan
19 Chongzuo
20 Beihai

Eastern China
21 Changshu
22 Changzhou
23 Dongying
24 Fuzhou
25 Fuzhou
26 Fuyang
27 Ganzhou
28 Gaoyou
29 Hangzhou
30 Huai'an
31 Ji'an
32 Jinan
33 Jining
34 Jiaxing
35 Jiangyin
36 Jingdezhen
37 Jiujiang
38 Jurong
39 Kunshan
40 Lianyungang
41 Linyi
42 Longyan
43 Nanchang
44 Nanjing
45 Nantong
46 Qingdao
47 Quanzhou
48 Sanming
49 Xiamen
50 Shanghai
51 Shangrao
52 Suzhou
53 Suqian
54 Tai'an
55 Taizhou
56 Wuxi
57 Wuhu
58 Xinyu
59 Xuzhou
60 Yancheng
61 Yichun
62 Yingtan
63 Zaozhuang
64 Zhangzhou
65 Zhenjiang

Southwestern China
66 Chengdu
67 Dali
68 Deyang
69 Duyun
70 Guang'an
71 Guangyuan
72 Guiyang
73 Kunming
74 Mianyang
75 Neijiang
76 Qiannanzhou
77 Qingzhen
78 Chongqing
79 Ziyang
80 Zunyi

Northeastern China
81 Harbin
82 Huludao
83 Tieling

Northwestern China
84 Yulin
85 Yinchuan
86 Xianyang
87 Xi'an
88 Lanzhou
89 Baoji

Northern China
90 Baotou
91 Baoding
92 Beijing
93 Cangzhou
94 Chengde
95 Hengshui
96 Qinhuangdao
97 Shijiazhuang
98 Taiyuan
99 Tianjin
100 Xingtai
101 Zhangjiakou

Central China
102 Zhuzhou
103 Zhengzhou
104 Changsha
105 Zhangjiajie
106 Yueyang
107 Yiyang
108 Yichang
109 Xiaogan
110 Xiangyang
111 Xiangtan
112 Wuhan
113 Suizhou
114 Shiyan
115 Shaoyang
116 Nanyang
117 Loudi
118 Liuyang
119 Jingzhou
120 Huangshi
121 Huanggang
122 Enshizhou
123 Ezhou
124 Chenzhou
125 Anyang

As at 31 December 2021, the following table sets out contracted GFA and the number of communities where the Group provided management and consultancy services in different regions as at the dates indicated below:

	As at 31 December 2021				As at 31 December 2020			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities
Shenzhen	4,874	97	582	14	9,441	124	727	16
Southern China (excluding Shenzhen)	72,252	471	665	2	91,781	571	2,126	8
Eastern China	94,741	717	2,535	7	143,701	939	2,453	7
Southwestern China	78,822	292	858	2	99,271	373	967	3
Northeastern China	12,476	64	278	1	20,821	94	1,498	5
Northwestern China	12,775	66	3,506	2	16,729	87	3,506	2
Northern China	23,758	89	150	2	36,791	152	150	2
Central China	114,921	393	300	1	131,123	457	300	1
Total[1]	414,619	2,189	8,874	31	551,658	2,797	11,727	44

Note:

(1) As at 31 December 2021, the Group's Managed Contracted GFA reached 423.49 million sq.m..

As at 31 December 2021, the Group managed 2,189 communities with an aggregate managed contracted GFA of approximately 414.6 million sq.m. and entered into consultancy service contracts with 31 communities with an aggregate contracted consultancy GFA of approximately 8.9 million sq.m.. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management and consultancy services during the reporting period:

	As at 31 December 2021				As at 31 December 2020			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Managed Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities	Managed Contracted GFA ('000 sq.m.)	Number of communities	Contracted GFA ('000 sq.m.)	Number of communities
As at the beginning of the year	551,658	2,797	11,727	44	550,104	2,815	11,925	48
New engagements [1]	6,305	42	130	1	7,665	45		
Acquisition [2]	1,015	15	–	–	–	–	–	–
Termination [3]	(144,359)	(665)	(2,983)	(14)	(6,111)	(63)	(198)	(1)
As at the end of the year	414,619	2,189	8,874	31	551,658	2,797	11,727	44

MANAGEMENT DISCUSSION AND ANALYSIS

Notes:

(1) In relation to communities the Group managed, new engagements primarily include service engagements for new property developments constructed by property developers and to a much lesser extent, service engagements for residential communities replacing their previous property management companies. In relation to communities for which the Group provided consultancy services, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.

(2) The Group expanded its Managed GFA through acquisitions and gained synergy after the acquisition.

(3) The Contracted GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

BUSINESS OVERVIEW

The Group has three main business lines:

- Property management services, which primarily include: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and

- Value-added services, which primarily include: (i) online promotion services; (ii) sales and rental assistance services; and (iii) other value-added services; and

- Engineering services, which primarily include: (i) equipment installation services; (ii) repair and maintenance services; and (iii) energy-saving renovation services.

Scope of Services for Property Management Services

As at 31 December 2021, the Group employed over 28,027 on-site personnel (including staffs employed by the Group and the staffs outsourced to third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December 2021		As at 31 December 2020	
	Under commission basis (RMB/ sq.m./month)	**Under lump sum basis (RMB/ sq.m./month)**	Under commission basis (RMB/ sq.m./month)	Under lump sum basis (RMB/ sq.m./month)
Shenzhen	**0.4–11.4**	**1.8–16.9**	0.4–11.4	1.8–16.9
Southern China (excluding Shenzhen)	**0.5–6**	**0.7–16.9**	0.5–5.9	0.7–16.9
Eastern China	**0.4–17.0**	**1.1–16.0**	0.4–17.0	1.1–16.0
Southwestern China	**0.5–6.1**	**0.3–25.0**	0.5–6.1	0.3–25.0
Northeastern China	**0.4–3.3**	**2.0–18.0**	0.4–3.3	2.0–18.0
Northwestern China	**0.5–4.0**	**1.4–22.7**	0.5–4.0	1.4–22.7
Northern China	**0.7–5.5**	**1.2–25.0**	0.7–5.5	1.2–25.0
Central China	**0.6–5.3**	**0.9–16.9**	0.6–5.3	0.9–16.9

Property management services primarily comprise: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for regional property management companies.

Property Management Services under Lump Sum Basis

Under lump sum basis, the Group is entitled to recognise all property management fees charged from the property owners as revenue and pay the expenses related to property management out of the property management fees. Accordingly, the related costs are recognised as the Group's cost of sales.

Property Management Services under Commission Basis

Under commission basis, the Group is essentially acting as an agent of the property owners. The Group reserves the right to retain the specified percentage (usually 10%) of the owner's property management fees as required by the relevant local authorities as the Group's revenue. The remaining property management fees will be used as operating funds to cover the expenses associated with the management of the property.

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services for the property developers in preparation for the pre-sale activities and recognises the proceeds based on the fees charged. The relevant expenses are calculated based on the number of employees and positions deployed by the Group, and the related staff costs incurred are the sales costs incurred in providing the services.

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience and making its brand more widely known, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future.

Scope of Services for Value-added Services

Adhering to the value and concept of "Service to Your Family", the Group has been focusing on providing diversified value–added services for community property owners. With 19 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management and consultancy services, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

The Group's value-added services primarily include (i) online promotion services; (ii) sales and rental assistance; and (iii) other value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

Online promotion services

The Group collaborates with providers of various products and services and promotes products or services to property owners through Caizhiyun, the online platform run by the Group. Product and service providers pay certain amount of commission according to their sales ordered through the Caizhiyun platform to the Group. Further, the Group provides system or software for projects that it provides management and consultancy services, and charges amount of usage fees from using information system software.

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges the agent on every successful referral and generates revenue from authorizing property agents rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Other value-added services

Other value-added services include (i) purchase assistance; (ii) energy management services; (iii) other value-added services.

Scope of Services for Engineering Services

The Group provides engineering services for property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and cooperation with qualified third-party contractors and through its subsidiaries that are mainly engaged in engineering services and energy management services, namely Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji") and Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua").

Engineering services provide a safe and comfortable environment for property owners of the communities. It also laid the hardware foundation for accelerating the smart transformation of communities which the Group serves and implementing the digital property management platform.

In recent years, the Group continued to carry out the Internet-based smart transformation to the projects under its management. Focusing on the property owners' multi-dimension needs for easy community life, we strengthened the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR code/face recognition access control, vehicle licence recognition system in car park etc., so as to realise central management control, replace labour with equipment, save energy and posts, and enhance efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group's cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group's management will be sent to its head office using remote monitoring technology, and it will promptly assign rectification tasks for areas with potential problem and follow up the results.

The Group's engineering services primarily include (i) equipment installation services; (ii) repair and maintenance services; and (iii) energy-saving renovation services.

Equipment installation services

In order to enhance the management efficiency in the relevant communities to achieve the purpose of reducing the service costs of property management, the Group strives to provide installation services of automation equipment for communities.

The Group also provides automation and other hardware equipment installation services for property developers in accordance with their requirements, aiming to diversify the Group's revenue sources and develop business relationships with property developers which have engaged the Group or may subsequently engage the Group to provide property management services after the property developments are delivered. Such services generally involve the procurement, design and installation of devices such as security monitoring systems, intercommunication devices, alarms, key card security systems and power supplies systems.

In recent years, as part of the development of Colour Life Parking Lots sales business, the Group also offers intelligent improvement services to property developers' parking lots which improves the quality of properties delivered to property owners.

Service fees from provision of repair and maintenance services

The Group provides repair and maintenance services for various building hardware such as elevators, fire protection equipment and drainage systems in communities. With the further implementation of Smart Community Model of the Group, the Group has promoted an equipment management model in the communities that it manages, to reduce the occurrence of major failures requiring large-scale repairs through regular maintenance of the above hardware and equipment.

Energy-saving renovation services

The Group renders energy-saving services to communities that it provides management, consultancy services or which it cooperates with, including the installation of energy-saving devices. By installing and using cutting-edge energy saving equipment, the Group helps communities reduce their energy consumption.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services; and (iii) engineering services. For the year ended 31 December 2021, the total revenue decreased by 13.2% to approximately RMB3,123.3 million from approximately RMB3,596.5 million for last year.

The decrease in revenue was mainly attributable to the decrease in revenue from property management services, value-added services and engineering services as a result of the Group's business transformation and the disposal of a major subsidiary of the Group in the second half of the year.

	For the year ended 31 December					
	2021		2020		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services	**2,885,781**	**92.4%**	3,284,494	91.3%	(398,713)	(12.1%)
Value-added services	**204,943**	**6.6%**	256,380	7.1%	(51,437)	(20.1%)
Engineering services	**32,550**	**1.0%**	55,576	1.6%	(23,026)	(41.4%)
Total revenue	**3,123,274**	**100.0%**	3,596,450	100.0%	(473,176)	(13.2%)

Property Management Services

For the year ended 31 December 2021, revenue from property management services decreased by 12.1% to approximately RMB2,885.8 million from approximately RMB3,284.5 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2021		2020		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management service fees under lump sum basis	**2,683,596**	**85.9%**	3,015,899	83.8%	(332,303)	(11.0%)
Property management service fees under commission basis	**158,270**	**5.1%**	202,187	5.6%	(43,917)	(21.7%)
Pre-delivery services	**34,608**	**1.1%**	48,987	1.4%	(14,379)	(29.4%)
Property management consultancy service fees	**9,307**	**0.3%**	17,421	0.5%	(8,114)	(46.6%)
Total of property management service fees	**2,885,781**	**92.4%**	3,284,494	91.3%	(398,713)	(12.1%)

Such changes were mainly attributable to:

(a) a decrease in revenue from property management services under lump sum basis and commission basis by approximately RMB332.3 million and RMB43.9 million, respectively, which were mainly due to the disposal of a major subsidiary of the Group in the second half of the year and the expiry of property service contracts for certain projects under commission basis;

(b) a decrease in pre-delivery services by RMB14.4 million, which was mainly due to the disposal of a major subsidiary of the Group in the second half of the year;

(c) a decrease in property management services under consultancy services arrangements by approximately RMB8.1 million, which was mainly due to the expiry of certain consultancy service contracts.

Value-added Services

For the year ended 31 December 2021, value-added services income decreased by 20.1% to approximately RMB204.9 million from approximately RMB256.4 million of last year.

Breakdown of revenue from value-added services are as below:

	For the year ended 31 December					
	2021		2020		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Sales and rental assistance	**87,398**	**2.8%**	111,238	3.1%	(23,840)	(21.4%)
Online promotion services	**99,410**	**3.2%**	85,692	2.4%	13,718	16.0%
Other value-added services	**18,135**	**0.6%**	59,450	1.6%	(41,315)	(69.5%)
Total of value-added service fees	**204,943**	**6.6%**	256,380	7.1%	(51,437)	(20.1%)

In addition to an increase in revenue from online promotion services, the Group recorded:

(a) a decrease in revenue from sales and rental assistance by RMB23.8 million, which was mainly due to the decrease in revenue from sales and rental assistance as a result of the disposal of a major subsidiary of the Group in the second half of the year;

(b) a decrease in revenue from other value-added services by RMB41.3 million, which was mainly due to the impact of the pandemic and the business adjustment by the Group, resulting in a substantial decrease in such revenue as compared to that of the previous year.

Engineering Services

For the year ended 31 December 2021, revenue from engineering services was approximately RMB32.6 million, representing a decrease of approximately RMB23.0 million or 41.4% from that of last year. Breakdown of revenue from engineering services are as below:

	For the year ended 31 December					
	2021		2020		**Variance**	
	Amount	**% of total revenue**	Amount	% of total revenue	Amount	%
	RMB'000		RMB'000		RMB'000	
Revenue						
Equipment installation service fees	**18,616**	**0.6%**	36,289	1.0%	(17,673)	(48.7%)
Repair and maintenance service fees	**6,167**	**0.2%**	6,263	0.2%	(96)	(1.5%)
Energy-saving service fees	**7,767**	**0.2%**	13,024	0.4%	(5,257)	(40.4%)
Total of engineering services fees	**32,550**	**1.0%**	55,576	1.6%	(23,026)	(41.4%)

The decrease in revenue from engineering services was primarily attributable to:

(a) a decrease in revenue from equipment installation services by RMB17.7 million, which was mainly due to the decrease in intelligent improvement services as impacted by the situation of the real estate industry in the second half of the year;

(b) a decrease in revenue from energy-saving services by RMB5.3 million, which was due to the Group's business consolidation in the second half of the year.

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the year ended 31 December 2021, cost of services decreased by approximately RMB104.8 million or approximately 4.4% from approximately RMB2,388.7 million of last year to approximately RMB2,283.9 million.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2021, the overall gross profit decreased by approximately RMB368.5 million or 30.5% to approximately RMB839.3 million from approximately RMB1,207.8 million for last year.

The overall gross profit margin for the year ended 31 December 2021 was approximately 26.9%, representing a decrease of 6.7 percentage points as compared to 33.6% of last year.

(i) *Property Management Services*

The gross profit of property management services decreased by approximately RMB263.5 million from RMB933.1 million for the year ended 31 December 2020 to approximately RMB669.6 million for the year ended 31 December 2021. The gross profit margin of property management services decreased from 28.4% for the year ended 31 December 2020 to 23.2% for the year ended 31 December 2021. Such decrease in gross profit and gross profit margin was primarily due to the disposal of a major subsidiary of the Group which contributed higher gross profit margin in the second half of 2021.

(ii) *Value-added Services*

For the year ended 31 December 2021, the gross profit of value-added services decreased by RMB81.0 million from RMB243.4 million for the year ended 31 December 2020 to approximately RMB162.4 million. The gross profit margin of value-added services decreased from 95.0% for the year ended 31 December 2020 to 79.2% for the year ended 31 December 2021. Such decrease in gross profit and gross profit margin was mainly due to the disposal of a major subsidiary of the Group in the second half of 2021, leading to a decrease in revenue from sales and rental assistance.

(iii) *Engineering Services*

For the year ended 31 December 2021, the gross profit of engineering services decreased by approximately RMB23.9 million from approximately RMB31.2 million for the year ended 31 December 2020 to approximately RMB7.3 million. The decrease in gross profit was mainly due to the disposal of a major subsidiary of the Group in the second half of 2021. The gross profit margin of engineering services substantially decreased from approximately 56.2% for the year ended 31 December 2020 to approximately 22.6% for the year ended 31 December 2021, which was mainly due to the substantial decrease in revenue from equipment installation services, while the cost relating to installation services represented stable changes in equipment depreciation.

Other Gains and Losses

For the year ended 31 December 2021, the Group's other gains and losses increased by approximately RMB259.5 million to a gain of approximately RMB340.7 million from a gain of approximately RMB81.2 million of last year. The change was primarily due to the increase of RMB345.4 million arising from the disposal of a major subsidiary of the Group in the second half of the year, while, on the other hand, a decrease in exchange gain of RMB97.0 million was recorded.

Other Income

For the year ended 31 December 2021, other income of the Group decreased by approximately RMB8.9 million to approximately RMB60.8 million from approximately RMB69.7 million of last year, which was mainly attributable to (i) a decrease of approximately RMB8.3 million in exemption of VAT; (ii) a decrease of approximately RMB5.3 million in unconditional government subsidy; and (iii) an increase in interest income of RMB4.6 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and Distribution Expenses

For the year ended 31 December 2021, selling and distribution expenses of the Group amounted to approximately RMB25.8 million, representing an increase of 52.7% from approximately RMB16.9 million of last year. The increase was mainly due to the increase in the selling and distribution expenses as a result of development of new business during the period.

Administrative Expenses

For the year ended 31 December 2021, the administrative expenses of the Group decreased from approximately RMB421.8 million of last year to approximately RMB396.4 million.

Expenses Recharged to Residential Communities under Commission Basis

For the year ended 31 December 2021, the Group's expenses recharged to residential communities under commission basis amounted to approximately RMB82.9 million, representing an increase of approximately RMB4.8 million or approximately 6.1% as compared to approximately RMB78.1 million of last year. The recharged amount is based on the administrative time cost spent on the communities managed under commission basis.

Finance Costs

For the year ended 31 December 2021, the Group's finance costs was approximately RMB281.7 million, which increased by approximately RMB71.3 million or approximately 33.9% as compared to approximately RMB210.4 million of last year.

Income Tax Expenses

The Group's income tax expenses decreased to approximately RMB35.0 million for the year ended 31 December 2021 from approximately RMB158.7 million for the year ended 31 December 2020, which was primarily attributable to the decrease in profit.

Intangible Assets

As at 31 December 2021, the carrying amount of intangible assets decreased by RMB943.7 million to approximately RMB9.8 million from approximately RMB953.5 million as at 31 December 2020. The decrease was mainly attributable to (i) the decrease in intangible assets as a result of the disposal of a major subsidiary of the Group in the second half of the year; and (ii) the amortisation of intangible assets for the year.

Goodwill

As at 31 December 2021, the carrying amount of goodwill decreased by RMB1,431.0 million from approximately RMB2,317.3 million as at 31 December 2020 to approximately RMB886.3 million. Such decrease was mainly attributable to the decrease in goodwill as a result of the disposal of a major subsidiary of the Group in the second half of the year.

Bank Balances and Cash

As at 31 December 2021, the Group's bank balances and cash was approximately RMB600.1 million as compared to approximately RMB2,458.6 million as at 31 December 2020.

Trade and Other Receivables and Prepayments

Trade receivables are mainly arisen from property management services income under lump sum basis, property management services income from pre-sale services, property management service income from consultancy services, engineering services income and value-added services income.

As at 31 December 2021, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB497.9 million, which decreased by approximately RMB49.1 million as compared to approximately RMB547.0 million as at 31 December 2020. The decrease was mainly attributable to the decrease in the balance of trade receivables as a result of the disposal of a major subsidiary of the Group in the second half of the year.

As at 31 December 2021, other receivables and prepayments of the Group was approximately RMB1,599.7 million, increasing by approximately RMB843.6 million from approximately RMB756.1 million as at 31 December 2020. Such increase in other receivables and prepayments was primarily attributable to the equity disposal receivables of RMB300.0 million as a result of the disposal of a major subsidiary of the Group in the second half of 2021 and the prepayment of RMB250.0 million.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under commission basis. These property management offices of residential communities usually have no separate bank accounts because they have no separate legal identity status. For the daily management of these property management offices of residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenses, are settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenses paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of the residential community. A net payable balance to the property management office of the residential community represents property management fees collected from residents of the residential community in excess of the expenses paid by the Group on behalf of the residential community.

Trade and Other Payables and Accruals

Trade and other payables and accruals primarily comprised amounts payables for subcontracting services, deposits received, accrued staff costs, other taxes payable, provision for retirement benefits contribution and consideration payable for acquisition of subsidiaries.

As at 31 December 2021, trade payables of the Group was approximately RMB190.2 million, decreasing by approximately RMB215.4 million from approximately RMB405.6 million as at 31 December 2020, which was primarily due to the accelerated payment of trade payables by the Group in the second half of the year.

As at 31 December 2021, other payables and accruals of the Group was RMB118.5 million, decreasing by RMB686.0 million from approximately RMB804.5 million as at 31 December 2020, which was mainly attributable to the accelerated payment of other payables by the Group in the second half of the year.

Senior Note and Bond

As at 31 December 2021, the Group's senior notes and bonds have been settled in full (31 December 2020: RMB1,552.7 million).

Asset-backed Securities Issued

As at 31 December 2021, the Group's asset-backed securities issued have been settled in full (31 December 2020: RMB20.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Share Capital

As at 31 December 2021, the total number of issued shares of the Company was approximately 1,487,526,000 (31 December 2020: approximately 1,454,868,000) and the share capital was approximately RMB120.8 million (31 December 2020: approximately RMB118.0 million). In July 2021, approximately 32,658,000 ordinary shares were issued to the shareholders of the Company as scrip dividend.

Cash Position

As at 31 December 2021, the Group's total cash (including pledged bank deposits) decreased by approximately 74.6% from approximately RMB2,612.7 million as at 31 December 2020 to approximately RMB664.4 million. Among the total cash, bank deposits of approximately RMB64.3 million (31 December 2020: approximately RMB154.1 million) were pledged or restricted.

As at 31 December 2021, the current ratio (current assets/current liabilities) of the Group was approximately 3.0 (31 December 2020: approximately 1.2).

Borrowings and Charges on the Group's Assets

As at 31 December 2021, the Group had bank and other borrowings of approximately RMB184.8 million (31 December 2020: approximately RMB956.7 million), of which the borrowings of approximately RMB144.8 million were secured by the Group's certain bank deposits and equity interests in certain subsidiaries, the borrowings of approximately RMB20.0 million were pledged by the utility model patents of the Group and guaranteed by certain subsidiaries, and the remaining borrowings of approximately RMB20.0 million were unsecured.

Net Gearing Ratio

The net gearing ratio was calculated by net debt (being the total of borrowings, senior notes and bonds and asset-backed securities issued, after deduction of bank balances and cash and pledged/restricted bank deposits) over the total equity. As at 31 December 2021, the total of bank balances and cash and pledged/restricted bank deposits amounting to RMB664.4 million exceeded the total debt amounting to RMB184.8 million, thus no net gearing ratio was presented as at 31 December 2021. As at 31 December 2020, no net gearing ratio was presented.

Currency Risk

The Group mainly operates its business in China, and does not have any other material direct exposure to foreign exchange fluctuations risk.

Employees and Remuneration Policies

As at 31 December 2021, excluding the employees for communities under commission basis, the Group had approximately 10,568 employees (31 December 2020: approximately 14,459 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. PAN Jun (潘軍) ("Mr. Pan"), aged 50, is the chairman of the board (the "Board") of directors (the "Directors"), an executive director and the chairman of the nomination committee of the Company. He is also the president of Fantasia Group (China) Company Limited ("Fantasia China Group"), chairman of Shenzhen Fantasia Property Group Limited (深圳市花樣年地產集團有限公司) and the chairman, chief executive officer and executive director of Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a substantial shareholder of the Company whose shares are listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange") (stock code: 1777). Mr. Pan joined the Fantasia Group in 1999. He is responsible for the formulation of the Group's business strategies, supervising the project planning and the management of the Group's operation and business. Prior to joining the Fantasia Group, Mr. Pan had successively served as the project manager, manager of the marketing department, manager of the valuation department and assistant to general manager of World Union Real Estate Consultancy (Shenzhen) Ltd. (世聯地產顧問(深圳)有限公司). Mr. Pan obtained a Bachelor's degree in Conservancy and Hydropower Engineering from Chengdu University of Science and Technology (成都科技大學) (now known as Sichuan University (四川大學)) in 1992 and holds an EMBA degree from Tsinghua University. Mr. Pan is also a registered property valuer in China and a member of the Shenzhen Institution of Real Estate Appraisers (深圳市不動產估價學會).

Mr. Liu Hongcai (劉宏才) ("Mr. Liu"), aged 47, was appointed as the executive director of the Company on 24 December 2021. He is the executive president of Shenzhen Colour Life Services Group Co., Limited ("Shenzhen Colour Life") and is responsible for the overall operation of the Group's projects. Mr. Liu joined the Group in 2012 and acted as the general manager of the Eastern Shenzhen business division of the Group. He was the general manager of Guangzhou divisions of the Group between 2013 and 2020 and the vice president of Shenzhen Colour Life between 2020 and 2021. Prior to joining the Group, he was the regional director of Shenzhen Fantasia Property Management Limited between 2008 and 2010 and the project manager of Shenzhen Fantasia Property Management Limited (Kangqiao Branch) between 2007 and 2008. He served various roles in China Overseas Property Management Co., Limited between 1998 and 2007 and his last position was project manager.

Mr. Liu obtained a bachelor's degree in Real Estate and Realty Management from International Business University of Beijing in 2005. He was awarded 2020 Top 100 Property Manager of the PRC (2020中國物業經理人100強) and Meritorious Person of the 40th Anniversary of the Development of the Property Management Industry in Guangdong Province (廣東省物業管理行業發展四十周年功勳人物).

Ms. Yang Lan (楊瀾) ("Ms. Yang"), aged 47, joined the Group in March 2018. She is currently the Chief Financial Officer of the Group and is responsible for the financial management of the Group. Prior to joining the Group, Ms. Yang worked at TCL Multimedia Technology Holdings Limited from July 1998 to February 2018, with her last position as the financial controller. Ms. Yang has approximately 25 years of experience in accounting and financial management. Ms. Yang obtained a Bachelor's Degree in Economics from Xi'an Jiaotong University in July 1998, a Master's Degree in Economics from Peking University in December 2010 and a Master's Degree in Business Administration from Peking University HSBC Business School in August 2020. She holds the title of senior accountant.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Wu Qingbin (吳慶斌) ("Mr. Wu"), aged 50, was appointed as the non-executive director of the Company on 26 March 2021 and the vice chairman of the Company on 14 May 2021. Mr. Wu has been the chairman of the board of Zhongtai Trust Co., Ltd. since June 2012, the executive director of Fantasia China Group Co., Ltd. ("Fantasia China") (花樣年集團(中國)有限公司) (a major subsidiary of the controlling shareholder of the Company) since February 2019 and the chairman of the board of Dacheng Fund Management Co., Ltd. He served various roles in Beijing International Trust Co., Ltd., between October 2004 to June 2012, including general manager of the sales department, general manager of institutional business department etc. He was the assistant to general manager of 北京世紀飛虎信息技 術有限公司 (Beijing Fayhoo Information Technology Limited*) and deputy general manager of Southwest Securities Co., Ltd. between 2000 to 2004. Mr. Wu obtained a double bachelor's degree in Law and Engineering from Tsinghua University in 1999.

Mr. Zheng Hongyan (鄭宏彥) ("Mr. Zheng"), aged 53, was appointed as the non-executive director of the Company on 26 March 2021. He was a vice president of JD.com in charge of New Markets business division. Prior to joining JD.com, Mr. Zheng acted as the CEO of Noberfun (China) Chemical Co., Ltd. from 2016 to 2017. He was the regional general manager of Wrigley Confectionery (China) Limited from 2013 to 2016, and served as the general manager of bottling plants for Pepsi Cola in Harbin and Jinan from 2000 to 2013. Mr. Zheng graduated from China's Northeastern University in Shenyang in 1993, majoring in computer application.

Ms. Sun Dongni (孫冬妮) ("Ms. Sun"), aged 41, was appointed as the non-executive director of the Company on 26 March 2021. She was the deputy general manager of the strategic investment department of 360 Security Technology Inc. ("360 Security") and was the senior finance director of 360 Security. Ms. Sun is experienced in investment and corporate finance. Prior to joining 360 Security, Ms. Sun has worked in KPMG, one of the big four international accounting firm, British American Tobacco (China), a fortune global 500 company, and BOC Fullertone Community Bank, a joint venture of Bank of China and Temasek. Ms. Sun holds a MBA degree from Guanghua School of Management Peking University, a bachelor's degree from Aston University in the United Kingdom. She is a member of the Association of Chartered Certified Accountants (ACCA).

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. XU Xinmin (許新民) ("Mr. Xu"), aged 69, was appointed as an independent non-executive director of the Company on 29 September 2014. Mr. Xu has the title of real estate economist with over 20 years of experience in the real estate industry. Mr. Xu has participated in the setting up of the China Property Management Institute (中國物業管理協會) and all of its subsequent national member congresses since 2000. Since March 2001, he has served as the general officer of the integration division of the China Property Management Institute. Since June 2003, Mr. Xu has been the deputy secretary general of the China Property Management Institute and is primarily responsible for the organisation and implementation of the national property management model evaluation and acceptance. From 2004 to 2009, Mr. Xu was a senior adviser of the Property Management Branch of the Higher Education Academy of China (中國高等教育學會). From June 1991 to February 2001, Mr. Xu was the director of each of the Housing Management Bureau (房管處) and the Property Management Bureau (物業管理處) of Changzhou, Jiangsu Province where he was primarily responsible for the setting up of the Changzhou Property Management Institute (常州市物業管理協會). Currently, Mr. Xu is also the independent non-executive director of S-Enjoy Service Group Co., Limited (Stock code: 1755), a company listed on the Main Board of the Stock Exchange. Mr. Xu obtained a Bachelor's Degree in Business Administration from China Forestry University (中國林業大學) in 2005.

Mr. Zhu Wuxiang (朱武祥) ("Mr. Zhu"), aged 58, was appointed as the independent non-executive director of the Company on 26 March 2021. Mr. Zhu is a Professor of the Department of Finance, of Tsinghua University School of Economics and Management, a PhD tutor and the Director of Business Model Innovation Research Center of School of Economics and Management of Tsinghua University. Mr. Zhu has successively served as a teaching assistant, lecturer, associate professor and professor of Tsinghua University School of Economics and Management since January 1990. Mr. Zhu currently serves as an independent director of the Asia Potash International Investment Guangzhou Co., Ltd. (a company listed on Shenzhen Stock Exchange), an independent non-executive director of Beijing Properties (Holdings) Limited (a company listed on the Stock Exchange); a supervisor of the Unisplendour Co., Ltd. (a company listed on Shenzhen Stock Exchange); and an external supervisor of Everbright Securities Company Limited (a company listed on the Stock Exchange). Mr. Zhu graduated from the Tsinghua University in 1987, 1989 and 2002 with a bachelor's degree in Engineering, a master's degree in Engineering and a doctor's degree in Economics, respectively.

Mr. Lee Yan Fai (李恩輝) ("Mr. Lee"), aged 39, has over 16 years of experience in the auditing, accounting and corporate finance. He works for several accounting firms for over 10 years and was the financial controller of each of Bisu Technology Group International Limited (stock code: 1372) from August 2015 until December 2018 and Sino Golf Holdings Limited (stock code: 361) from September 2015 until December 2018, both being companies listed on the Main Board of the Stock Exchange. Since February 2017, he has been the Managing Director of Yongtuo Fuson CPA Limited. Mr. Lee is currently an independent nonexecutive director of TS Wonders Holding Limited (Stock code: 1767).

Mr. Lee obtained his Bachelor of Accounting degree from the Napier University, United Kingdom in January 2008 and subsequently obtained his Master of Professional Accounting from The Hong Kong Polytechnic University in September 2018. Mr. Lee is a practising certified public accountant in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, and an associate of The Institute of Chartered Accountants in England and Wales.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Zheng Tao (鄭濤) ("Mr. Zheng"), aged 44, joined the Group in 2015. Mr. Zheng is currently the vice president of Shenzhen Colour Life and the president of Eastern China region of the Group. He is responsible for the overall operational management of the projects in the Eastern China region. Prior to joining the Group, Mr. Zheng worked in Shenzhen Kaiyuan International Property Management Co., Ltd. ("Shenzhen Kaiyuan") from 2002 to 2015. His last position was deputy general manager of Shenzhen Kaiyuan and general manager of the Eastern China region. Mr. Zheng has 21 years of experience in property management. Mr. Zheng obtained a bachelor's degree in law from the Open University of China in July 2019. He was awarded 2020 Top 100 Property Manager of the PRC (2020中國物業經理人100強).

Mr. Dou Yongzhi (竇勇志) ("Mr. Dou"), aged 53, joined the Group in 2018. He is currently the vice president of Shenzhen Colour Life and is the president of the Northern China region of the Group and is responsible for the overall operational management of the projects in the Norther China region. Prior to joining the Group, Mr. Dou worked in Beijing Darwin International Hotel Property Management Co., Ltd (北京達爾文國際酒店物業管理有限公司). His last position was managing director. Mr. Dou obtained a master's degree in engineering from Wuhan University of Technology and holds the title of Certified Property Manager. Mr. Dou has 25 years of experience in property management. He is a bid evaluation expert of the Government Procurement Expert Database of Beijing and the People's Mediator of People's Mediation Committee for Property Management Disputes of Chaoyang District, Beijing (北京市朝陽區物業管理糾紛人民調解委員會).

Ms. Yu Haihua (于海華) ("Ms. Yu"), aged 43, joined the Group in March 2011. Ms. Yu is currently the vice president of Shenzhen Colour Life and is responsible for the human resources, administration, brand operation and investor relations of the Group. Prior to joining the Group, Ms. Yu was the assistant to chairman of the board of Shenzhen Daihing Automobile Group Co., Ltd. Ms. Yu has 20 years of experience in human resources and administrative management. Ms. Yu obtained a postgraduate certificate of completion in Applied Psychology from Sun Yat-sen University in 2014. She has completed the studies in senior management programme from Cheung Kong Graduate School of Business in 2015 and the executive education programme from China Europe International Business School.

Mr. Wang Bincai (王彬才) ("Mr. Wang"), aged 43, joined the Group in 2007. He is currently the assistant president of Shenzhen Colour Life and is responsible for the overall management of the basic service business unit. Mr. Wang has 23 years of experience in property management. Prior to joining the Group, he worked in Shenzhen Liantang Property Management Co., Ltd. from 2000 to 2007. His last position was the project supervisor of Yantian Heheng Square project. Mr. Wang obtained a bachelor's degree in business administration from Beijing University of Posts and Telecommunications. He holds the title of a Property Management Enterprise Manager (物業管理企業經理).

Mr. Huang Rongbin (黃榮彬) ("Mr. Huang"), aged 41, joined the Group in 2021. Mr. Huang is the assistant president of Shenzhen Colour Life and is in charge of the community asset management division. He is responsible for the Group's asset management business. Prior to joining the Group, Mr. Huang worked in Fantasia China from 2014 to 2020. His last position was person-in-charge of the small loan business division. Mr. Huang obtained a bachelor's degree in management from Jinan University.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Luanxi (劉鑾喜) ("Mr. Liu"), aged 48, joined the Group in 2005. He is currently the assistant president of Shenzhen Colour Life and the president of Southern China region of the Group. Mr. Liu is responsible for the overall operational management of the Group's projects in Southern China region. Mr. Liu has 18 years of experience in property management. Mr. Liu obtained a bachelor's degree in business administration from Nankai University in 2019. He was awarded 2022 Top 100 Property Manager of the PRC and is currently the president of Shenzhen Luohu District Property Service Industry Association (深圳市羅湖區物業服務行業協會).

Mr. Xu Jun (徐君) ("Mr. Xu"), aged 48, joined the Group in 2015. He is currently the assistant president and the president of Southwestern China region. Prior to joining the Group, Mr. Xu worked in Chengdu Heli Property Management Co., Ltd. from 2004 to 2015 and has been the deputy general manager and general manager successively. He has 25 years of experience in property management. Mr. Xu graduated from Chengdu University of Technology in June 1995 and obtained a bachelor's degree in business administration from University of Electronic Science and Technology of China in January 2023. He holds the title of Certified Property Manager and Economics Professional Qualification. He acted as the Chengdu Property Management Industry Expert in 2015 and has been the expert of Sichuan Housing and Urban-Rural Development Department (四川省住房和城鄉建設廳) from 2016 to 2023.

Ms. Liu Meige (劉美鴿) ("Ms. Liu"), aged 39, joined the Group in 2006. She is currently the assistant president of the Shenzhen Colour Life and the president of Northwestern China region of the Group. Ms. Liu has 17 years of experience in property management. Ms. Liu obtained a bachelor's degree in accounting from Central South University in 2013.

REPORT OF DIRECTORS

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

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 46 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2021 are set out in the consolidated statement of profit or loss and other comprehensive income on page 73. A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis sections respectively from pages 10 to 13 and 14 to 28 of this annual report. The future development of the Group's business is discussed throughout this annual report including in the Chairman's Statement from pages 10 to 13 of this annual report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report from pages 56 to 65 of this annual report and the Environmental, Social and Governance Report (the "ESG Report") which will be published separately.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2021.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as shareholders of the Company to attend and vote at the forthcoming annual general meeting of the Company ("AGM"), the register of members of the Company will be closed from Monday, 4 September 2023 to Friday, 8 September 2023, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Friday, 1 September 2023.

SHARE CAPITAL

As at 31 December 2021, the total number of issued shares of the Company was approximately 1,487,526,000 (31 December 2020: 1,454,868,000) and the share capital was RMB120,750,000 (31 December 2020: RMB118,036,000).

PROPERTY, PLANT AND EQUIPMENT

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

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2021, calculated under the Cayman Islands Companies Law, amounted to RMB1,849 million (2020: RMB1,764 million) representing share premium of RMB1,739 million and retained earnings of RMB110 million.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

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

Executive Directors:
Mr. Pan Jun *(Chairman and Acting Chief Executive Officer)*
Mr. Chen Xinyu *(resigned on 23 June 2023)*
Mr. Huang Wei *(Chief Executive Officer) (resigned on 26 March 2021)*
Mr. Zhu Guogang *(appointed on 26 Mach 2021 and resigned on 21 June 2023)*
Mr. Liu Hongcai *(appointed on 24 December 2021)*
Ms. Yang Lan *(appointed on 21 June 2023)*

Non-executive Directors:
Mr. Tang Xuebin *(resigned on 26 March 2021)*
Mr. Zhou Hongyi *(resigned on 26 March 2021)*
Mr. Wu Qingbin *(Vice Chairman) (appointed on 26 March 2021)*
Mr. Zheng Hongyan *(appointed on 26 March 2021)*
Ms. Sun Dongni *(appointed on 26 March 2021)*

Independent non-executive Directors:
Mr. Tam Chun Hung, Anthony *(resigned on 12 November 2021)*
Dr. Liao Jianwen *(resigned on 26 March 2021)*
Mr. Xu Xinmin
Mr. Zhu Wuxiang *(appointed on 26 March 2021)*
Mr. Lee Yan Fai *(appointed on 14 June 2023)*

On 24 December 2021, Mr. Liu Hongcai was appointed as the executive director of the Company. On 14 June 2023, Mr. Lee Yan Fai was appointed as the independent non-executive director of the Company. On 21 June 2023, Ms. Yang Lan was appointed as the executive director of the Company. in accordance with Article 83 of the articles of association of the Company (the "Articles"), Mr. Liu Hongcai, Mr. Lee Yan Fai and Ms. Yang Lan shall hold office until the AGM and be subject to re-election at the AGM.

In accordance with Article 84 of the Articles, Mr. Pan Jun, Mr. Zheng Hongyan and Ms. Sun Dongni shall retire from office by rotation at the forthcoming AGM. As at the date of this report, Mr. Zheng Hongyan and Ms. Sun Dongni have not confirmed with the Company whether they intended (i) to continue to act as directors of the Company if re-elected; or (ii) to retire from office from the conclusion of the AGM. If the relevant ordinary resolutions in relation to their re-election were passed at the AGM, the Company would still respect their decision as to whether they wished to or consent to continue to act as Directors after conclusion of the AGM. The Company will make further announcements if Mr. Zheng Hongyan or Ms. Sun Dongni indicates that he/she does not intend to continue to act as Director if re-elected. Mr. Pan Jun confirmed that he will not offer himself for re-election at the AGM. As such, he will retire from office as director of the Company with effect from the conclusion of the AGM.

No Director proposed for re-election at the AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing Company within one year without payment of compensation other than statutory compensation.

REPORT OF DIRECTORS

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2021 is set out below:

	Number of individuals
Nil to HK$1,000,000	6
HK$1,000,000 to HK$2,000,000	7
HK$2,000,000 to HK$3,000,000	2
HK$3,000,000 to HK$4,000,000	1
Above HK$4,000,000	–
	16

Details of the remuneration of each of the Directors for the year ended 31 December 2021 are set out in note 47(c) to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2021, the interests and short positions of the directors of the Company (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, 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 Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

(i) Long positions in the shares and underlying shares of the Company

Name of director	Capacity/Nature of interest	Number of shares held	Number of underlying shares held	Total	Approximate percentage of issued share capital
Mr. Pan Jun	Beneficial owner	–	1,755,440[(1)]	1,755,440	0.12%
Mr. Zhu Guogang	Beneficial owner	21,000	–	21,000	0.00%
Mr. Liu Hongcai	Beneficial owner	–	291,150[(1)]	291,150	0.00%
Mr. Xu Xinmin	Beneficial owner	–	710,000[(1)]	710,000	0.05%

Notes:

(1) The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of the Company.

(2) As at 31 December 2021, the total number of issued shares of the Company is 1,487,525,754.

(ii) Long positions in the shares and underlying shares of the associated corporations of the Company

Name of director	Name of associated corporation	Capacity/ Nature of interest	Number of shares/ underlying shares/equity interest held	Approximate percentage of interest
Mr. Pan Jun	Fantasia Holdings Group Co., Limited ("Fantasia Holdings")	Beneficial owner	9,980,000[(1)]	0.17%
	Shenzhen Cai Yun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network")	Beneficial owner	RMB7,000,000	70%[(2)]
	Fantasy Pearl International Limited ("Fantasy Pearl")	Interest of controlled corporation	20 shares	20%[(3)]
Mr. Zhu Guogang	Fantasia Holdings	Beneficial owner	560,000[(1)]	0.01%

Notes:

(1) These underlying shares are unlisted physically settled options granted pursuant to the share option scheme of Fantasia Holdings.

(2) Shenzhen Caizhiyun Network is owned as to 70% by Mr. Pan Jun and 30% by Mr. Tang Xuebin. The financial results of Shenzhen Caizhiyun Network have been consolidated and accounted for as a subsidiary of the Company by virtue of various structured contracts, details of which are disclosed in the section headed "History, Reorganisation and the Group Structure" in the Company's prospectus dated 17 June 2014.

(3) Fantasy Pearl is owned as to 80% by Ice Apex Limited ("Ice Apex") and 20% by Graceful Star Overseas Limited ("Graceful Star"), which is wholly owned by Mr. Pan Jun.

Save as disclosed above, as at 31 December 2021, none of the Directors and chief executive of the Company had any interests or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2021, so far as the Directors are aware and as set out in the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had interest or short position in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held	Approximate percentage of issued share capital
Ms. Zeng Jie, Baby	Interest of controlled corporation [3]	1,013,643,318 (L) [1]	68.14%
Ice Apex	Interest of controlled corporation [3]	1,013,643,318 (L) [1]	68.14%
Fantasy Pearl	Interest of controlled corporation [3] Beneficial owner	1,011,340,522 (L) [1] 2,302,796 (L) [1]	67.99% 0.15%
Fantasia Holdings	Beneficial owner[3]	780,104,676 (L) [1]	52.44%
Splendid Fortune Enterprise Limited ("Splendid Fortune")	Beneficial owner[3]	231,235,846 (L)	15.54%

Notes:

(L) – Long position, (S) – Short position

(1) These shares comprises (i) 780,104,676 shares held by Fantasia Holdings; (ii) 2,302,796 shares beneficially owned by Fantasy Pearl and (iii) 231,235,846 shares beneficially owned by Splendid Fortune.

(2) Fantasia Holdings and Splendid Fortune are owned as to 57.41% and 67.36% respectively by Fantasy Pearl, which is owned as to 80% by Ice Apex. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. By virtue of the SFO, Ms. Zeng Jie, Baby, Ice Apex and Fantasy Pearl are deemed to be interested in the shares of the Company held by Fantasia Holdings and Splendid Fortune.

Save as disclosed above, as at 31 December 2021, no other persons (other than the Directors and chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") by the written resolutions of the shareholders of the Company passed on 11 June 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise, acknowledge and reward Eligible Participants (as defined herein) who have contributed to the Group and to encourage Eligible Participants to work towards enhancing the value of the Company. Eligible Participants of the Share Option Scheme include Directors and employees of the Group and any advisors, consultants, distributors, suppliers, agents, customers, and such other persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme by the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following the listing of the shares of the Company on the Stock Exchange, unless with the prior approval from the Company's shareholders. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is approximate 47,328,829, representing 3.18% of the total number of shares of the Company in issue. The total number of shares issued and to be issued in respect of which options may be granted under the Share Option Scheme to each Eligible Participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non-executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue and the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval of the Company's shareholders in general meeting by way of poll.

An offer of a grant of an option under the Share Option Scheme shall remain open for acceptance for 30 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, (ii) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption.

REPORT OF DIRECTORS

The Company adopted a share option scheme (the "Share Option Scheme") by the written resolutions of the shareholders of the Company passed on 11 June 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

For the year ended 31 December 2021, details of movements in the share options under the Share Option Scheme are as follows:

				Number of share options				
Name of grantee	**Date of grant**	**Exercise price HK$**	**Balance as at 1 January 2021**	**Granted during the Period**	**Exercised during the Period**	**Cancelled/ lapsed during the Period**	**Balance as at 31 December 2021**	**Notes**
Directors								
Mr. Pan Jun	29 September 2014	6.66	547,790	–	–	–	547,790	(1)
			347,650	–	–	–	347,650	(2)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	500,000	–	–	–	500,000	(6)
Mr. Liu Hongcai	29 September 2014	6.66	450	–	–	–	450	(1)
			300	–	–	–	300	(2)
	30 April 2015	11.00	168,400	–	–	–	168,400	(3)
	18 March 2016	5.764	122,000	–	–	–	122,000	(4)
Mr. Xu Xinmin	29 September 2014	6.66	150,000	–	–	–	150,000	(1)
	30 April 2015	11.00	180,000	–	–	–	180,000	(3)
	18 March 2016	5.764	180,000	–	–	–	180,000	(4)
	27 November 2018	4.11	200,000	–	–	–	200,000	(6)
Sub-total			2,756,590	–	–	–	2,756,590	
Employees of the Group	29 September 2014	6.66	10,005,394	–	–	(3,535,194)	6,470,200	(1)
			9,772,580	–	–	(1,901,406)	7,871,174	(2)&(5)
	30 April 2015	11.00	12,892,536	–	–	(2,355,051)	10,537,485	(3)
	18 March 2016	5.764	13,595,804	–	–	(2,132,204)	11,463,600	(4)
	27 November 2018	4.11	18,764,720	–	–	(1,900,000)	16,864,720	(6)
Sub-total			65,031,034	–	–	(11,823,855)	53,207,179	
Total			**67,787,624**	–	–	**(11,823,855)**	**55,963,769**	

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021. The exercise period of these share options will expire on 17 March 2028.

Share Aware Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") on 4 July 2016 to provide incentives or rewards for certain employees and consultants of the Group for their contribution to the Group.

The Share Award Scheme has a term of five years from the adoption date. Pursuant to the Share Award Scheme, the Company will entrust an independent trustee (the "Trustee") to purchase existing Shares in the open market and award such Shares to the selected participants as based on the Company's overall remuneration incentive plan. The Trustee will hold such Shares on behalf of the relevant selected participants on trust, until such Shares are vested with the relevant selected participants in accordance with the vesting conditions of the award and the rules of the Share Award Scheme.

During the year ended 31 December 2021, the Trustee had not acquired any Shares in accordance with the Share Award Scheme. For the year ended 31 December 2021, no share award were granted under the Share Award Scheme. Details of the Share Award Scheme during the year are set out in note 37 to the consolidated financial statements of the Company.

EQUITY-LINKED AGREEMENT

During the year ended 31 December 2021, approximately 32,658,000 shares were issued by the Company pursuant to the scrip dividend arrangement in respect of the 2020 final dividend. As at 31 December 2021, the authorised capital of the Company was HK$5,000,000,000 divided into 50,000,000,000 shares of HK$0.10 each, approximately 1,487,526,000 shares of which were issued and credited as fully paid. Changes in the share capital of the Company during the year are set out in note 13 to the consolidated financial statements.

Save for the scrip dividend arrangement and the share option scheme as set out above, no equity-linked agreements were entered into by the Company, during the year ended 31 December 2021 or subsisted at 31 December 2021.

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

Issuance of Shares

On 21 July 2021, approximately 32,658,000 ordinary shares of HK$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

Senior Notes

On 20 July 2021, the Company issued senior notes due 2022 with principal amount of US$80,000,000 at a coupon rate of 13% per annum (the "13% Senior Notes Due 2022") for the purpose of refinancing certain of its indebtedness. On 5 November 2021, the Company has entered into a sale and purchase agreement to repurchase the total outstanding amount of 13% Senior Notes Due 2022.

Save as disclosed above, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

MATERIAL ACQUISITIONS AND DISPOSALS

On 28 September 2021, the Company as vendor, Shenzhen Colour Life Services Group Co., Limited ("Shenzhen Colour Life") as guarantor, Country Garden Property Services HK Holdings Company Limited as purchaser ("Country Garden") and Link Joy Holdings Group Co., Limited ("Link Joy") entered into the share transfer agreement ("Share Transfer Agreement")in relation to the sale of the entire issued share capital of Link Joy ("Sale Share") at an aggregated consideration of RMB3,300 million. The first installment of consideration of RMB2,300 million was settled by Country Garden upon entering into the Share Transfer Agreement.

Subsequently, the Company as borrower, Shenzhen Colour Life as guarantor and Country Garden as lender, entered into a loan agreement dated 30 September 2021 ("Loan Agreement"). Under the Loan Agreement, Country Garden provided a loan in the amount of RMB700 million (the "Loan") to the Company. The proceeds of the Loan was applied for the general working capital and repayment of debts of the Group. As security for repayment of the Loan, the Sale Share was charged in favour of Country Garden.

The Loan was not repaid when it became due on 4 October 2021. Country Garden enforced the charge on the Sale Share. Subsequently, the parties to the Share Transfer Agreement commenced negotiation for an agreement to supplement the Share Transfer Agreement, which took into account the transfer of the Sale Share by enforcement.

On 28 March 2022, the Group and Country Garden (among others) entered into the Supplemental Agreement to supplement the terms of the Share Transfer Agreement. Pursuant to the Supplemental Agreement, the balance of the consideration under the Share Transfer Agreement will be payable as follows:

(i) the amount of RMB700 million will be set off against the loan of RMB700 million that has been advanced by Country Garden to the Group under the Loan Agreement. Upon the set-off, the Company will be deemed to have discharged its payment obligation under the Loan Agreement in full; and

(ii) the balance of RMB300 million will be payable in two instalment, subject to certain conditions precedents.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the transfer of the Sale Share under the Share Transfer Agreement is more than 75%, the transfer constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing further information about transfer of the Sale Share under the Share Transfer Agreement will be despatched to the shareholders. An extraordinary general meeting will be convened and held for the shareholders of the Company to consider and, if thought fit, approve and ratify the transfer of the Sale Share under the Share Transfer Agreement (as supplemented and amended from time to time).

Please refer to the Company's announcements dated 26 October 2021 and 28 March 2022 for further details of the transfer of the Sale Share.

DETAILS OF FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR PURCHASING CAPITAL ASSETS OF THE GROUP AND THEIR EXPECTED SOURCE OF FUNDING IN THE COMING YEAR

The Company will plan for significant investments according to the strategic objectives and business requirements.

BORROWINGS

Details of the borrowings of the Group are set out in note 33 of the consolidated financial statements.

RIGHTS TO ACQUIRE SHARES

Save for the share options granted to the Directors, at no time during the year was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than those transactions disclosed in the paragraph "Connected Transactions" and "Continuing Connected Transactions", no transaction, arrangement or contract of significance, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraph headed "Continuing Connected Transactions" in this annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

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 the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2021, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2021, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest customers or suppliers.

REPORT OF DIRECTORS

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2021. Details of the transactions are set out in note 47 to the consolidated financial statements and below:

1. Provision of Engineering Services by Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji ") to the Fantasia Group

On June 11, 2014, Shenzhen Kaiyuan Tongji, an indirect wholly-owned subsidiary of the Company, entered into an engineering services framework agreement (the "2014 Engineering Services Agreement") with Fantasia Group (China) Co., Ltd. ("Fantasia China Group") and Shenzhen Fantasia Real-estate Group Ltd. ("Shenzhen Fantasia"), each an indirect wholly-owned subsidiary of the Fantasia Holdings, pursuant to which Shenzhen Kaiyuan Tongji agreed to provide engineering services, including but not limited to installation and fitting of power systems, energy-saving lights and other related services to the Fantasia Group in respect of certain properties developed by each of them (the "Engineering Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

Each of Fantasia China Group and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Engineering Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Engineering Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

The 2014 Engineering Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia China Group, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2017 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB40.0 million, RMB40.5 million and RMB41.0 million for each of the years ended 31 December 2017, 2018 and 2019 respectively.

The 2017 Engineering Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2020 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB60.0 million, RMB70.0 million and RMB75.0 million for each of the years 2020, 2021 and 2022 respectively.

For the year ended 31 December 2021, the provision of the Engineering Services amounted to RMB14.0 million (31 December 2020: RMB22.1 million), which was within the annual cap of RMB70 million (31 December 2020: RMB60.0 million) for the same period.

2. Provision of Pre-delivery Property Management Services by Shenzhen Colour Life Property Management Co., Ltd. ("Shenzhen Colour Life Property Management") to the Fantasia Group

On 11 June 2014, Shenzhen Colour Life Property Management, an indirect wholly-owned subsidiary of the Company, entered into a pre-delivery property management services framework agreement (the "2014 Pre-delivery Property Management Services Agreement") with Fantasia China Group and Shenzhen Fantasia, each an indirect wholly–owned subsidiary of the Fantasia Group, pursuant to which Shenzhen Colour Life Property Management agreed to provide pre-delivery property management services which can be categorized into services to be provided at the pre-sale and pre-delivery stages, including but not limited to (i) the provision of on-site security, cleaning and other related services as well as customer services to be provided to the property sales centre of the Fantasia Group such as concierge services, customer car parking guidance at the pre-sale stage and (ii) the provision of operations and management services at the pre-delivery stage for the unsold portion of the property developments, the Fantasia Group in respect of certain properties developed by it (the "Pre-delivery Property Management Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

Each of Fantasia China Group and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Pre-delivery Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Pre-delivery Property Management Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

The 2014 Pre-delivery Property Management Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia China Group, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2017 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB23.0 million, RMB25.0 million and RMB28.0 million for each of the years 2017, 2018 and 2019 respectively.

The 2017 Pre-delivery Property Management Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2020 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB80.0 million, RMB90.0 million and RMB100.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

For the year ended 31 December 2021, the amounts paid/payable to the Group for the provision of Pre-delivery Property Management Services amounted to RMB3.3 million (31 December 2020: RMB10.8 million), which was within the annual cap of RMB90.0 million (31 December 2020: RMB80.0 million) for the same period.

3. Provision of Network and Advertising Services by Shenzhen Colour Life Network Service Co., Ltd. ("Shenzhen Colour Life Network Service") to the Fantasia Group

(i) On 27 June 2018, Shenzhen Colour Life Network Service entered into the cooperation agreement with Shenzhen Colour Pay in respect of the e-Platform Services, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the Users to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The cooperation agreement has a term of two financial years ending on 31 December 2019, and subject to the annual caps of not exceeding RMB75.0 million and RMB80.0 million for each of the years ending 2018 and 2019 respectively.

The e-Platform Service cooperation agreement entered into between Shenzhen Colour Life Network Service and Shenzhen Colour Pay on 27 June 2018 expired on 31 December 2019. On 31 December 2019, Shenzhen Colour Pay Network Technology Co., Ltd. entered into the 2020 E-Platform Service Cooperation Agreement with Shenzhen Colour Life Network Service, pursuant to which Shenzhen Colour Life Network Service will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the registered users of the Group's e-platform to register with the qianshenhua.com (錢生花) e-platform of Shenzhen Colour Pay to procure products and services, including the P2P services for the procurement of products and the Colour Easy Loan Services, a e-finance services offered by Shenzhen Colour Pay to customers. The 2020 E-Platform Service Cooperation Agreement has a term of three years commencing from 1 January 2020 and ending on 31 December 2022, and subject to the annual caps of not exceeding RMB90.0 million, RMB100.0 million and RMB110.0 million for each of the years ending 31 December 2020, 2021 and 2022 respectively.

For the year ended 31 December 2021, the amounts paid/payable to the Group for the e-Platform Services amounted to RMB0 million (31 December 2020: RMB23.6 million), which was within the annual cap of RMB100.0 million (31 December 2020: RMB90.0 million) for the same period.

(ii) On 22 June 2021, Shenzhen Colour Life Network Services entered into an agreement (the "2021 e-Platform Agreement") with 深圳市康年科技有限公司 (Shenzhen Kangnian Technology Co., Ltd.) ("Kangnian Technology"), an associate of Fantasia, in respect of the e-Platform Services. Under the arrangement, Shenzhen Colour Life Network will through its e-platforms of Caizhiyun (彩之雲) and Colourlife.com allow the registered users of such e-platform to trade in the financing products offered by Kangnian Technology listed on the Shanghai Gold Exchange and commercial coupon products listed on the auction platform. The e-Platform Agreement has a term of three years commencing on 22 June 2021 and ending on 21 June 2024. The annual cap under the term of the Agreement shall not exceed RMB105 million.

For the year ended 31 December 2021, the amounts paid/payable to the Group for the e-Platform Services amounted to RMB19.1 million, which was within the annual cap of RMB105 million.

4. Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC. Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. The Company's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Company's website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor to the Company on PRC law, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

REPORT OF DIRECTORS

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan Jun and Mr. Tang Xuebin entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. The Company is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure — The Structured Contracts" in the Company's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of the Company and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan Jun, being the chairman and a non-executive director of the Company, an executive director and a substantial shareholder of Fantasia Holdings, and as to 30% by Mr. Tang Xuebin, being an executive director, the chief executive officer and a substantial shareholder of the Company, Mr. Pan Jun and Mr. Tang Xuebin are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that the Group manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB15.2 million for the year ended 31 December 2021 and approximately RMB2.2 million as of 31 December 2021, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the Stock Exchange had granted a waiver that the Structured Contracts are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Pan Jun and Mr. Tang Xuebin may potentially have a conflict of interest with the Group. Both of Mr. Pan and Mr. Tang have undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, the Company also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Board on a regular basis which was no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of the Company monitors the proper implementation and Mr. Pan Jun's and Mr. Tang Xuebin's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the President's Office.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the Group. The Board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

The independent non-executive Directors of the Company, namely Mr. Xu Xinmin, Mr. Zhu Wuxiang and Mr. Lee Yan Fai, have reviewed the Structured Contracts and confirmed that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by Shenzhen Caizhiyun Network and its subsidiaries have been mainly retained by the Group; (ii) no dividends or other distributions have been made by Shenzhen Caizhiyun Network to its shareholders; and (iii) any new Structured Contracts entered into, renewed or reproduced between Shenzhen Caizhiyun Network and the Group during the year are fair and reasonable, or advantageous, so far as the Company are concerned and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have discussed with the senior management of the Company on the agreements of the abovementioned continuing connected transactions and reviewed these continuing connected transactions and confirmed that the continuing connected transactions abovementioned have been entered into:

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

(ii) on normal commercial terms or better; and

(iii) and in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

OTHERS

The continuing connected transactions disclosed above also constitutes related party transaction under the International Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 47 to the consolidated financial statements. Save for item (c) therein which also constitutes connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules, other related party transactions do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

NON-COMPETITION DEED

On 11 June 2014, Fantasia Holdings executed in favour of the Company, a deed of non-competition (the “Existing Deed of Non– competition”) pursuant to which Fantasia Holdings undertakes, among others, that during the period commencing from 30 June 2014 and until the earlier of (i) the date on which the Company’s shares cease to be listed on the SEHK; or (ii) the date on which Fantasia Holdings cease to hold, whether directly or indirectly, 30% or more of the Company’s shares:

(i) Fantasia Group will not engage in any business involving the following activities:

- property management focusing on residential communities;
- engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Company’s equipment leasing; or
- community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.

(ii) in relation to the residential communities developed by Fantasia Group, Fantasia Group will not participate in the property management of such properties but will select property management companies through a tendering process in which the Group will be invited to participate; and

REPORT OF DIRECTORS

(iii) if Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide the Company (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable the Company to evaluate the merits of the same.

Over five years have passed since the Company and Fantasia Holdings entered into the Existing Non-Competition Deed, during which time the Group has specialised in the property management of residential communities, whereas the Fantasia Group has continued to operate as a property developer involving property management primarily for pure commercial properties.

During such period, the landscape of the PRC property management market has evolved rapidly, thus affecting the applicability and practicability of the Existing Non-Competition Deed which is archaic in nature. Many property projects in the PRC, in particular those of larger scale, have evolved from purely residential or commercial uses with limited ancillary support to integrated mixed-use properties. Such integrated mixed-use properties, being largescale complexes or areas which normally encompass several different types of properties such as residential properties, office buildings, shopping malls, leisure facilities, SOHO and serviced apartments, may also include government and public facilities such as schools, hospitals, banks and public transportation terminals. Such integrated mixed-use properties are vastly different in nature and purpose than the residential communities which were described as "mixed-use properties" as original envisaged when the Existing Non-Competition Deed was entered into. The Directors consider that the Existing Non-Competition Deed is no longer able to cover the ever-evolving trend of the property development industry in the PRC and the resulting property management services rendered.

To cope with the ever-intensive competition in the property management industry and to seize the ever-changing opportunities, the Company and Fantasia Holdings consider it desirable to amend the Existing Non-Competition Deed to cater for existing business and industry trends.

On 1 April 2020, Fantasia Holdings and the Company agreed to amend the Existing Non-Competition Deed and entered into an amended deed (the "Amended Non-Competition Deed"). Pursuant to the Amended Non-Competition Deed, the scope of the Existing Non-Competition Deed has been amended to include the following additional business which the Fantasia Group has undertaken not to be involved in:

- property management focusing on integrated mixed-use properties which contain residential components including but not limited to those properties developed by the Fantasia Group, save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed.

Furthermore, certain carve-outs in respect of residential communities and integrated mixed-use projects under the management of the Fantasia Group have been added.

The Amended Non-Competition Deed was approved at the extraordinary general meeting of the Company held on 24 April 2020 by the independent shareholder of the Company.

To ensure compliance of the Amended Non-Competition Deed, the Company will continue with the corporate governance measures which have been in place since its listing. In addition, additional internal control measures will be adopted by the Company and Fantasia Holdings to ensure the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to. Further details about the corporate governance measures are disclosed in the circular of the Company dated 3 April 2020.

The independent non-executive directors had reviewed the status of compliance and the confirmation provided by the controlling shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from Fantasia regarding the Non-Competition Deed; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the Non-Competition Deed being questionable, the independent non-executive directors are of the view that the Non-Competition Deed have been complied with and been enforced by the Company in accordance with the terms.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed, during the year ended 31 December 2021, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the remuneration committee of the Company ("Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are proposed by the Remuneration Committee to the Board, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2021.

REPORT OF DIRECTORS

Total staff cost of RMB1,136.4 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB1.3 million for the Directors' remuneration and RMB1,135.1 million for other staff's salaries and allowance.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state-managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year under review, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules.

Mr. Pan Jun is the chairman of the Board and was appointed as the acting chief executive officer of the Company upon resignation of Mr. Huang Wei on 26 March 2021. Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules, the role of chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Pan Jun, being the chairman of the Board, serves as the acting chief executive officer of the Company, despite deviating from code provision C.2.1 of the Listing Rules, the Board believes that, Mr. Pan Jun, being the chairman and the executive director of the Company, is familiar with the Company's business operation and has superior knowledge and experience of the Company's business, vesting the roles of both the chairman and the acting chief executive officer in the same person has the benefit of ensuring consistent leadership with the Company and improving the efficiency of overall strategic planning for the Company. Under the supervision of the Board which comprises of 4 executive director, three non-executive Directors and two independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

Reference is made to the announcement of the Company dated 12 November 2021 in relation to the resignation of Mr. Tam Chun Hung, Anthony. Since his resignation, the Company has not complied with Rules 3.10, 3.10A, 3.21, 3.27 and 3.27A of the Listing Rules. Following the change in the composition of the Board as disclosed in the announcements of the Company dated 14 June 2023, 21 June 2023 and 23 June 2023, the Company has re-complied with Rules 3.10, 3.10A, 3.21, 3.27 and 3.27A of the Listing Rules.

Save as disclosed above, the Company has complied with all code provisions set out in the CG Code for the year ended 31 December 2021.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

SUFFICIENCY OF PUBLIC FLOAT

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

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the directors and officers of the Company.

AUDITOR

On 13 July 2023, Deloitte Touche Tohmatsu resigned as auditor of the Company. With effect from 28 July 2023, Prism Hong Kong and Shanghai Limited (previously known as UniTax Prism (HK) CPA Limited) has been appointed as the new auditor of the Company to fill the casual vacancy arising from the resignation of Deloitte Touche Tohmatsu.

The consolidated financial statements for the year ended 31 December 2021 have been audited by Prism Hong Kong and Shanghai Limited. A resolution for the re-appointment of Prism Hong Kong and Shanghai Limited as the Company's auditor will be proposed at the forthcoming AGM of the Company.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

On behalf of the Board
Pan Jun
Chairman

Hong Kong, 5 July 2023

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has adopted the code provisions as set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 to the Listing Rules. For the year ended 31 December 2021, save as disclosed in the Corporate Governance Report, the Company has complied with all the code provisions as set out in the CG Code.

The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "Securities Dealing Code"). The Company had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2021 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2021.

No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board of the Company during the year and up to the date of this report was/is:

Executive Directors:
Mr. Pan Jun *(Chairman)*
Mr. Chen Xinyu
Mr. Huang Wei *(Chief Executive Officer)*
Mr. Zhu Guogang
Mr. Liu Hongcai
Ms. Yang Lan

Non-executive Directors:
Mr. Tang Xuebin
Mr. Zhou Hongyi
Mr. Wu Qingbin *(Vice Chairman)*
Mr. Zheng Hongyan
Ms. Sun Dongni

Independent non-executive Directors:
Mr. Tam Chun Hung, Anthony
Dr. Liao Jianwen
Mr. Xu Xinmin
Mr. Zhu Wuxiang
Mr. Lee Yan Fai

The biographical information of the directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 29 to 33 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other.

Chairman and Chief Executive Officer

Mr. Pan Jun is the chairman of the Board and was appointed as the acting chief executive officer of the Company upon resignation of Mr. Huang Wei on 26 March 2021. Pursuant to code provision C.2.1 of the Corporate Governance Code in Appendix 14 to the Listing Rules, the role of chairman and the chief executive officer should be segregated and should not be performed by the same individual. Mr. Pan Jun, being the chairman of the Board, serves as the acting chief executive officer of the Company, despite deviating from code provision C.2.1 of the Listing Rules, the Board believes that, Mr. Pan Jun, being the chairman and the executive director of the Company, is familiar with the Company's business operation and has superior knowledge and experience of the Company's business, vesting the roles of both the chairman and the acting chief executive officer in the same person has the benefit of ensuring consistent leadership with the Company and improving the efficiency of overall strategic planning for the Company. Under the supervision of the Board which comprises of 4 executive director, three non-executive Directors and two independent non-executive Directors, the Board is appropriately structured with balance of power to provide sufficient checks to protect the interests of the Company and its shareholders.

Independent Non-executive Directors

Reference is made to the announcement of the Company dated 12 November 2021 in relation to the resignation of Mr. Tam Chun Hung, Anthony. Since his resignation, the Company has not met with the requirements of the Listing Rules relating to the appointment of at least three independent non-executive director representing at least one-third of the Board. Following the change in the composition of the Board as disclosed in the announcements of the Company dated 14 June 2023, 21 June 2023 and 23 June 2023, the Company has re-complied with the above requirements.

The independent non-executive Directors possess the respective professional qualifications and related management experience in the areas of financial accounting, business strategies and property management and have contributed to the Board with their professional opinions.

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

Directors' Re-election

Code provision A.4.1 of the CG Code stipulates that Non-executive Directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 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) or an appointment letter (for Non-executive Directors and Independent Non-executive Directors) for a term of 3 years.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years and any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting or the next following annual general meeting, as the case may be, of the Company after his appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

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

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

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

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

Continuous Professional Development of Directors

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

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

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged.

The Company had from time to time provided relevant reading materials including the amendments to or updates on the relevant laws, rules and regulations to all directors for their reference and studying.

During the year under review, the Company held 6 board meetings and 1 general meetings, the attendance of each director are set out in "Attendance at Board Meetings, Board Committee Meetings and General Meetings" below.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to shareholders upon request.

All members of the Audit Committee and the majority of the members of the Remuneration Committee and Nomination Committee are independent non-executive Directors.

Audit Committee

The Audit Committee currently consists of all the three Independent Non-executive Directors, namely, Mr. Xu Xinmin, Mr. Zhu Wuxiang and Mr. Lee Yan Fai (chairman of audit committee). None of the committee members is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, making recommendations to the Board on the appointment and dismissal of the external auditors, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee is also responsible for performing the Company's corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held 2 meetings during the year ended 31 December 2021. During the meetings, the Audit Committee has been provided with the Group's financial statements including audited annual results for the year ended 31 December 2021 and unaudited interim results for the six months ended 30 June 2021, internal controls reports and other necessary financial information to consider, review and assess significant issues arising from the financial statements, internal controls and work conducted. The Audit Committee also recommended the appointment of external auditors for the Company and reviewed the following including:

(a) the Company's policies and practices on corporate governance;

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

(c) the Company's policies and practices on compliance with legal and regulatory requirements;

(d) the compliance of the Model Code and the Securities Dealing Code; and

(e) the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee currently consists of three Independent Non-executive Directors, namely, Mr. Xu Xinmin, Mr. Zhu Wuxiang (chairman) and Mr. Lee Yan Fai.

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and ensuring that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 2 meetings during the year ended 31 December 2021. During the meeting, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management. The emolument policy of the Group are set out in the section headed "Emolument Policy" in the Report.

Nomination Committee

The Nomination Committee currently consists one Executive Director, namely, Mr. Pan Jun (chairman); and two Independent Non-executive Directors, namely Mr. Xu Xinmin and Mr. Zhu Wuxiang.

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

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

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of independent non-executive Directors to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

(i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

(ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

(iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors in particular the chairman and the chief executive, and assessing the independence of independent non-executive Directors.

The Board has adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee reviews the Board Diversity Policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

The Nomination Committee held 2 meeting during the year ended 31 December 2021. During the meeting, the Nomination Committee assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2020 annual general meeting of the Company before putting forth for discussion and approval by the Board, reviewed the Board Diversity Policy and the measurable objectives, and also reviewed the structure, size and composition of the Board and accessed the new appointment of the directors of the Company.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

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

	Attendance/Number of Meetings During Tenure of Office				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors					
Mr. Pan Jun	6/6	N/A	N/A	2/2	1/1
Mr. Chen Xinyu	5/6	N/A	2/2	N/A	1/1
Mr. Huang Wei *(resigned on 26 March 2021)*	1/6	N/A	N/A	0/2	0/1
Mr. Zhu Guogang *(appointed on 26 March 2021)*	5/6	N/A	N/A	2/2	1/1
Mr. Liu Hongcai *(appointed on 24 December 2021)*	0/6	N/A	N/A	N/A	0/1
Non-executive Directors					
Mr. Tang Xuebin *(resigned on 26 March 2021)*	0/6	N/A	N/A	N/A	0/1
Mr. Zhou Hongyi *(resigned on 26 March 2021)*	0/6	N/A	N/A	N/A	0/1
Mr. Wu Qingbin *(appointed on 26 March 2021)*	5/6	N/A	N/A	N/A	1/1
Mr. Zheng Hongyan *(appointed on 26 March 2021)*	1/6	N/A	N/A	N/A	0/1
Ms. Sun Dongni *(appointed on 26 March 2021)*	1/6	N/A	N/A	N/A	0/1
Independent Non-executive Directors					
Mr. Tam Chun Hung, Anthony *(resigned on 12 November 2021)*	4/6	2/2	0/2	0/2	1/1
Dr. Liao Jianwen *(resigned on 26 March 2021)*	0/6	1/2	0/2	N/A	0/1
Mr. Xu Xinmin	6/6	2/2	2/2	2/2	1/1
Mr. Zhu Wuxiang *(appointed on 26 March 2021)*	4/6	2/2	2/2	2/2	1/1

The Chairman also held meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year ended 31 December 2021.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

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

The independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 70 of this annual report.

AUDITORS' REMUNERATION

During the year ended 31 December 2021, the remunerations paid or payable to the auditor of the Group, Prism Hong Kong and Shanghai Limited, in respect of its audit services and non-audit services were RMB4.3 million and RMB1.5 million, respectively. Non-audit services comprises the special audit service in relation to a very substantial disposal.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interest of the Company and its shareholders and through the Audit Committee, reviewing the effectiveness of such system on an annual basis. During the year under review, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management; and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2021, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that might affect shareholders were identified during the year ended 31 December 2021.

COMPANY SECRETARY

For the year ended 31 December 2021, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

For the year ended 31 December 2021, the Company's company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

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

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website.

Putting Forward Enquiries to the Board

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

Contact Details

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

21/F., CMA Building
64 Connaught Road Central
Hong Kong
For the attention of the Board of Directors

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

A dedicated Investor Relations section is available on the Company's website (www.colourlife.hk). Information on the Company's website are updated on a regular basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on–going dialogue with shareholders and in particular, through financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures available on the websites of the Stock Exchange and of the Company. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Constitutional Documents

During the year under review, there was no change in the Company's memorandum and articles of association. An up to date version of the Company's memorandum and articles of association is also available on the websites of the Company and of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

上會
栢誠

TO THE MEMBERS OF COLOUR LIFE SERVICES GROUP CO., LIMITED
(incorporated in Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 73 to 172, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

OTHER MATTER

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

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 matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill have been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill have been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer ("Valuer") to assist the estimation. The valuation team of the Group works closely with the Valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. As disclosed in note 21 to the consolidated financial statements, the carrying amounts of goodwill were RMB886,270,000 after net off the accumulated impairment losses of goodwill of RMB870,000 as at 31 December 2021 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2021.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates; • Evaluating the competency, capabilities and objectivity of the Valuer; • Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the Group's historical financial performance and comparable listed companies; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies based on industry knowledge and independent research with the assistance of our external specialists; • Evaluating the competency, capabilities and objectivity of our external specialists; and • Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

INDEPENDENT AUDITOR'S REPORT

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information. As disclosed in note 24 to the consolidated financial statements, the carrying amount of trade receivables is RMB497,894,000 as at 31 December 2021, after net off the allowance for credit losses of RMB140,180,000, and the allowance for credit losses of RMB81,559,000 was recognised in profit or loss for the year end 31 December 2021.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model; • Testing the integrity of information used by the management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

Key audit matter	How our audit addressed the key audit matter
Recoverability of payments on behalf of residents	
We identified the recoverability of payments on behalf of residents as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the ECL of payments on behalf of residents which may affect the carrying value at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used collective basis to calculate the ECL of payments on behalf of residents and the provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The collective basis assessment is based on the Group's historical default rates taking into consideration forward-looking information. As disclosed in note 28 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB954,514,000 as at 31 December 2021, after net off the allowance for credit losses of RMB348,328,000, and the allowance for credit losses of RMB152,746,000 was recognised in profit or loss for the year end 31 December 2021.	Our procedures in relation to assessing the recoverability of payments on behalf of the residents included: • Obtaining an understanding on how the management assess the ECL of payments on behalf of residents by applying the ECL model; • Testing the integrity of information used by management to develop the collective basis assessment, including the internal credit rating and impairment indicators, including whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience, the financial performance of the property management offices of residential communities and expected future cash flows of the management offices of residential communities; • Checking to the notices of termination of the management service received by the Group, on a sample basis, and confirming with the management whether the management service for certain communities was terminated or about to be terminated for those communities; • Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

- 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 those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with those charged with governance, 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 the independent auditor's report is Mr. Lee Kwok Lun.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294
Hong Kong
5 July 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Revenue from services	5&6	**3,123,274**	3,596,450
Cost of services		**(2,283,944)**	(2,388,688)
Gross profit		**839,330**	1,207,762
Other income	7	**60,770**	69,744
Other gains and losses	7	**340,667**	81,165
Impairment losses under expected credit loss model, net of reversal	8	**(544,814)**	(89,309)
Selling and distribution expenses		**(25,779)**	(16,944)
Administrative expenses		**(396,411)**	(421,843)
Expenses recharged to residential communities under commission basis		**82,947**	78,072
Finance costs	9	**(281,687)**	(210,387)
Change in fair value of investment properties		**(12,935)**	(2,461)
Share of results of associates		**928**	3,937
Share of results of joint ventures		**(9,154)**	996
Profit before tax		**53,862**	700,732
Income tax expense	10	**(35,046)**	(158,677)
Profit for the year	11	**18,816**	542,055
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		**(2,125)**	1,793
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		**531**	(448)
Other comprehensive (expense) income for the year, net of income tax		**(1,594)**	1,345
Total comprehensive income for the year		**17,222**	543,400
Profit for the year attributable to:			
Owners of the Company		**17,656**	501,721
Non-controlling interests		**1,160**	40,334
		18,816	542,055
Total comprehensive income for the year attributable to:			
Owners of the Company		**16,062**	503,066
Non-controlling interests		**1,160**	40,334
		17,222	543,400
Earnings per share – basic (RMB cents)	14	**1.19**	34.90
Earnings per share – diluted (RMB cents)	14	**1.19**	34.90

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current Assets			
Property, plant and equipment	15	**35,485**	181,905
Right-of-use assets	16	**283,441**	95,204
Investment properties	17	**26,504**	147,351
Interests in associates	18	**40,573**	61,046
Interests in joint ventures	19	**123,431**	103,862
Equity instruments designated at FVTOCI	20	**113,043**	115,168
Goodwill	21	**886,270**	2,317,252
Intangible assets	22	**9,806**	953,461
Contract assets	23	**–**	14,572
Other receivables	24	**86,854**	4,986
Loan receivables	25	**–**	1,761
Deferred tax assets	26	**105,897**	85,932
Amount due from a related party	47(b)	**–**	68,889
Deposits paid for potential acquisition of subsidiaries	27	**122,262**	10,653
		1,833,566	4,162,042
Current Assets			
Contract assets	23	**90,483**	48,986
Trade receivables	24	**497,894**	546,989
Other receivables and prepayments	24	**1,512,816**	751,151
Loan receivables	25	**101,841**	224,188
Payments on behalf of residents	28	**954,514**	1,050,618
Amounts due from related parties	47(b)	**89,353**	899,766
Pledged/restricted bank deposits	29	**64,343**	154,118
Bank balances and cash	29	**600,079**	2,458,579
		3,911,323	6,134,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Current Liabilities			
Trade payables	30	**190,240**	405,567
Other payables and accruals	30	**118,548**	804,521
Contract liabilities	31	**159,200**	516,500
Receipts on behalf of residents	28	**313,972**	362,189
Lease liabilities due within one year	32	**7,078**	7,898
Amounts due to related parties	47(b)	**69,262**	604,003
Tax liabilities		**272,038**	239,896
Borrowings due within one year	33	**184,834**	436,181
Senior notes and bonds	34	**–**	1,552,688
Asset-backed securities issued due within one year	35	**–**	20,206
		1,315,172	4,949,649
Net Current Assets		**2,596,151**	1,184,746
Total Assets Less Current Liabilities		**4,429,717**	5,346,788

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2021

	NOTES	2021 RMB'000	2020 RMB'000
Non-current Liabilities			
Deferred tax liabilities	26	**8,848**	252,937
Lease liabilities due after one year	32	**11,270**	18,929
Borrowings due after one year	33	**–**	520,500
Total Non-current Liabilities		**20,118**	792,366
Net Assets		**4,409,599**	4,554,422
Capital and Reserves			
Share capital	36	**120,750**	118,036
Reserves		**4,098,676**	4,231,605
Equity attributable to owners of the Company		**4,219,426**	4,349,641
Non-controlling interests		**190,173**	204,781
Total Equity		**4,409,599**	4,554,422

The consolidated financial statements on pages 73 to 172 were approved and authorised for issue by the board of directors on 5 July 2023 and are signed on its behalf by:

MR. PAN JUN
DIRECTOR

MS. YANG LAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 37)	Shares held for share award scheme RMB'000 (note 38)	FVTOCI reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2020	115,134	1,805,780	211,455	233,676	(6,795)	17,637	(296,217)	1,789,509	3,870,179	181,817	4,051,996
Profit for the year	–	–	–	–	–	–	–	501,721	501,721	40,334	542,055
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	1,793	–	–	1,793	–	1,793
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(448)	–	–	(448)	–	(448)
Other comprehensive income for the year	–	–	–	–	–	1,345	–	–	1,345	–	1,345
Total comprehensive income for the year	–	–	–	–	–	1,345	–	501,721	503,066	40,334	543,400
Issue of shares for scrip dividend (note 13)	2,902	100,203	–	–	–	–	–	–	103,105	–	103,105
Dividends recognised as distributions to shareholders of the Company (note 13)	–	(128,033)	–	–	–	–	–	–	(128,033)	–	(128,033)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(13,488)	(13,488)
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	–	–	–	–	(5,374)	–	(5,374)	(4,535)	(9,909)
Capital injection by non-controlling shareholders of certain subsidiaries	–	–	–	–	–	–	–	–	–	653	653
Recognition of equity-settled share-based payments (notes 37 and 38)	–	–	–	6,698	–	–	–	–	6,698	–	6,698
Transfer	–	–	72,390	–	–	–	–	(72,390)	–	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 37)	Shares held for share award scheme RMB'000 (note 38)	FVTOCI reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 31 December 2020	118,036	1,777,950	283,845	240,374	(6,795)	18,982	(301,591)	2,218,840	4,349,641	204,781	4,554,422
Profit for the year	–	–	–	–	–	–	–	17,656	17,656	1,160	18,816
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(2,125)	–	–	(2,125)	–	(2,125)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	531	–	–	531	–	531
Other comprehensive expense for the year	–	–	–	–	–	(1,594)	–	–	(1,594)	–	(1,594)
Total comprehensive (expense) income for the year	–	–	–	–	–	(1,594)	–	17,656	16,062	1,160	17,222
Issue of shares for scrip dividend (note 13)	2,714	87,925	–	–	–	–	–	–	90,639	–	90,639
Dividends recognised as distributions to shareholders of the Company (note 13)	–	(127,010)	–	–	–	–	–	–	(127,010)	–	(127,010)
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(7,796)	(7,796)
Acquisition of subsidiaries	–	–	–	–	–	–	–	–	–	468	468
Acquisition of additional interests in subsidiaries from non-controlling shareholders	–	–	–	–	–	–	(119,065)	6,499	(112,566)	(6,499)	(119,065)
Disposal of subsidiaries	–	–	(39,643)	–	–	–	–	39,643	–	(1,941)	(1,941)
Recognition of equity-settled share-based payments (notes 37 and 38)	–	–	–	2,660	–	–	–	–	2,660	–	2,660
Transfer	–	–	9,297	–	–	–	–	(9,297)	–	–	–
At 31 December 2021	120,750	1,738,865	253,499	243,034	(6,795)	17,388	(420,656)	2,273,341	4,219,426	190,173	4,409,599

Notes:

(a) The statutory reserve is non-distributable and the transfer to the reserve is determined by the board of directors of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(b) The amount recorded in the other reserve was resulted from the following as follows:

(i) Other reserve arose from the acquisitions of additional equity interests in subsidiaries and the disposal of partial equity interests in subsidiaries, which represent the difference between the consideration and the adjustment to the non-controlling interests.

(ii) The Company recognised expense in relation to share options granted by Fantasia Holdings Group Co., Limited to eligible directors and employees of the Company and credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**53,862**	700,732
Adjustments for:		
Changes in fair value of investment properties	**12,935**	2,461
Impairment losses under expected credit loss model, net of reversal	**544,814**	89,309
Depreciation of property, plant and equipment	**64,895**	48,206
Depreciation of right-of-use assets	**9,879**	8,657
Amortisation of intangible assets	**119,076**	137,774
Interest income	**(29,175)**	(24,619)
Finance costs	**281,687**	210,387
Share-based payment expenses	**2,660**	6,698
Share of results of joint ventures	**9,154**	(996)
Share of results of associates	**(928)**	(3,937)
Loss on disposal of property, plant and equipment	**22**	37
Net foreign exchange loss (gain)	**12,549**	(84,407)
Net gain on disposal of subsidiaries	**(332,286)**	–
Operating cash flows before movements in working capital	**749,144**	1,090,302
Decrease in inventories	**–**	3,700
(Increase) decrease in trade receivables	**(525,156)**	85,793
Increase in other receivables and prepayments	**(296,452)**	(24,850)
Changes in payments/receipts on behalf of residents	**(215,903)**	(232,744)
(Increase) decrease in contract assets	**(28,363)**	2,988
(Decrease) increase in contract liabilities	**(86,152)**	166,285
Increase in trade payables	**209,144**	4,391
Decrease in other payables and accruals	**(202,964)**	(64,647)
(Decrease) increase in amounts due to related parties	**(3,286)**	1,452
Decrease in amounts due from related parties	**62,943**	3,650
Cash (used in) generated from operations	**(337,045)**	1,036,320
Income taxes paid	**(31,169)**	(210,503)
NET CASH (USED IN) FROM OPERATING ACTIVITIES	**(368,214)**	825,817

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
INVESTING ACTIVITIES		
Interest received	**29,175**	24,619
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	**(14,647)**	–
Disposal of subsidiaries (net of cash and cash equivalents acquired)	**2,928,585**	–
Disposal of associates and joint ventures	**23,991**	–
Deposit paid for acquisition of subsidiaries	**(115,201)**	(1,380)
Deposit refunded for acquisition of subsidiaries	**2,500**	595
Settlement of consideration payables on acquisition of subsidiaries	**(2,776)**	(17,511)
Settlement of consideration receivables of disposal of subsidiaries	**1,849**	22,314
Payment for deposits and purchase of property, plant and equipment and investment properties	**(125,996)**	(30,266)
Payment for deposits and right-of-use assets	**(690,485)**	–
Proceeds of disposal of property, plant and equipment and investment properties	**21,162**	14,909
Redemption of equity instruments designated at FVTOCI	**–**	8,360
Redemption of financial assets at FVTPL	**–**	3,000
Capital injection to and acquisition of associates and joint ventures	**(33,033)**	(6,582)
Increase in pledged/restricted bank deposits	**(32,113)**	(54,555)
Decrease in pledged/restricted bank deposits	**106,951**	115,083
Dividend received from joint ventures	**1,227**	–
Dividend received from associates	**493**	540
Advances of loan receivables	**(100,000)**	(198,588)
Repayment of loan receivables	**194,022**	165,513
Advances to related parties	**(631,525)**	(421,070)
Repayment from related parties	**168,590**	81,882
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**1,732,769**	(293,137)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2021

	2021 RMB'000	2020 RMB'000
FINANCING ACTIVITIES		
Interest paid	**(331,500)**	(137,538)
Net proceeds from issuance of senior notes	**514,689**	1,592,069
Repayment of principal of asset-backed securities	**(20,000)**	(85,740)
New borrowings raised	**1,474,903**	423,993
Repayments of bank borrowings	**(2,265,343)**	(1,509,708)
Repayments of senior notes and bonds	**(2,010,050)**	(150,000)
Repayments of lease liabilities	**(8,239)**	(7,241)
Capital contribution from a non-controlling shareholders of certain subsidiaries	**–**	653
Advance from related parties	**54,418**	348,813
Repayment to related parties	**(468,701)**	(199,983)
Acquisition of additional interest in subsidiaries	**(119,065)**	(9,909)
Dividends paid to non-controlling shareholders of the subsidiaries	**(7,796)**	(13,488)
Dividends paid to shareholders of the Company	**(36,371)**	(24,928)
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(3,223,055)**	226,993
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	**(1,858,500)**	759,673
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**2,458,579**	1,721,228
Effect of foreign exchange rate changes	**–**	(22,322)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**600,079**	2,458,579

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL

Colour Life Services Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("the SEHK"). Its immediate holding company is Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Ms. Zeng Jie, Baby. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 46.

The consolidated financial statements is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and the major subsidiaries.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

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

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

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

New and amendments to HKFRSs in issue but not yet effective

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

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

1 Effective for annual periods beginning on or after 1 April 2021
2 Effective for annual periods beginning on or after 1 January 2022
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of consolidated financial statements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Basis of preparation of consolidated financial statements *(Continued)*

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Significant accounting policies

Basis of consolidation

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

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Significant accounting policies *(Continued)*

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Changes in the Group's interests in existing subsidiaries

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

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

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Business combinations

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations (Continued)

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

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "*Income Taxes*" and HKAS 19 "*Employee Benefits*" respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 "*Share-based Payment*" at the acquisition date (see the accounting policy below);

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "*Non-current Assets Held for Sale and Discontinued Operations*" are measured in accordance with that standard, and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations *(Continued)*

Business combinations (Continued)

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

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

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed of directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill *(Continued)*

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

The Group's policy for the goodwill arising on the acquisition of an associate and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Investment in a structured entity

The Group controls a structured entity, the employees' share award trust ("Employee Share Trust"), which is set up solely for the purpose of purchasing, administering and holding the Group's shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the Employee Share Trust and it has the ability to use its power over the Employee Share Trust to affect its exposure to returns, the assets and liabilities of Employee Share Trust are included in the consolidated statement of financial position and the Group's shares held by the Employee Share Trust are presented as a deduction in equity as shares held for share award scheme.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers

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

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

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

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

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

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

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

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

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

Output method

For property management services, value-added services (including online promotion services and other value-added services) and engineering services (including repair and maintenance services and energy-saving services), the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent

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

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

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

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

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

The Group as a lessee

Short-term leases and leases of low-value assets

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

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

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

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

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities

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

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend 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 the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

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

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

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as lessor

Classification and measurement of leases

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

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

Interest and rental income which are derived from the Group's ordinary course of business are presented as other income.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Leases *(Continued)*

The Group as lessor (Continued)

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

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

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

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

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

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Shares/share options scheme

Equity-settled share-based payments to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Share-based payments *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share award scheme

Where the Group's shares are acquired by the trustee of the share award scheme from the open market, the total consideration of shares acquired from the open market (including any directly attributable incremental costs) is presented as shares held for share award scheme and deducted from total equity.

The fair value of the awarded shares at the grant date is expensed on a straight-line basis over the projected vesting period being the period for which the services from the employees are rendered with a corresponding increase in equity (shares held for share award scheme).

Upon vesting and transfer the shares to the grantees, the related costs of the shares are reversed from shares held for share award scheme, and the related expenses of the shares are reversed from "shares held for share award scheme" included in reserves. The difference arising from such transfer is debited/credited to retained profits.

Taxation

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

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

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

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

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Taxation *(Continued)*

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

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

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

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

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

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

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

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets", if any, in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

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

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

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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

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

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

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

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

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

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

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

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

Financial instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

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

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

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

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

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

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

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, payments on behalf of residents, loan receivables, amounts due from related parties, pledged/restricted bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

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

The Group recognises lifetime ECL for trade receivables, contract assets and payments on behalf of residents. The ECL on these assets are assessed collectively using a provision matrix or collective basis with appropriate groupings.

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

(i) Significant increase in credit risk

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

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

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

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

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

- an actual or expected significant deterioration in the operating results of the debtor; or

- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

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

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

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

(ii) Definition of default

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

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

(iii) Credit-impaired financial assets

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

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

(v) Measurement and recognition of ECL

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

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

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on appropriate basis, taken into the following considerations:

Lifetime ECL for certain trade receivables, payments on behalf of residents and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

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

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets, loan receivables, payments on behalf of residents and amount due from a joint venture where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

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

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

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Senior notes and bonds and asset-backed securities issued

Senior notes issued by the Company that contain both liability and early redemption option (which is not closely related to the host contract) are classified separately into respective items on initial recognition. At the date of issue, both the liability and early redemption option components are recognised at fair value.

Corporate bonds and asset-backed securities issued by the subsidiaries of the Company that contain both liability and put option (which is closely related to the host contracts) are not separated into host contract and embedded derivatives on initial recognition. At the date of issue, the bonds and asset-backed securities issued are recognised at fair value.

In subsequent periods, the liability component of the senior notes, bonds and asset-backed securities issued are carried at amortised cost using the effective interest method. The early redemption option of senior notes is measured at fair value with changes in fair value recognised in profit or loss.

Transaction costs that related to the issue of the senior notes and bonds and asset-backed securities issued are included in the carrying amount of the senior notes and bonds and asset-backed securities issued and amortised over the period of the senior notes and bonds and asset-backed securities issued using the effective interest method.

Financial liabilities other than senior notes, bonds and asset-backed securities issued at amortised cost

Financial liabilities including trade payables, other payables, receipts on behalf of residents, amounts due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

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

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the groups of cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. The cash flows beyond the five-year period are extrapolated using zero growth rate. The details are set out in note 21. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of expected future cash flows due to unfavourableness, a material impairment loss may arise. As at 31 December 2021, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB886,270,000 (2020: RMB2,317,252,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the expected future cash flows from the asset of cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2021, the carrying amount of intangible assets net of accumulated impairment loss and amortisation was RMB9,806,000 (2020: RMB953,461,000).

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 24 and 40.

Provision of ECL for payments on behalf of residents, other receivables, amounts due from related parties and contract assets

The Group uses collective basis to calculate ECL for the payments on behalf of residents , other receivables, amounts due from related parties and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective basis assessment is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's payments on behalf of residents and contract assets are disclosed in notes 28, 23, 24, 47(b), 8 and 40, respectively.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2021, the carrying amount of property, plant and equipment was RMB35,485,000 (2020: RMB181,905,000).

Fair value of completed investment properties

The Group's completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, the management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change in the future. As at 31 December 2021, the carrying amount of investment properties was RMB26,504,000 (2020: RMB147,351,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2021

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	2,683,596	–	–	2,683,596
Pre-delivery services	34,608	–	–	34,608
Commission basis	158,270	–	–	158,270
Consultancy services fee	9,307	–	–	9,307
	2,885,781	–	–	2,885,781
Value-added services				
Online promotion services	–	99,410	–	99,410
Sales and rental assistance	–	87,398	–	87,398
Other value-added services	–	18,135	–	18,135
	–	204,943	–	204,943
Engineering services				
Equipment installation services	–	–	18,616	18,616
Repair and maintenance services	–	–	6,167	6,167
Energy-saving service fees	–	–	7,767	7,767
	–	–	32,550	32,550
	2,885,781	204,943	32,550	3,123,274
Timing of revenue recognition				
A point in time	–	87,398	–	87,398
Over time	2,885,781	117,545	32,550	3,035,876
	2,885,781	204,943	32,550	3,123,274

5. REVENUE FROM SERVICES *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2020

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Types of goods and services				
Property management services				
Lump sum basis	3,015,899	–	–	3,015,899
Pre-delivery services	48,987	–	–	48,987
Commission basis	202,187	–	–	202,187
Consultancy services fee	17,421	–	–	17,421
	3,284,494	–	–	3,284,494
Value-added services				
Online promotion services	–	85,692	–	85,692
Sales and rental assistance	–	111,238	–	111,238
Other value-added services	–	59,450	–	59,450
	–	256,380	–	256,380
Engineering services				
Equipment installation services	–	–	36,289	36,289
Repair and maintenance services	–	–	6,263	6,263
Energy-saving service fees	–	–	13,024	13,024
	–	–	55,576	55,576
	3,284,494	256,380	55,576	3,596,450
Timing of revenue recognition				
A point in time	–	111,238	–	111,238
Over time	3,284,494	145,142	55,576	3,485,212
	3,284,494	256,380	55,576	3,596,450

5. REVENUE FROM SERVICES *(Continued)*

(ii) Performance obligations for contracts with customers

Property management services mainly includes property management services under lump sum basis, commission basis, pre-delivery services and consultancy service arrangement. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, who simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue over time and all related property management costs as its cost of services.

For property management services income in pre-delivery services, where the Group acts as principal and is primarily responsible for providing the property management services for the property developers, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement, where the Group acts as principal and is primarily responsible for providing the consultancy services for the property management companies, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs. The Group agrees the fee for services with the property management companies upfront and recognises the fee received or receivable from the property management companies as its revenue over time and all related property management costs as its cost of services.

Value-added services mainly includes usage fees from online promotion services, sales and rental assistance and other value-added services. The Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period.

5. REVENUE FROM SERVICES *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

For online promotion services and other value-added services, as the customers simultaneously receive and consume the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due upon issuance of invoice when performance obligations are satisfied.

For sales and rental assistance services, the Group provides agency services to property developers and community-related service providers. Agency commission is recognised at a point in time when a buyer/lessee and seller/lessor execute a legally binding agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Engineering services mainly includes equipment installation services, repair and maintenance services and energy-saving services. For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2021 and 2020 regarding property management services and engineering services is expected to recognise as revenue within one year.

6. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (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 year ended 31 December 2021, the Group is principally engaged in the provision of property management services and related services in the PRC. Management reviews the operating results of the business as a single operating segment as the nature of services, the type of customers for services, the method used to provide their services and the nature of regulatory environment is same in different regions.

Information about major customer

There were no sales to a single customer which amounted to 10% or more of the Group's revenue during the year ended 31 December 2021 and 2020.

Information about geographical areas

The principal operating entities of the Group are domiciled in the PRC and majority of revenue is derived in the PRC during the years ended 31 December 2021 and 2020.

As at 31 December 2021 and 2020, majority of the non-current assets of the Group were located in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

6. SEGMENT INFORMATION *(Continued)*

Revenue and results from major services

The Group is mainly engaged in provision of property management services, value-added services and engineering services. The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management services RMB'000	Value-added services RMB'000	Engineering services RMB'000	Total RMB'000
Year ended 31 December 2021				
Revenue from major services	**2,885,781**	**204,943**	**32,550**	**3,123,274**
Profit from major services	**301,137**	**48,674**	**6,550**	**356,361**
Year ended 31 December 2020				
Revenue from major services	3,284,494	256,380	55,576	3,596,450
Profit from major services	596,690	230,998	34,564	862,252

7. OTHER INCOME, GAINS AND LOSSES

	2021 RMB'000	2020 RMB'000
Other income		
Interest income from		
– loan receivables	**294**	1,672
– banks	**28,566**	22,641
– non-current advance to staffs	**315**	306
Refund of value-added tax	**15,876**	24,174
Unconditional government grants	**13,556**	18,809
Others	**2,163**	2,142
	60,770	69,744
Other gains and losses		
Net gain on disposal of subsidiaries (note)	**332,286**	–
Loss on disposal of property, plant and equipment	**(22)**	(37)
Exchange (loss) gain	**(12,549)**	84,407
Others	**20,952**	(3,205)
	340,667	81,165

Note: During the year ended 31 December 2021, the Group disposed Link Joy Group and certain other subsidiaries. Details of disposal of Link Joy Group are set out in note 41. For disposal of other certain subsidiaries, the consideration were RMB4,238,000 in aggregation, after consideration of the impact of net assets disposed of and non-controlling interests, the net loss on disposal of the aforesaid certain other subsidiaries were approximately RMB13,088,000.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2021 RMB'000	2020 RMB'000
Impairment loss recognised on		
– trade receivables (note 24)	**(81,559)**	(18,634)
– other receivables (note 24)	**(20,450)**	–
– contract assets (note 23)	**(1,438)**	(1,147)
– payments on behalf of residents (note 28)	**(152,746)**	(48,918)
– amount due from related parties (note 40(b))	**(258,535)**	(4,010)
– loan receivables (note 25)	**(30,086)**	(16,600)
	(544,814)	(89,309)

Details of impairment assessment are set out in note 40(b).

9. FINANCE COSTS

	2021 RMB'000	2020 RMB'000
Interests on:		
– borrowings	**(207,128)**	(93,277)
– senior notes and bonds (note 34)	**(72,475)**	(107,622)
– asset-backed securities issued (note 35)	**(408)**	(7,715)
– amount due to a fellow subsidiary (note 47(a))	**–**	(48)
– lease liabilities	**(1,676)**	(1,725)
	(281,687)	(210,387)

10. INCOME TAX EXPENSE

	2021 RMB'000	2020 RMB'000
Current tax		
PRC Enterprise Income Tax ("EIT")	**(141,624)**	(220,450)
Deferred tax (note 26)		
Credit to profit or loss	**106,578**	61,773
	(35,046)	(158,677)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

10. INCOME TAX EXPENSE *(Continued)*

Under the law and regulation of PRC on EIT (the "EIT Law"), the tax rate of the PRC subsidiaries is 25% for both years, except for the exemption and preferential rate as disclosed in note (b) below.

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB2,159,069,000 (2020: RMB3,348,284,000) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense for the year can be reconciled to the profit before tax as follows:

	2021	2020
	RMB'000	RMB'000
Profit before tax	**53,862**	700,732
Tax at the PRC EIT rate of 25% (2020: 25%)	**13,466**	175,183
Tax effect of expenses not deductible for tax purpose (note a)	**18,167**	32,251
Tax effect of non-taxable income	**(19,531)**	(20,615)
Tax effect of tax losses not recognised	**1,790**	14,580
Utilisation of tax loss previously not recognised	**(19,346)**	(4,871)
Tax effect of deductible temporary difference not recognised	**78,192**	–
Tax effect of share of results of associates	**(232)**	(984)
Tax effect of share of results of joint ventures	**2,289**	(250)
Tax effect of different tax rates of certain subsidiaries (note b)	**(38,019)**	(35,727)
Others	**(1,730)**	(890)
Income tax expense	**35,046**	158,677

Notes:

(a) The expenses not deductible for tax purpose mainly represented share-based payment expenses, professional fees incurred by offshore companies and welfare and entertainment expenses which exceed the tax deduction limits under the EIT Law.

(b) The different tax rates mainly come from (i) a PRC company, which is registered in Shenzhen, enjoys the former three-year income tax exemptions and later three-year halves from the profit-making year of each contract, under the condition of annual registration as energy conservation and environmental protection enterprise at local tax bureau and (ii) certain PRC companies engage in the encouraged industries in the western region of the PRC, are entitled to the PRC income tax at a preferential rate of 15% for both the year ended 31 December 2021 and 2020.

For certain group entities engaged in property management services (the "PM Entities"), pursuant to the relevant local tax regulations in the PRC, the Group has elected to file combined tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group defers the payment of certain tax provision due to combining the tax losses of loss making communities.

11. PROFIT FOR THE YEAR

	2021	2020
	RMB'000	RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	**1,310**	8,229
Other staffs' salaries and other benefits	**1,056,653**	1,276,413
Retirement benefits scheme contributions	**76,343**	88,850
Share-based payment expenses	**2,098**	5,607
Total staff costs	**1,136,404**	1,379,099
Auditors' remuneration	**4,300**	4,300
Amortisation of intangible assets (note 22)	**119,076**	137,774
Depreciation of property, plant and equipment (note 15)	**64,895**	48,206
Depreciation of right-of-use assets (note 16)	**9,879**	8,657

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the year are as follows:

	2021	2020
	RMB'000	RMB'000
Directors' fee	**748**	1,352
Other emoluments		
– salaries and other benefits	**–**	5,713
– retirement benefits scheme contributions	**–**	73
– share-based payment expenses	**562**	1,091
	1,310	8,229

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of the directors and chief executive, disclosed pursuant to the applicable Listing Rules and CO, are as follows:

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2021							
Executive Directors							
Mr. Pan Jun		–	–	–	–	122	122
Mr. Zhu Guogang	ii	–	–	–	–	–	–
Mr. Chen Xinyu	iii	–	–	–	–	–	–
Mr. Huang Wei	iv	–	–	–	–	122	122
Mr. Liu Hongcai	v	–	–	–	–	–	–
		–	–	–	–	244	244
Non-executive Directors							
Mr. Wu Qingbin	vi	–	–	–	–	–	–
Mr. Tang Xuebin	vii	6	–	–	–	122	128
Mr. Zhou Hongyi	viii	56	–	–	–	49	105
Mr. Zheng Hongyan	ix	–	–	–	–	–	–
Ms. Sun Dongni	x	–	–	–	–	–	–
		62	–	–	–	171	233
Independent non-executive Directors							
Dr. Liao Jianwen	xi	56	–	–	–	49	105
Mr. Tam Chun Hung, Anthony	xii	208	–	–	–	49	257
Mr. Xu Xinmin		238	–	–	–	49	287
Mr. Zhu Wuxiang	xiii	184	–	–	–	–	184
		686	–	–	–	147	833
Total		748	–	–	–	562	1,310

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000 (note i)	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2020							
Executive directors							
Mr. Pan Jun		–	240	–	–	237	477
Mr. Chen Xinyu	iii	–	240	–	–	–	240
Mr. Huang Wei	iv	–	722	4,400	47	237	5,406
		–	1,202	4,400	47	474	6,123
Non-executive directors							
Mr. Tang Xuebin	vii	392	–	111	26	237	766
Mr. Zhou Hongyi		240	–	–	–	95	335
		632	–	111	26	332	1,101
Independent non-executive directors							
Mr. Tam Chun Hung, Anthony	xii	240	–	–	–	95	335
Dr. Liao Jianwen	xi	240	–	–	–	95	335
Mr. Xu Xinmin		240	–	–	–	95	335
		720	–	–	–	285	1,005
		1,352	1,202	4,511	73	1,091	8,229

Notes:

i The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

ii Mr. Zhu Guogang was appointed as executive director on 26 March 2021 and resigned on 21 June 2023.

iii Mr. Chen Xinyu resigned on 23 June 2023.

iv Mr. Huang Wei resigned on 26 March 2021.

v Mr. Liu Hongcai was appointed as executive director on 24 December 2021.

vi Mr. Wu Qingbin was appointed as non-executive director on 26 March 2021.

vii Mr. Tang Xuebin resigned on 26 March 2021.

viii Mr. Zhou Hongyi resigned on 26 March 2021.

ix Mr. Zheng Hongyan was appointed as non-executive director on 26 March 2021.

x Ms. Sun Dongni was appointed as non-executive director on 26 March 2021.

xi Dr. Liao Jianwen resigned on 26 March 2021.

xii Mr. Tam Chun Hung, Anthony, resigned on 12 November 2021.

xiii Mr. Zhu Wuxiang was appointed as independent non-executive director on 26 March 2021.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Pan Jun (since 26 March 2021) and Mr. Huang Wei (before 26 March 2021) were the chief executive of the Company, and their emoluments disclosed above include those for services rendered by them as chief executive.

The five highest paid individuals of the Group included nil (2020: 1) director for the year ended 31 December 2021. Details of their emoluments are set out above. The emoluments of the remaining 5 (2020: 4) of the five highest paid individuals is as follows:

	2021	2020
	RMB'000	RMB'000
Employees		
– salaries and other benefits	**9,812**	13,772
– retirement benefits scheme contributions	**300**	60
	10,112	13,832

Their emoluments were within the following band:

	2021 Number of employees	2020 Number of employees
HKD2,000,001 to HKD2,500,000	**3**	–
HKD2,500,001 to HKD3,000,000	**1**	–
HKD3,000,001 to HKD3,500,000	**1**	–
HKD3,500,001 to HKD4,000,000	**–**	2
HKD4,000,001 to HKD4,500,000	**–**	1
HKD4,500,001 to HKD5,000,000	**–**	1

During the years ended 31 December 2021 and 2010, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, no directors waived any emoluments during the years ended 31 December 2021 and 2020.

13. DIVIDENDS

During the year ended 31 December 2021, a final dividend in respect of the year ended 31 December 2020 of RMB8.73 cents (2020: final dividend in respect of the year ended 31 December 2019 of RMB9.12 cents) per share was declared. In July 2021, RMB36,371,000 (2020: RMB24,928,000) were paid to the owners of the Company in cash and dividend amount of RMB90,639,000 (2020: RMB103,105,000) were paid to the shareholders in form of new fully paid shares of the Company.

The directors did not recommend the payment of a final dividend for the year ended 31 December 2021 (2020: RMB8.73 cents per share).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2021	2020
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**17,656**	501,721
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,487,526**	1,437,442

For the years ended 31 December 2021 and 2020, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

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15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
COST						
At 1 January 2020	30,653	35,834	321,822	9,548	1,471	399,328
Additions	–	20,002	9,753	320	191	30,266
Transfer	–	–	1,662	–	(1,662)	–
Disposals	–	–	(6,039)	(779)	–	(6,818)
At 31 December 2020	**30,653**	**55,836**	**327,198**	**9,089**	**–**	**422,776**
Additions	**3,897**	**16,399**	**11,073**	**169**	**–**	**31,538**
Disposals	**(31,258)**	**(7,395)**	**(122,261)**	**(5,535)**	**–**	**(166,449)**
At 31 December 2021	3,292	64,840	216,010	3,723	–	287,865
ACCUMULATED DEPRECIATION						
At 1 January 2020	1,604	17,866	171,911	5,212	–	196,593
Provided for the year	641	11,303	35,721	541	–	48,206
Eliminated on disposals	–	–	(3,168)	(760)	–	(3,928)
At 31 December 2020	**2,245**	**29,169**	**204,464**	**4,993**	**–**	**240,871**
Provided for the year	**1,258**	**19,486**	**43,006**	**1,145**	**–**	**64,895**
Eliminated on disposals	**(1,978)**	**(340)**	**(48,575)**	**(2,493)**	**–**	**(53,386)**
At 31 December 2021	**1,525**	**48,315**	**198,895**	**3,645**	**–**	**252,380**
CARRYING VALUES						
At 31 December 2021	**1,767**	**16,525**	**17,115**	**78**	**–**	**35,485**
At 31 December 2020	28,408	26,667	122,734	4,096	–	181,905

The above items of property, plant and equipment (other than the construction in progress) less their residual values are depreciated on a straight-line basis over the following period:

Leasehold land and buildings	Over the shorter of the term of lease or 50 years
Leasehold improvement	Over the shorter of the term of lease or 3-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5-10 years

16. RIGHT-OF-USE ASSETS

	Office premises and apartments RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 31 December 2021			
Carrying amount	**219,343**	**64,098**	**283,441**
As at 31 December 2020			
Carrying amount	28,753	66,451	95,204
For the year ended 31 December 2021			
Depreciation charge	**7,526**	**2,353**	**9,879**
For the year ended 31 December 2020			
Depreciation charge	6,284	2,373	8,657

	2021 RMB'000	2020 RMB'000
Expense relating to short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16	**1,932**	2,510
Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16, of low value assets	**1,077**	1,837
Total cash outflow for leases	**11,248**	11,588
Additions to right-of-use assets	**204,254**	18,700

For both years, the Group leases office premises and apartments for its operations. Lease contracts are entered into for fixed term of 2 years to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group has no extension and/or termination options in a number of leases for office premises and apartments. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only with consent of the Group and the respective lessors. As the Group has no enforceable rights and obligations to extend or terminate the leases, therefore, the Group has not considered those periods beyond the initial non-cancellable period and has not considered the early termination option in the non-cancellable period in the assessment of lease terms.

The above items of right-of-use are depreciated on a straight-line basis over the following period:

Office premises and apartments	2-20 years
Leasehold lands	Over the shorter of the estimated useful lives and lease term of 31 years

17. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2020	155,040
Additions	6,828
Disposals	(12,056)
Net change in fair value recognised in profit or loss	(2,461)
At 31 December 2020	147,351
Addition	14,458
Disposals	(122,370)
Net change in fair value recognised in profit or loss	(12,935)
At 31 December 2021	26,504

The fair values of the Group's completed investment properties at 31 December 2021 and 2020 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, respectively, both being independent qualified professional valuer not connected with the Group which have appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES *(Continued)*

The investment properties are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption to recover entirely through sale is not rebutted. The Group has recognised deferred taxation on fair value changes in investment properties taking into account the land appreciation tax upon disposal.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of these investment properties as at 31 December 2021 and 2020 are determined by direct comparison method which is based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

The following table gives information about how the fair values of these investment properties as at 31 December 2021 and 2020 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised into level 3 based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	**Fair value as at 31 December 2021** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Sensitivity**
Investment properties	26,504	Huizhou, Tianjin, Chengdu, Jingzhou and Jiujiang	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	Market unit sales price (RMB/sqm): 5,600 – 24,000	significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					Adjustment made to account for differences in location: 1% – 12%	significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

Investment properties held by the Group	**Fair value as at 31 December 2020** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Sensitivity**
Investment properties	147,351	Huizhou, Tianjin, Chengdu, Nantong, Nanjing, Wuxi, Jingzhou, Jiujiang, Wenzhou, Kunming, Changzhou, Yantai, Dalian, Baotou, Shuangliu and Taiyuan	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	1. Market unit sales price (RMB/sqm): 3,200 – 60,000	A significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					2. Adjustment made to account for differences in location: 1% – 22%	A significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

18. INTERESTS IN ASSOCIATES

	2021 RMB'000	2020 RMB'000
Cost of investments, unlisted	**36,998**	54,633
Share of post-acquisition results, net of dividends received	**3,575**	6,413
	40,573	61,046

Particulars of the Group's interests in principal associates at the end of the reporting period are as follows:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2021	2020	**2021**	2020	
青島西發物業發展有限公司 Qingdao Xifa Property Development Co., Ltd. ("Qingdao Xifa") (note d)	PRC	PRC	**10%**	10%	**10%**	10%	Property management in the PRC
天津嘉創物業服務有限公司 Tianjin Jiachuang Property Management Services Co., Ltd.	PRC	PRC	**–**	43%	**–**	43%	Property management in the PRC
蘭州城關物業服務集團有限公司 Lanzhou Chengguan Property Management Services Co., Ltd.	PRC	PRC	**–**	10%	**–**	10%	Property management in the PRC

Notes:

(a) During the year ended 31 December 2021, the Group made total investment of RMB3,083,000 to establish and acquire certain associates. The associates mainly act as investment holdings companies and invest in community-related services.

(b) During the year ended 31 December 2021, the Group has disposed of its interests in certain associates to independent third parties at a total consideration of RMB23,991,000 with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) During the year ended 31 December 2021, the Group received dividend of RMB493,000 from associates.

(d) Pursuant to the shareholders' agreement, the Group has 10% voting right at the shareholders' meeting and the board of directors of Qingdao Xifa, the governing body which directs the relevant activities that significantly affect the returns, consists of seven directors of which the Group and other two shareholders can appoint two directors, four directors and one director, respectively. The approval of relevant activities require a simple majority of directors' votes, therefore, Qingdao Xifa is accounted for as an associate of the Group.

Summarised financial information in respect of the Group's associates prepared in accordance with HKFRSs which is immaterial is set out below:

	2021 RMB'000	2020 RMB'000
Information of the associates that is not material:		
The Group's share of profit and other comprehensive income	**928**	3,937

19. INTERESTS IN JOINT VENTURES

	2021 RMB'000	2020 RMB'000
Cost of investments, unlisted	**112,519**	82,569
Share of post-acquisition results, net of dividends received	**10,912**	21,293
	123,431	103,862

Particulars of the Group's interests in principal joint ventures at the reporting dates are as follows:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group	Proportion of voting power held by the Group	Principal activities
			2021 and 2020	2021 and 2020	
深圳懿軒科技有限公司 Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan") (note a)	PRC	PRC	**46%**	**46%**	Provision of parking services
六安藍城佳園投資有限公司 Lu'an Lancheng Jiayuan Investment Co., Ltd. ("Lu'an Lancheng") (note b)	PRC	PRC	**35%**	**35%**	Investment holding

Notes:

(a) Pursuant to the amended shareholder's agreement, the Group has 46% voting right at the shareholder's meeting of Shenzhen Yixuan, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yixuan. Other than the Group, Shenzhen Yixuan has another two shareholders, which hold the 44% and 10% equity interests in Shenzhen Yixuan, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Shenzhen Yixuan is jointly controlled by the Group and the 44% shareholder.

(b) Pursuant to the amended Article and Association, the Group has 35% voting right at the shareholder's meeting, the governing body which directs the relevant activities that significantly affect the returns. Other than the Group, the two shareholders hold 51% and 14% equity interests in Lu'an Lancheng, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Lu'an Lancheng is jointly controlled by the Group and the 51% shareholder.

(c) During the year ended 31 December 2021, the Group made investment of RMB29,950,000 to establish and acquire joint ventures.

(d) During the year ended 31 December 2021, the Group received dividend of RMB1,227,000, from certain joint ventures.

Summarised financial information in respect of the Group's joint ventures prepared in accordance with HKFRSs which is immaterial is set out below:

	2021 RMB'000	2020 RMB'000
Information of the joint ventures that is not material:		
The Group's share of (loss) profit and other comprehensive (expense) income	**(9,154)**	996

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20. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	Notes	2021 RMB'000	2020 RMB'000
Unlisted equity investments			
– Home E&E	(a)	**63,691**	66,960
– Others	(b)	**49,352**	48,208
		113,043	115,168

Notes:

(a) The equity investment represented the Group's investment in equity securities issued by Shenzhen Home E&E Commercial Services Group Co., Ltd. (深圳市美易家商務服務集團股份有限公司) ("Home E&E"), a fellow subsidiary of the Company, which primarily engaged in property management, asset operation and management and the relevant value-added services for commercial properties in the PRC. The investment represented 4.2% shareholding of Home E&E.

(b) These unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2021 and 2020. The investees are mainly engaged in property management services. These investments are not regarded as associate or joint venture of the Group because the Group has no right to appoint directors under such investment arrangements. Details of the fair value measurement of the investments are set out in note 40(c).

21. GOODWILL

	RMB'000
COST	
At 1 January 2020 and 31 December 2020	2,318,122
Acquisition of subsidiaries (note a)	14,776
Disposal of subsidiaries (note b)	(1,445,758)
At 31 December 2021	887,140
IMPAIRMENT	
At 1 January 2020, 31 December 2020 and 2021	870
CARRYING VALUES	
At 31 December 2021	886,270
At 31 December 2020	2,317,252

Notes:

(a) During the year ended 31 December 2021, the Group acquired certain subsidiaries, which engages in property management services in PRC, at a total consideration of RMB31,292,000, after consideration of the impact of net assets acquired and non-controlling interests, goodwill amounting to approximately RMB14,776,000 was arose on the aforesaid acquisitions.

(b) The derecognition of goodwill is mainly due to the disposal of Link Joy Group. Details are set out in note 41.

21. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill above has been allocated to certain groups of cash-generating units ("CGU"), comprising Shenzhen region, Southern China, Eastern China, Southwestern China, Northwestern China, Northeastern China, Northern China and Central China. As at 31 December 2020 and 2021, the carrying amounts of goodwill (net of accumulated impairment losses) allocated to these groups of CGU are as follows:

	2021 **RMB'000**	2020 RMB'000
Shenzhen region	**9,707**	171,198
Southern China	**199,331**	353,384
Eastern China	**297,613**	650,984
Southwestern China	**251,394**	468,225
Northwestern China	**13,827**	113,964
Northeastern China	**7,662**	75,364
Northern China	**69,257**	225,998
Central China	**37,479**	258,135
	886,270	2,317,252

During the years ended 31 December 2021 and 2020, the management of the Group determined that there is no impairment of any of these groups of CGU containing goodwill arising from the acquisition of businesses and/or business combination under common control.

The recoverable amounts of the above groups of CGU have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates as at 31 December 2021 and 2020.

Cash flow projections during the budget period for the groups of CGU are based on the management's key estimation of future cash flows including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates.

The discount rates reflect specific risks relating to the relevant group of CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

21. GOODWILL *(Continued)*

	2021	2020
Discount rates	**13%**	17% – 18%
Growth rate within the five-year period	**2% – 8%**	0% – 4%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts to exceed its recoverable amounts.

22. INTANGIBLE ASSETS

	Property management contracts and customers' relationship RMB'000
COST	
At 1 January 2020 and 31 December 2020	1,436,470
Disposal of subsidiaries (note)	(1,267,784)
At 31 December 2021	168,686
AMORTISATION	
At 1 January 2020	345,235
Provided for the year	137,774
At 31 December 2020	483,009
Provided for the year	119,076
Disposal of subsidiaries (note)	(443,205)
At 31 December 2021	158,880
CARRYING AMOUNT	
At 31 December 2021	9,806
At 31 December 2020	953,461

Note: The derecognition of intangible assets is due to the disposal of Link Joy Group. Details are set out in note 41.

The property management contracts and customers' relationship were acquired from third parties through the acquisition of subsidiaries and/or business combination under common control.

The intangible assets have finite useful lives and are amortised on a straight-line basis over 5 years to 15 years, taking into account the prior experience of the renewal pattern of property management contracts.

23. CONTRACT ASSETS

	2021 RMB'000	2020 RMB'000
Unbilled revenue of equipment installation services	**95,897**	67,534
Less: allowance for credit losses	**(5,414)**	(3,976)
	90,483	63,558
Classified as:		
Non-current assets	**–**	14,572
Current assets	**90,483**	48,986
	90,483	63,558

As at 1 January 2020, contract assets amounted to RMB67,693,000.

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services relate to the installation of energy-saving lighting systems for the communities managed by the Group. The Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-month period. Upon the rights to consideration for the equipment installation services become unconditional, the amounts are transferred out of contract assets to trade receivables.

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2020	**1,784**	**1,045**	**2,829**
Impairment loss, net of reversal	**102**	**1,045**	**1,147**
Transfer to credit-impaired	**(224)**	**224**	**–**
Balance at 31 December 2020	**1,662**	**2,314**	**3,976**
Impairment loss, net of reversal	**1,438**	**–**	**1,438**
Transfer to credit-impaired	**(47)**	**47**	**–**
Balance at 31 December 2021	**3,053**	**2,361**	**5,414**

Details of the impairment assessment are set out in note 40(b).

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables	**638,074**	605,610
Less: allowance for credit losses	**(140,180)**	(58,621)
	497,894	546,989
Other receivables and prepayments:		
Refundable deposits	**924,766**	434,281
Advances to staffs	**82,344**	85,331
Prepayments to suppliers	**180,568**	101,705
Consideration receivables for disposal of subsidiaries and associates	**301,823**	1,849
Receivables for residential and commercial units rental assistance services on behalf of customers	**14,095**	17,746
Receivables from former shareholders of subsidiaries	**–**	8,310
Others	**116,524**	106,915
	1,620,120	756,137
Less: allowance for credit losses	**(20,450)**	–
	1,599,670	756,137
	2,097,564	1,303,126
Classified as:		
Non-current		
Other receivables	**86,854**	4,986
Current		
Trade receivables	**497,894**	546,989
Other receivables and prepayments	**1,512,816**	751,151
	2,010,710	1,298,140
	2,097,564	1,303,126

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Trade receivables are mainly arisen from property management services income from communities under lump sum basis, pre-delivery services and consultancy service arrangement, value-added services income and engineering services income.

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which the invoice date or the date of demand note represented the payment due date:

	2021 **RMB'000**	2020 RMB'000
0-30 days	**147,756**	164,835
31-90 days	**113,212**	143,029
91-180 days	**118,104**	104,276
181-365 days	**39,723**	93,005
Over 1 year	**79,099**	41,844
	497,894	546,989

The Group does not hold any collateral over these balances as at 31 December 2021 and 2020.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movements of allowance for credit losses in relation to trade receivables

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
Balance at 1 January 2020	4,369	52,201	56,570
Impairment loss, net of reversal	2,838	15,796	18,634
Transfer to credit-impaired	(3,460)	3,460	–
Amounts written off	–	(16,583)	(16,583)
Balance at 31 December 2020	**3,747**	**54,874**	**58,621**
Impairment loss, net of reversal	**4,873**	**76,686**	**81,559**
Transfer to credit-impaired	**(4,377)**	**4,377**	**–**
Balance at 31 December 2021	**4,243**	**135,937**	**140,180**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or when the trade receivables are over two years past due, whichever occurs earlier.

Details of the impairment assessment are set out in note 40(b).

25. LOAN RECEIVABLES

	Notes	2021 RMB'000	2020 RMB'000
Fixed-rate loans provided to			
– online platform and community-related service companies	(a)	**160,745**	227,817
– property management companies	(b)	**4,032**	30,982
		164,777	258,799
Less: allowance for credit losses		**(62,936)**	(32,850)
		101,841	225,949
Classified as:			
Non-current assets		**–**	1,761
Current assets		**101,841**	224,188
		101,841	225,949

Notes:

(a) As at 31 December 2021, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB160,745,000 (2020: RMB227,817,000). The loans carry interests ranging from 6% to 15% per annum and will mature in one year and are classified as current assets.

(b) As at 31 December 2021, the Group has entered into loan agreements with certain independent third parties, which engages in provision of property management services, regarding the fund provision of RMB4,032,000 (2020: RMB30,982,000). The loans carry interests was 12% per annum and matured in one year and are classified as current assets.

Movements of allowance for credit losses under lifetime ECL in relation to loan receivables

	Lifetime ECL (credit-impaired) RMB'000
Balance at 1 January 2020	16,250
Impairment loss, net of reversal	16,600
Balance at 31 December 2020	32,850
Impairment loss, net of reversal	30,086
Balance at 31 December 2021	62,936

Details of the impairment assessment are set out in note 40(b).

26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2021 and 2020:

	Allowance for credit losses	Temporary difference on contract assets and others	Fair value adjustments of properties	Fair value adjustments of equity instrument designated at FVTOCI	Intangible assets	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	64,346	(1,877)	(12,111)	(5,879)	(272,809)	(228,330)
Credit to profit or loss	18,183	8,935	211	–	34,444	61,773
Charge to other comprehensive income	–	–	–	(448)	–	(448)
At 31 December 2020	82,529	7,058	(11,900)	(6,327)	(238,365)	(167,005)
Credit to profit or loss	58,012	15,563	3,234	–	29,769	106,578
Disposal of subsidiaries	(52,233)	–	3,033	–	206,145	156,945
Charge to other comprehensive income	–	–	–	531	–	531
At 31 December 2021	88,308	22,621	(5,633)	(5,796)	(2,451)	97,049

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2021	2020
	RMB'000	RMB'000
Deferred tax assets	**105,897**	85,932
Deferred tax liabilities	**(8,848)**	(252,937)
	97,049	(167,005)

The Group had unutilised tax losses of RMB193,964,000 (2020: RMB264,188,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

The Group had deductible temporary difference of RMB705,188,000 (2020: RMB369,304,000). A deferred tax asset has been recognised in respect of RMB353,232,000 (2020: RMB330,116,000). No deferred tax asset has been recognised for the remaining amounts of RMB351,956,000 (2020: RMB39,188,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. DEPOSITS PAID FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

As at 31 December 2021, the Group has made deposits of RMB122,262,000 (2020: RMB10,653,000) in relation to the proposed acquisition of business through acquisition of certain property management companies from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

At the date these consolidated financial statements are authorised for issuance, the acquisitions of these subsidiaries have not been completed.

28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	Notes	2021 RMB'000	2020 RMB'000
Payments on behalf of residents	(a)		
– under commission basis	(c)	**1,159,959**	1,014,710
– under lump sum basis	(d)	**137,916**	222,036
– under consultancy services arrangements	(e)	**4,967**	9,454
		1,302,842	1,246,200
Less: allowance for credit losses		**(348,328)**	(195,582)
		954,514	1,050,618
Receipts on behalf of residents	(b)		
– under commission basis	(c)	**205,100**	52,061
– under lump sum basis	(d)	**105,692**	308,573
– under consultancy services arrangements	(e)	**3,180**	1,555
		313,972	362,189

Notes:

(a) The balances represent the current accounts with the property management offices of communities, which are the representatives of the residents of communities, managed by the Group. These property management offices of communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the communities, all transactions of these property management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the group entities.

(b) The balances represent the current accounts with individual residents of the communities managed by the Group.

(c) The balances represent the current accounts with the property management companies under commission basis services arrangement, including provision of treasury function by the Group for their management of the communities.

(d) A net receivable balance represents expenditures paid by the Group on behalf of the community, individual residents or property management companies in excess of the property management fees/reimbursements collected from the residents of that community. A net payable balance represents property management fee/reimbursements collected from residents of the community in excess of the expenditures paid by the Group on behalf of the community, individual residents or property management companies.

(e) The balances represent the current accounts with the property management companies under consultancy services management, including provision of treasury function by the Group for their management of the communities.

28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS *(Continued)*

Movements of allowance for credit losses under lifetime ECL in relation to payments on behalf of residents

	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000
Balance at 1 January 2020	11,440	135,224	146,664
Impairment loss, net of reversal	3,982	44,936	48,918
Transfer to credit-impaired	(2,745)	2,745	–
Balance at 31 December 2020	12,677	182,905	195,582
Impairment loss, net of reversal	5,937	146,809	152,746
Transfer to credit-impaired	(7,591)	7,591	–
Balance at 31 December 2021	11,023	337,305	348,328

The Group writes off payments on behalf of residents for a community when there is information indicating that the community is in severe financial difficulty and there is no realistic prospect of recovery.

Details of the impairment assessment are set out in note 40(b).

29. PLEDGED/RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

As at 31 December 2021, no bank deposits (2020: RMB122,118,000) were pledged to banks to secure the Group's banking facilities due within one year and classified as current assets.

For both the year ended 31 December 2021 and 2020, the Group's pledged bank deposits and bank balances carry interest at rates which range from 0.35% to 3.70% per annum, respectively.

At 31 December 2021, the restricted bank balances represented the balance of RMB64,343,000 (2020: RMB32,000,000) which was frozen under court notice in relation to the unfinalised legal proceedings.

30. TRADE AND OTHER PAYABLES AND ACCRUALS

	2021 **RMB'000**	2020 RMB'000
Trade payables	**190,240**	405,567
Other payables and accruals:		
Deposits received	**19,578**	293,424
Accrued staff costs	**71,589**	254,474
Provision for social insurance contributions	**15,818**	103,844
Other tax payable	**6,421**	76,513
Consideration payables for acquisition of subsidiaries	**–**	2,776
Receipts on behalf of online platform merchants	**–**	1,601
Rental payable	**755**	1,707
Other payables and accruals	**4,387**	70,182
	118,548	804,521
Total	**308,788**	1,210,088

30. TRADE AND OTHER PAYABLES AND ACCRUALS *(Continued)*

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2021 **RMB'000**	2020 RMB'000
0-60 days	**153,028**	254,251
61-180 days	**18,241**	109,287
181-365 days	**11,802**	27,091
Over 1 year	**7,169**	14,938
	190,240	405,567

31. CONTRACT LIABILITIES

	2021 **RMB'000**	2020 RMB'000
Advances from customers:		
Property management services	**155,513**	494,000
Equipment installation services	**3,687**	22,500
	159,200	516,500

As at 1 January 2020, contract liabilities amounted to RMB350,215,000.

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

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2021	494,000	22,500	516,500

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2020	329,307	20,908	350,215

31. CONTRACT LIABILITIES *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives the monthly property management service fee from customers in advance, it will give rise to contract liabilities, until the revenue recognised on the relevant contract upon provision of property management services, which are expected to be completed within one year from the date of advance payment made by customers.

When the Group receives a deposit before equipment installation commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit, which are expected to be completed within two year from the date of advance payment made by customers.

The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts within services are expected to be rendered within one year from the date of payment made by customers.

32. LEASE LIABILITIES

	2021	2020
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**7,078**	7,898
More than one year but not more than two years	**2,640**	7,206
More than two years but not more than five years	**3,203**	5,844
More than five years	**5,427**	5,879
	18,348	26,827
Less: Amount due for settlement within one year shown under current liabilities	**(7,078)**	(7,898)
Amount due for settlement after one year shown under non-current liabilities	**11,270**	18,929

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33. BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank loans	**184,834**	414,446
Other loans	**–**	542,235
	184,834	956,681
Secured	**164,834**	267,981
Unsecured	**20,000**	688,700
	184,834	956,681
Variable-rate borrowings	**–**	156,246
Fixed-rate borrowings	**184,834**	800,435
	184,834	956,681
Carrying amounts repayable:		
Within one year	**184,834**	436,181
More than one year, but not exceeding two years	**–**	520,500
	184,834	956,681
Less: amounts due within one year shown under current liabilities	**(184,834)**	(436,181)
Amounts shown under non-current liabilities	**–**	520,500

Note: The securities provided by the Group of the secured loans were the pledged bank deposits and equity interests of certain subsidiaries of the Company. Details of pledged assets were disclosed in note 48.

The ranges of effective interest rates on the Group's borrowings are as follows:

	2021	2020
Variable-rate borrowings	**–**	2.10% to 6.96%
Fixed-rate borrowings	**4.35% to 10.0%**	4.20% to 10.0%

34. SENIOR NOTES AND BONDS

	Notes	2021 RMB'000	2020 RMB'000
Senior notes:			
2020 USD100 million senior notes due 2021	(a)	–	668,659
2020 USD130 million senior notes due 2021	(b)	–	884,029
		–	1,552,688

Notes:

(a) During the year ended 31 December 2020, the Company issued non-public senior notes in an aggregate principal amount of USD100,000,000 ("2020 USD100 million senior notes due 2021"). The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company and carry interest of 8% per annum and interest is payable semi-annually on 28 August 2020 and 25 February 2021, unless redeemed earlier. The senior notes have been redeemed by the Company in full upon maturity on 25 February 2021.

(b) During the year ended 31 December 2020, the Company issued non-public senior notes in an aggregate principal amount of USD130,000,000 ("2020 USD130 million senior notes due 2021"). The senior notes are guaranteed by Fantasia Holdings and certain subsidiaries of the Company and carry interest of 10% per annum and interest is payable semi-annually on 22 January 2021 and 22 July 2021, unless redeemed earlier. The early redemption options entitled by the Company were expired in January 2021 and the senior notes were mature and fully repaid on 22 July 2021.

The movements of senior notes and bonds during the year are set out below:

	2021 RMB'000	2020 RMB'000
At 1 January	**1,552,688**	149,786
Net proceeds on the date of issuance	**514,689**	1,592,069
Effective interest recognised	**72,475**	107,622
Payment of interests	**(123,758)**	(37,944)
Redemption of senior notes and bonds	**(2,010,050)**	(150,000)
Exchange gain	**(6,044)**	(108,845)
At 31 December	–	1,552,688

35. ASSET-BACKED SECURITIES ISSUED

	2021 RMB'000	2020 RMB'000
Asset-backed securities issued		
2016 ABS	**–**	20,206
Carrying amounts repayable:		
Within one year	**–**	20,206

Note: In August 2016, Shenzhen Colour Life Services Group Co., Limited 深圳市彩生活服務集團有限公司 ("Shenzhen Colour Life") issued asset-backed securities ("2016 ABS") under securitisation arrangements collateralised by the future earnings relating to property management fee and guaranteed by Fantasia China. The 2016 ABS were issued at discount of 5.0% with aggregate nominal value of RMB300,000,000 which carry interests ranging from 4.5% to 6.1% per annum. Under the securitisation arrangement, the principal and interests are payable quarterly and with maturity from November 2016 to August 2021. The 2016 ABS were mature and fully repaid in 2021.

The movement of the asset-backed securities during the year is set out below:

	2021 RMB'000	2020 RMB'000
At 1 January	**20,206**	104,548
Effective interest recognised	**408**	7,715
Repayment	**(20,000)**	(85,740)
Interest paid	**(614)**	(6,317)
At 31 December	**–**	20,206

36. SHARE CAPITAL

	Notes	Number of shares '000	Amount HKD'000
Ordinary shares of HKD0.1 each			
Authorised:			
At 1 January 2020, 31 December 2020 and 2021		**50,000,000**	5,000,000
Issued and fully paid:			
At 1 January 2020		**1,422,746**	142,275
Issue of shares for scrip dividend	(a)	**32,122**	3,212
At 31 December 2020		**1,454,868**	145,487
Issue of shares for scrip dividend	(b)	**32,658**	3,266
At 31 December 2021		**1,487,526**	148,753

	Amount RMB'000
Shown in the consolidated financial statements:	
At 31 December 2021	120,750
At 31 December 2020	118,036

Notes:

(a) On 17 July 2020, approximately 32,122,000 ordinary shares of HK$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

(b) On 21 July 2021, approximately 32,658,000 ordinary shares of HK$0.10 each in the Company were issued to the shareholders of the Company as scrip dividend.

37. SHARE OPTION SCHEMES

(a) The Company

The Company's share option scheme (the "Colour Life's Scheme") was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to directors of the Company, certain employees of the Group and non-controlling shareholders of certain subsidiaries ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Persons to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Colour Life's Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2021, the total number of shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 55,964,000 (2020: 67,788,000) of HKD0.1 each, representing 3.8% (2020: 4.7%) of the issued share capital of the Company.

37. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

Details of the share options granted under the Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	HKD6.66	N/A	29/9/2014-28/9/2024
			29/9/2014-28/9/2015	29/9/2015-28/9/2024
			29/9/2014-28/9/2016	29/9/2016-28/9/2024
			29/9/2014-28/9/2017	29/9/2017-28/9/2024
	30 April 2015	HKD11.00	30/4/2015-29/4/2016	30/4/2016-29/4/2025
			30/4/2015-29/4/2017	30/4/2017-29/4/2025
			30/4/2015-29/4/2018	30/4/2018-29/4/2025
	18 March 2016	HKD5.76	18/3/2016-17/3/2017	18/3/2017-17/3/2026
			18/3/2016-17/3/2018	18/3/2018-17/3/2026
			18/3/2016-17/3/2019	18/3/2019-17/3/2026
	27 November 2018	HKD4.11	27/11/2018-26/11/2019	27/11/2019-26/11/2029
			27/11/2018-26/11/2020	27/11/2020-26/11/2029
			27/11/2018-26/11/2021	27/11/2021-26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	HKD6.66	N/A	29/9/2014-28/9/2024
			29/9/2014-28/9/2015	29/9/2015-28/9/2024
			29/9/2014-28/9/2016	29/9/2016-28/9/2024
			29/9/2014-28/9/2017	29/9/2017-28/9/2024
	30 April 2015	HKD11.00	30/4/2015-29/4/2016	30/4/2016-29/4/2025
			30/4/2015-29/4/2017	30/4/2017-29/4/2025
			30/4/2015-29/4/2018	30/4/2018-29/4/2025
	18 March 2016	HKD5.76	18/3/2016-17/3/2017	18/3/2017-17/3/2026
			18/3/2016-17/3/2018	18/3/2018-17/3/2026
			18/3/2016-17/3/2019	18/3/2019-17/3/2026
	27 November 2018	HKD4.11	27/11/2018-26/11/2019	27/11/2019-26/11/2028
			27/11/2018-26/11/2020	27/11/2020-26/11/2028
			27/11/2018-26/11/2021	27/11/2021-26/11/2028

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37. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The following table discloses movements of the Company's share options held by directors of the company, employees of the Group and non-controlling shareholders of certain subsidiaries during the years ended 31 December 2021 and 2020:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2021 '000
Directors	29 September 2014	N/A	520	–	–	–	520	–	(145)	–	375
		29/9/2014-28/9/2015	1,014	–	–	–	1,014	–	(145)	–	869
		29/9/2014-28/9/2016	1,014	–	–	–	1,014	–	(144)	–	870
		29/9/2014-28/9/2017	498	–	–	–	498	–	(154)	–	344
	30 April 2015	30/4/2015-29/4/2016	376	–	–	–	376	–	(154)	–	222
		30/4/2015-29/4/2017	375	–	–	–	375	–	(154)	–	221
		30/4/2015-29/4/2018	375	–	–	–	375	–	(35)	–	340
	18 March 2016	18/3/2016-17/3/2017	367	–	–	–	367	–	(35)	–	332
		18/3/2016-17/3/2018	366	–	–	–	366	–	(35)	–	331
		18/3/2016-17/3/2019	366	–	–	–	366	–	(33)	–	333
	27 November 2018	27/11/2018-26/11/2019	934	–	–	–	934	–	(33)	–	901
		27/11/2018-26/11/2020	933	–	–	–	933	–	(33)	–	900
		27/11/2018-26/11/2021	933	–	–	–	933	–	–	–	933
			8,071	–	–	–	8,071	–	(1,100)	–	6,971
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	4,087	–	(1,311)	–	2,776	–	(711)	–	2,065
		29/9/2014-28/9/2015	8,458	–	(2,492)	–	5,966	–	(1,526)	–	4,440
		29/9/2014-28/9/2016	8,458	–	(2,492)	–	5,966	–	(1,526)	–	4,440
		29/9/2014-28/9/2017	4,253	–	(1,183)	–	3,070	–	(778)	–	2,292
	30 April 2015	30/4/2015-29/4/2016	5,527	–	(1,428)	–	4,099	–	(751)	–	3,348
		30/4/2015-29/4/2017	5,526	–	(1,428)	–	4,098	–	(751)	–	3,347
		30/4/2015-29/4/2018	5,526	–	(1,428)	–	4,098	–	(751)	–	3,347
	18 March 2016	18/3/2016-17/3/2017	5,968	–	(1,641)	–	4,327	–	(677)	–	3,650
		18/3/2016-17/3/2018	5,968	–	(1,641)	–	4,327	–	(677)	–	3,650
		18/3/2016-17/3/2019	5,966	–	(1,641)	–	4,325	–	(677)	–	3,648
	27 November 2018	27/11/2018-26/11/2019	5,555	–	–	–	5,555	–	(633)	–	4,922
		27/11/2018-26/11/2020	5,555	–	–	–	5,555	–	(633)	–	4,922
		27/11/2018-26/11/2021	5,555	–	–	–	5,555	–	(633)	–	4,922
			76,402	–	(16,685)	–	59,717	–	(10,724)	–	48,993
Total			84,473	–	(16,685)	–	67,788	–	(11,824)	–	55,964
Exercisable at the end of the year							61,300				55,964
Weighted average exercise price (HKD)							6.51				6.51

Note: During the year ended 31 December 2021, 11,824,000 (2020: 16,685,000) share options to employees were lapsed.

37. SHARE OPTION SCHEMES *(Continued)*

(a) The Company *(Continued)*

The closing price of the shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option – Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	18 March 2016	30 April 2015	29 September 2014
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.11	HKD5.76	HKD11.00	HKD6.66
Expected volatility	50.79%	46.2%	46.26%	48.82%
Expected life	10 years	10 years	10 years	10 years
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	3.65%	1.55%	0.83%	0.01%

Expected volatility was determined by using the historical volatility of the daily share price of comparable companies.

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB24,625,000 on 27 November 2018, respectively. The Group recognised the total expense of RMB2,660,000 (2020: RMB6,698,000) for the year ended 31 December 2021 in relation to share options granted by the Company.

(b) Fantasia Holdings

The share option scheme of Fantasia Holdings (the "Fantasia's Scheme") was adopted pursuant to a resolution passed on 27 October 2009 for the primary purposes of providing incentives to certain directors and employees of Fantasia Holdings and its subsidiaries ("Eligible Directors and Employees"), including the Company and will expire on 28 August 2021 and 15 October 2022. Under the Fantasia's Scheme, the Board of Directors of Fantasia Holdings is authorised to grant options at a consideration of HKD1 per option to the Eligible Directors and Employees to subscribe for shares in Fantasia Holdings ("Fantasia Holdings' Shares").

The maximum number of Fantasia Holdings' Shares which may be issued upon exercise of all options to be granted under the Fantasia's Scheme ("Fantasia's Options") and any other share option schemes of Fantasia Holdings shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of Fantasia Holdings in issue at any point in time. Fantasia's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of Fantasia Holdings' share capital or with a value in excess of HKD5 million must be approved in advance by Fantasia Holdings' shareholders.

The exercisable period of an option is determined by the directors of Fantasia Holdings at their discretion. The expiry date of the option may be determined by the board of directors of Fantasia Holdings which shall not be later than the expiry day of the Fantasia's Scheme.

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37. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The exercise price is determined by the directors of Fantasia Holdings, and will not be less than the greater of: (i) the closing price of Fantasia on the offer date; (ii) the average of the closing price of Fantasia Holdings' Shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of Fantasia Holdings.

As at 31 December 2021, the total number of Fantasia Holdings' Shares to be issued upon the exercise of all options granted to eligible directors and employees of the Company under the Fantasia's Scheme is 4,989,000 (2020: 16,099,000) of HKD0.1 each, representing 0.1% (2020: 0.3%) of the issued share capital of Fantasia Holdings.

Details of the share options granted under the Fantasia's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011-28/8/2012	29/8/2012-28/8/2021
			29/8/2011-28/8/2013	29/8/2013-28/8/2021
			29/8/2011-28/8/2014	29/8/2014-28/8/2021
	16 October 2012	HKD0.8	16/10/2012-15/10/2013	16/10/2013-15/10/2022
			16/10/2012-15/10/2014	16/10/2014-15/10/2022
			16/10/2012-15/10/2015	16/10/2015-15/10/2022
Employees of Fantasia Holdings	29 August 2011	HKD0.836	29/8/2011-28/8/2012	29/8/2012-28/8/2021
			29/8/2011-28/8/2013	29/8/2013-28/8/2021
			29/8/2011-28/8/2014	29/8/2014-28/8/2021
	16 October 2012	HKD0.8	16/10/2012-15/10/2013	16/10/2013-15/10/2022
			16/10/2012-15/10/2014	16/10/2014-15/10/2022
			16/10/2012-15/10/2015	16/10/2015-15/10/2022

37. SHARE OPTION SCHEMES *(Continued)*

(b) Fantasia Holdings *(Continued)*

The following table discloses movements of Fantasia Holdings' share options held by employees and directors of the Group during the years ended 31 December 2021 and 2020:

Category grantees	Date of grant	Vesting period	Outstanding at 1 January 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2020 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2021 '000
Directors	29 August 2011	29/8/2011-28/8/2012	634	–	–	(62)	572	–	(572)	–	–
		29/8/2011-28/8/2013	1,268	–	–	(123)	1,145	–	(1,145)	–	–
		29/8/2011-28/8/2014	4,438	–	–	(431)	4,007	–	(4,007)	–	–
	16 October 2012	16/10/2012-15/10/2013	844	–	–	(3)	841	–	(342)	–	499
		16/10/2012-15/10/2014	1,689	–	–	(7)	1,682	–	(684)	–	998
		16/10/2012-15/10/2015	5,911	–	–	(23)	5,888	–	(2,396)	–	3,492
			14,784	–	–	(649)	14,135	–	(9,146)	–	4,989
Employees	29 August 2011	29/8/2011-28/8/2012	100	–	–	(11)	89	–	(89)	–	–
		29/8/2011-28/8/2013	202	–	–	(23)	179	–	(179)	–	–
		29/8/2011-28/8/2014	704	–	–	(80)	624	–	(624)	–	–
	16 October 2012	16/10/2012-15/10/2013	110	–	–	(3)	107	–	(107)	–	–
		16/10/2012-15/10/2014	221	–	–	(6)	215	–	(215)	–	–
		16/10/2012-15/10/2015	772	–	–	(22)	750	–	(750)	–	–
			2,109	–	–	(145)	1,964	–	(1,964)	–	–
Total			16,893	–	–	(794)	16,099	–	(11,110)	–	4,989
Exercisable at the end of the year							16,099				4,989
Weighted average exercise price (HKD)						0.81					0.80

Note: No expense for the years ended 31 December 2021 and 2020 in relation to share options granted by the Fantasia Holdings to the eligible directors and employees of the Company.

38. SHARE AWARD SCHEME

The Board of Directors of the Company has adopted a share award scheme (the "Share Award Scheme") on 4 July 2016 for certain employees of the Group and consultants to the Group as incentives or rewards for their contribution to the Group by way of the Company's shares acquired by and held through an independent trustee appointed by the Company (the "Trustee") until fulfilment of special conditions before vesting.

During the years ended 31 December 2021 and 2020, no shares held for the Share Award Scheme were awarded.

Up to 31 December 2021 and 2020, total of 1,802,000 Company's shares acquired have not been awarded to eligible employees or consultants.

39. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debts, which includes borrowings as disclosed in note 33, senior notes and bonds as disclosed in note 34, asset-backed securities issued as disclosed in note 35, amounts due to related parties as disclosed in note 47(b), net of cash and cash equivalents, and equity attributable to owners of the Company comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings, senior notes and bonds and asset-backed securities issued to ensure compliance with financial covenants.

The management of the Group reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the directors of the Company will balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debt.

40. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2021 **RMB'000**	2020 RMB'000
Financial assets		
Financial assets at amortised cost	**3,527,496**	5,827,088
Equity instruments designated at FVTOCI	**113,043**	115,168
Financial liabilities		
Amortised cost	**778,641**	4,200,842

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amounts due from related parties, equity instruments designated at FVTOCI, pledged/restricted bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables, amounts due to related parties, borrowings, senior notes and bonds and asset-backed securities issued. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group has bank balances, bank borrowings and senior notes which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective reporting period are as follows:

	2021 **RMB'000**	2020 RMB'000
Assets		
USD	**2,398**	283,840
HKD	**10,353**	101,230
Liabilities		
USD	**–**	1,552,688
HKD	**–**	126,246

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD and USD against RMB.

The following table details the Group's sensitivity to a 10% (2020: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2020: 10%) is the sensitivity rate used in the current year in respect of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances and bank borrowings. A negative number indicates a decrease in profit for the year where the RMB strengthens 10% against the relevant currencies. For a 10% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

Foreign currency sensitivity analysis

	2021	2020
	RMB'000	RMB'000
HKD		
(Decrease) increase in profit for the year	**(1,035)**	2,502
USD		
(Decrease) increase in profit for the year	**(240)**	126,885

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on pledged/restricted bank deposits and bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark quoted by the leading banks for the borrowings.

The Group is exposed to fair value interest rate risk in relation to fixed-rate borrowings, senior notes and bonds, asset-backed securities issued, lease liabilities, amount due from a fellow subsidiary and fixed-rate loan receivables (see notes 33, 34, 35, 32, 47(b), 25). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Bank balances and pledged/restricted bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances and pledged/restricted bank deposits at the end of the reporting period. A 25 basis points increase or decrease for the year ended 31 December 2021 (2020: 25 basis points) is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the year and all other variables were held constant, the Group's profit for the year would have increased/decreased by RMB1,244,000 (2020: RMB4,897,000).

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 31 December 2021 and 2020, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables with exposure spread over a number of customers.

Payments on behalf of residents and contract assets

In order to minimise the credit risk, the Group applies internal credit rating for its customers on payments on behalf of residents and contract assets on a timely basis and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on payments on behalf of residents and contract assets based on collective basis. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of the payments on behalf of residents and contract assets with exposure spread over a number of counterparties. The payments on behalf of residents and contract assets from each counterparty contributed less than 10% of payments on behalf of residents and contract assets at the end of the reporting period.

Other receivables, loan receivables and amounts due from related parties and bank balances

The credit risk of other receivables, loan receivables, amounts due from related parties are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the related parties, including fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and other related parties.

The credit-impaired loan receivables and amount due from a joint venture are assessed for ECL individually.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

In addition, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information, including historical experience and forward-looking information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	Notes	12m or life-time ECL	2021 Gross carrying amount RMB'000	2020 Gross carrying amount RMB'000
Financial assets at amortised cost						
– Trade receivables	N/A	(i)	24	Life-time ECL (provision matrix)	265,211	311,611
				Life-time ECL (credit-impaired and provision matrix)	372,863	293,999
					638,074	605,610
– Payments on behalf of residents	N/A	(ii)	28	Life-time ECL (collective basis)	657,725	781,990
				Life-time ECL (credit-impaired and collective basis)	645,117	464,210
					1,302,842	1,246,200
– Loan receivables	N/A	N/A	25	12m ECL	100,000	196,001
				Life-time ECL (credit-impaired)	64,777	62,798
					164,777	258,799
– Amount due from a related party	N/A	(iv)	47(b)	Life-time ECL (credit-impaired)	303,892	81,505
– Other receivables, remaining amounts due from related parties	N/A	N/A	24/47(b)	12m ECL	1,309,587	1,367,749
– Pledged/restricted bank balances and bank balances	AAA	N/A	29	12m ECL	663,660	2,611,894
Contract assets	N/A	(iii)	23	Life-time ECL (collective basis)	93,412	65,098
				Life-time ECL (credit-impaired and collective basis)	2,485	2,436
					95,897	67,534

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes:

(i) Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for trade receivables based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2021 and 2020.

		2021			2020		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0-30 days	Not credit-impaired	**0.5%**	**148,498**	**742**	0.5%	165,663	828
31-90 days	Not credit-impaired	**3.0%**	**116,713**	**3,501**	2.0%	145,948	2,919
91-180 days	Credit-impaired	**6.0%**	**125,643**	**7,539**	6.0%	110,932	6,656
181-365 days	Credit-impaired	**15.0%**	**46,733**	**7,010**	12.0%	105,687	12,682
1-2 years	Credit-impaired	**35.0%**	**121,691**	**42,592**	35.0%	64,374	22,530
Over 2 years	Credit-impaired	**100.0%**	**78,796**	**78,796**	100.0%	13,006	13,006
			638,074	**140,180**		605,610	58,621

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(ii) Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations. The amounts are credit-impaired and there is no realistic prospect of recovery.
Type II	Communities to which the Group provides the pre-delivery property management services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual residents and there is lower risk of default.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(ii) Payments on behalf of residents (Continued)

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed on collective basis as at 31 December 2021 and 2020.

		2021			2020		
	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Credit-impaired	95.0%	277,708	263,823	95.0%	120,084	114,080
Type II	Not credit-impaired	5.0%	111,149	5,557	5.0%	121,419	6,071
Type III	Not credit-impaired	1.0%	546,576	5,466	1.0%	660,571	6,606
Type IV	Credit-impaired	20.0%	367,409	73,482	20.0%	344,126	68,825
			1,302,842	348,328		1,246,200	195,582

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(iii) Contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on contract assets on a timely basis. The Group uses three categories for those contract assets which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities which the Group consider that low risk of default because the performance of installed engineering equipment meet the Group's expectations and no financial difficulty is identified.
Type II	Communities to which the Group provides the equipment installation services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual property management offices and there is lower risk of default.
Type III	Communities which the Group consider that no realistic prospect of recovery because the performance of installed engineering equipment does not meet the Group's expectations or financial difficulty of the property management office is identified. The amounts are credit-impaired and there is no realistic prospect of recovery.

The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed on collective basis as at 31 December 2021 and 2020.

		2021			2020		
	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Not credit-impaired	3.0%	88,399	2,652	2.0%	53,104	1,062
Type II	Not credit-impaired	8.0%	5,013	401	5.0%	11,994	600
Type III	Credit-impaired	95.0%	2,485	2,361	95.0%	2,436	2,314
			95,897	5,414		67,534	3,976

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(iv) Amount due from a related party

In prior years, the Group had entered into a cooperative agreement with certain independent third parties to establish a joint venture and engage in sub-leasing of office premises and commercial buildings. Pursuant to the cooperative agreement, upon the formation establishment of the joint venture, all the Group's interests in the lease agreements in relation to the lease of office premises and commercial buildings located in Shanghai and the sub-leasing agreements with tenants were transferred to the joint venture. The gross amount due from the aforesaid joint venture, classified as amounts due from related parties, represented funds advanced by the Group for its purchases of property, plant and equipment. During the year ended 31 December 2021, the joint venture continued to suffer losses in the sub-leasing business and is in financial difficulty.

In the opinion of the directors of the Company, the risk of default by the joint venture is significantly increased and the Group further provided RMB258,535,000 (2020: RMB4,010,000) credit loss allowance under life-time ECL during the year ended 31 December 2021.

As at 31 December 2021, the accumulated credit loss allowance under life-time ECL was RMB271,151,000 (2020: RMB12,616,000).

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings, senior notes and bonds and asset-backed securities issued and ensures compliance with relative covenants.

The Group relies on borrowings, senior notes and bonds and asset-backed securities issued as a significant source of liquidity.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 3 month	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021							
Trade and other payables	–	210,573	–	–	–	210,573	210,573
Receipts on behalf of residents	–	313,972	–	–	–	313,972	313,972
Amounts due to related parties							
– interest-free	–	69,262	–	–	–	69,262	69,262
Lease liabilities	7.97	2,092	6,276	8,673	6,164	23,205	18,348
Borrowings							
– fixed-rates	7.12	8,642	181,471	–	–	190,113	184,834
		604,541	187,747	8,673	6,164	807,125	796,989

40. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk (Continued)

Liquidity and interest risk tables *(Continued)*

	Weighted average effective interest rate	On demand or less than 3 month	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2020							
Trade and other payables	–	705,075	–	–	–	705,075	705,075
Receipts on behalf of residents	–	362,189	–	–	–	362,189	362,189
Amounts due to related parties							
– interest-free	–	604,003	–	–	–	604,003	604,003
Lease liabilities	6.59	2,255	6,763	17,226	8,303	34,547	26,827
Borrowings							
– variable-rates	4.50	31,678	127,526	–	–	159,204	156,246
– fixed-rates	7.66	95,169	209,448	564,338	–	868,955	800,435
Senior notes and bonds	9.14	721,841	891,686	–	–	1,613,527	1,552,688
Asset-backed securities issued	6.10	13,564	6,606	–	–	20,170	20,206
		2,535,774	1,242,029	581,564	8,303	4,367,670	4,227,669

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes is variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

(c) Fair value

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

40. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value *(Continued)*

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 31 December		Fair value hierarchy as at 31 December	
	2021 RMB'000	2020 RMB'000	**2021 RMB'000**	2020 RMB'000
Equity instruments designated at FVTOCI	**113,043**	115,168	**Level 3**	Level 3

As at 31 December 2021 and 2020, the fair value of equity instruments designated at FVTOCI is estimated by an independent valuer through application of generally accepted pricing models based on discounted cash flow analysis, which involved key estimates of expected future financial performance and discount rates.

Fair value of the Group's other financial assets and financial liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values, except for the following financial liabilities, for which their carrying amounts and fair values are disclosed as follows:

	Fair value hierarchy	**2021 Carrying amount RMB'000**	**2021 Fair value RMB'000**	2020 Carrying amount RMB'000	2020 Fair value RMB'000
Unlisted senior notes	Level 3	**–**	**–**	1,552,688	1,557,671
Asset-backed securities issued	Level 3	**–**	**–**	20,206	19,608

41. DISPOSAL OF SUBSIDIARIES

For the year ended 31 December 2021

During the year ended 31 December 2021, the Group disposed certain subsidiaries at a total consideration of RMB3,304,238,000. Included in the disposed subsidiaries, the disposal of Link Joy Holdings Group Co., Limited and its subsidiaries (collectively referred to as "Link Joy Group") constitute a significant disposal to the Group. Details are set out as below.

On 30 September 2021, the Group disposed of its entire 100% equity interest in Link Joy Group to an independent third party for a total consideration of RMB3,300,000,000.

41. DISPOSAL OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2021 *(Continued)*

Analysis of assets and liabilities over which control was lost:

	RMB'000
Property, plant and equipment	91,450
Investment properties	122,370
Right-of-use assets	6,138
Goodwill	1,430,545
Intangible assets	824,579
Deferred tax assets	52,233
Trade and other receivables	760,668
Payment on behalf of residents	371,061
Amounts due from related parties	1,012,803
Restricted/pledged bank deposits	14,937
Bank balances and cash	67,731
Contract liabilities	(270,927)
Trade and other payables	(887,873)
Lease liabilities	(6,170)
Receipts on behalf of residents	(273,521)
Amounts due to related parties	(75,487)
Tax liabilities	(76,733)
Deferred tax liabilities	(209,178)
Net assets disposed of	2,954,626

Analysis of the gain on disposal of Link Joy Group is as follows:

	RMB'000
Consideration transferred	3,300,000
Less: net assets disposed of	(2,954,626)
Gain on disposal of Link Joy Group	345,374

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of Link Joy Group is as follows:

	RMB'000
Cash consideration received	3,000,000
Less: bank balances and cash disposed of	(67,731)
Net inflow of cash and cash equivalents in respect of the disposal	2,932,269

42. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Borrowings	**Senior notes and bonds**	**Lease liabilities**	**Assets backed securities issued**	**Amounts due to related parties (non-trade nature)**	**Dividend payables**	**Total**
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 33)	(note 34)	(note 32)	(note 35)	(note 47(b))		
At 1 January 2021	956,681	1,552,688	26,827	20,206	600,717	–	3,157,119
Financing cash flows	(997,568)	(1,619,119)	(8,239)	(20,614)	(414,283)	(44,167)	(3,103,990)
Finance costs incurred	207,128	72,475	1,676	408	–	–	281,687
Foreign exchange translation	18,593	(6,044)	–	–	–	–	12,549
Disposal of subsidiaries	–	–	(6,170)	–	(117,172)	–	(123,342)
Issue of shares for scrip dividend	–	–	–	–	–	(90,639)	(90,639)
Dividends declared	–	–	–	–	–	134,806	134,806
Inception of leases	–	–	4,254	–	–	–	4,254
At 31 December 2021	184,834	–	18,348	–	69,262	–	272,444
At 1 January 2020	2,040,280	149,786	13,643	104,548	451,839	–	2,760,096
Financing cash flows	(1,178,992)	1,404,125	(7,241)	(92,057)	148,830	(38,416)	236,249
Finance costs incurred	93,277	107,622	1,725	7,715	48	–	210,387
Foreign exchange translation	2,116	(108,845)	–	–	–	–	(106,729)
Issue of shares for scrip dividend	–	–	–	–	–	(103,105)	(103,105)
Dividends declared	–	–	–	–	–	141,521	141,521
Inception of leases	–	–	18,700	–	–	–	18,700
At 31 December 2020	956,681	1,552,688	26,827	20,206	600,717	–	3,157,119

43. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2020, pursuant to the agreements entered into with independent property developers, all of which are customers of the Group, these customers agreed to dispose of their properties to the Group for the settlement of trade receivables due to the Group. During the year ended 31 December 2020, the carrying amounts of trade receivables of RMB6,828,000 were settled by the customers by transfer of car parks to the Group.

During the year ended 31 December 2021, the Group entered into certain new lease agreements for the use of office premises and apartments, which range from 2 to 4 years. On the lease commencement, the Group recognised RMB4,254,000 (2020: RMB18,700,000) for right-of-use assets and RMB4,254,000 (2020: RMB18,700,000) for lease liabilities.

44. CAPITAL AND OTHER COMMITMENTS

	2021 RMB'000	2020 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**22,775**	33,517
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**26,591**	26,865

45. RETIREMENT BENEFITS SCHEME

The Group operates Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Group is required to contribute 12% to 20% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

For the year ended 31 December 2021, the total expense recognised to the consolidated statement of profit or loss and other comprehensive income of RMB76,343,000 (2020: RMB88,850,000), respectively, represented contributions to the scheme.

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at the respective reporting date are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share/ registered capital	Effective interest held by the Group		Principal activities	Legal form
		RMB'000	2021	2020		
Directly held:						
Tong Yuan Holdings Limited	BVI	828,880	**100%**	100%	Investment holding	Limited liability company
Indirectly held:						
深圳市彩生活服務集團有限公司 Shenzhen Colour Life Services Group Co., Limited	PRC	500,000	**100%**	100%	Investment holding	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	90,000	**100%**	100%	Provision of value-added services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.	PRC	500,000	**100%**	100%	Provision of engineering services	Limited liability company

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(a) Material subsidiaries of the Company *(Continued)*

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share/ registered capital	Effective interest held by the Group		Principal activities	Legal form
		RMB'000	**2021**	2020		
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.	PRC	30,000	**100%**	100%	Provision of property management services	Limited liability company
深圳市開元國際物業管理有限公司 Shenzhen Kaiyuan International Property Management Co., Ltd. (note a)	PRC	27,000	**–**	100%	Provision of property management services	Limited liability company
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	PRC	7,500	**97%**	97%	Provision of property management services	Limited liability company
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	7,000	**100%**	100%	Provision of property management services	Limited liability company
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd. (note b)	PRC	1,000	**100%**	51%	Provision of engineering services	Limited liability company
上海同涞物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd.	PRC	50,000	**100%**	100%	Provision of property management services	Limited liability company
杭州卓盛物業管理有限公司 Hangzhou Zhuosheng Property Management Co., Ltd.	PRC	5,000	**80%**	80%	Provision of property management services	Limited liability company
深圳市幸福萬象投資合夥企業 (有限合夥) Shenzhen Xingfu Wanxiang Investment Partnership (Limited Partnership) (note a)	PRC	982,000	**–**	100%	Investment holding	Limited partnership
萬象美物業管理有限公司 Wanxiangmei Property Management Co., Ltd. (note a)	PRC	50,000	**–**	100%	Provision of property management services	Limited liability company
北京達爾文國際酒店物業管理有限公司 Beijing Darwin International Hotel Property Management Co., Ltd. (note b)	PRC	11,000	**100%**	51%	Provision of property management services	Limited liability company

Notes:

(a) These subsidiaries were disposed through the disposal of Link Joy Holdings Group Co., Limited during the year ended 31 December 2021. Details are set out in note 41.

(b) During the year ended 31 December 2021, the Group acquired the 49% equity interests of the subsidiaries from the non-controlling shareholder, upon the completion of acquisition, the Group have 100% equity interests in the subsidiaries.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries had issued debt securities at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follows:

Principal activities	Principal place of business	Number of subsidiaries 2021	2020
Investment holding	Cayman Islands	**3**	2
	BVI	**3**	5
	Hong Kong	**5**	3
	PRC	**9**	11
Provision of property management services	PRC	**146**	140
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of value-added services	PRC	**27**	52
Provision of engineering services	PRC	**2**	2
		197	217

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

As at 31 December 2021, no non-wholly owned subsidiary of the Group that have material non-controlling interests.

47. RELATED PARTY DISCLOSURES

(a) Related parties transactions

Apart from the related party transactions disclosed elsewhere in these consolidated financial statements, the Group had following significant transactions with related parties:

	2021 RMB'000	2020 RMB'000
Pre-delivery services income		
Fellow subsidiaries	**1,734**	10,763
An associate of Fantasia Holdings	**1,593**	1,760
A joint venture of Fantasia Holdings	**–**	2,918
Online promotion services income		
Associates of Fantasia Holdings	**19,099**	484
Entities controlled by Mr. Pan Jun, a director of the Company	**–**	23,583
Shenzhen Yixuan, a joint venture of the Group	**–**	5,660
Other value-added service fees		
Associates	**–**	116
Equipment installation services income		
Fellow subsidiaries	**11,827**	22,128
An associate of Fantasia Holdings	**645**	1,670
A joint venture of Fantasia Holdings	**1,499**	2,396
Associates	**–**	57
Interest expenses		
A fellow subsidiary	**–**	48

47. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	2021 RMB'000	2020 RMB'000
Amounts due from fellow subsidiaries	**32,280**	495,197
Amounts due from non-controlling shareholders of the subsidiaries	**7,941**	101,136
Amounts due from associates	**11,271**	19,531
Amounts due from joint ventures	**2,741**	299,851
Amounts due from related parties	**35,120**	52,940
	89,353	968,655
Less: Amounts expected to realise after 1 year and shown under non-current assets	**–**	(68,889)
Amounts expected to realise within 1 year and shown under current assets	**89,353**	899,766

As at 31 December 2021, the amounts due from fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and other related parties are non-trade in nature, interest-free, unsecured and repayable on demand.

	2021 RMB'000	2020 RMB'000
Amounts due to fellow subsidiaries	**25,304**	427,421
Amounts due to non-controlling shareholders of the subsidiaries	**2,294**	71,456
Amounts due to associates	**22,232**	23,077
Amounts due to joint ventures	**7,925**	41,459
Amounts due to related parties	**11,507**	40,590
	69,262	604,003

As at 31 December 2021, the amounts due to fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and other related parties are non-trade in nature, interest-free, unsecured and repayable on demand.

47. RELATED PARTY DISCLOSURES *(Continued)*

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2021 and 2020 were as follows:

	2021	2020
	RMB'000	RMB'000
Short-term benefits	**17,164**	25,397
Post-employment benefits	**486**	465
Share-based payment expenses	**2,207**	3,209
	19,857	29,071

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

48. PLEDGE OF ASSETS

The following assets were pledged to secure certain banking and other facilities granted to the Group at the end of the reporting period:

	2021	2020
	RMB'000	RMB'000
Pledged bank deposits	**–**	154,118
Property, plant and equipment	**–**	22,825
Trade receivables	**–**	14,272
	–	191,215

The Group's equity interests in certain subsidiaries have been pledged to secure certain banking and other facilities granted to the Group.

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2021 RMB'000	2020 RMB'000
Non-Current Assets		
Investments in subsidiaries	**553,032**	553,032
Amounts due from subsidiaries	**1,749,973**	3,026,910
	2,303,005	3,579,942
Current Assets		
Other receivables and prepayments	**1,796**	1,796
Amount due from a related party	**1**	1
Pledged bank deposits	**–**	90,005
Bank balances and cash	**4,323**	288,890
	6,120	380,692
Current Liabilities		
Other payables	**3,869**	3,868
Amounts due to subsidiaries	**99,481**	162,279
Senior notes	**–**	1,552,688
Borrowing due within one year	**–**	126,246
	103,350	1,845,081
Net Current Liabilities	**(97,230)**	(1,464,389)
Total Assets Less Current Liabilities	**2,205,775**	2,115,553
Net Assets	**2,205,775**	2,115,553
Capital and Reserves		
Share capital	**120,750**	118,036
Reserves	**2,085,025**	1,997,517
Total equity	**2,205,775**	2,115,553

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2021

49. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movements in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Shares held for share award scheme RMB'000	(Accumulated losses) /retained earnings RMB'000	Total RMB'000
At 1 January 2020	1,805,780	233,676	(6,795)	(165,140)	1,867,521
Profit and total comprehensive income for the year	–	–	–	151,128	151,128
Issue of shares for scrip dividend	100,203	–	–	–	100,203
Dividends recognised as distributions to shareholders	(128,033)	–	–	–	(128,033)
Recognition of equity-settled share-based payment	–	6,698	–	–	6,698
At 31 December 2020	1,777,950	240,374	(6,795)	(14,012)	1,997,517
Profit and total comprehensive income for the year	–	–	–	123,933	123,933
Issue of shares for scrip dividend	87,925	–	–	–	87,925
Dividends recognised as distributions to shareholders	(127,010)	–	–	–	(127,010)
Recognition of equity-settled share-based payment	–	2,660	–	–	2,660
	1,738,865	243,034	(6,795)	109,921	2,085,025

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